

# Annual Audit Report 2021 – Hywel Dda University Health Board

Audit year: 2020-21

Date issued: April 2022

Document reference: 2777A2021-22

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# Summary report

## About this report

- 1 This report summarises the findings from my 2021 audit work at Hywel Dda 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 public bodies continued responding to the unprecedented challenges presented by the COVID-19 pandemic, whilst at the same time recovering services. My work programme was designed to best assure the people of Wales that public funds are well managed. I have considered the impact of the current crisis on both resilience and the future shape of public services. I aimed to ensure my work did not hamper public bodies in tackling the crisis, whilst ensuring it continued to support both scrutiny and learning. On-site audit work continues to be restricted, and we continued to work and engage remotely where possible through the use of technology. This inevitably had an impact on how we deliver audit work but has also helped to embed positive changes in our ways of working.
- 4 As was the case in 2020, the delivery of my audit of accounts work was not without its challenges, not only in how and where we undertook the work, but also in taking account of considerations for financial statements arising directly from the pandemic. The success in delivering it reflects a great collective effort by both my staff and the Health Board's officers to embrace and enable new ways of working and remain flexible to and considerate of the many issues arising.
- 5 I have adjusted the focus and approach of my performance audit work to ensure its relevance in the context of the crisis and to enable remote working. My programme of work has provided focus on themes, lessons and opportunities relating to NHS governance and NHS staff wellbeing. I have reviewed the Test, Trace, Protect programme and the rollout of the COVID-19 vaccine. My local audit teams have commented on how governance arrangements have adapted to respond to the pandemic, and the impact the crisis has had on service delivery. I have also reviewed the governance arrangements of the Welsh Health Specialised Services Committee.

- 6 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 planned work currently being re-scoped.
- 7 **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 2021 Audit Plan.
- 8 **Appendix 3** sets out the financial audit risks set out in my 2021 Audit Plan and how they were addressed through the audit.
- 9 The Chief Executive, the Director of Finance and Board Secretary have agreed the factual accuracy of this report. We presented it to the Board on 27 January 2022. 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.
- 10 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

- 11 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 the Health Board's internal controls (as relevant to my audit). However, I placed an Emphasis of Matter paragraph in my report to draw attention to disclosures in the accounts in note 21 relating to the impact of a Ministerial Direction issued on 18 December 2019 to the Permanent Secretary of the Welsh Government. I brought one other issue to the attention of officers and the Audit Committee. The Health Board's system to collect year-end annual leave balances and calculate the year end provision is not robust and should be improved.
- 12 The Health Board did not achieve financial balance for the three-year period ending 31 March 2021 or have an approved three-year integrated medium-term plan in place for the period 2019-22. Although it had no other material financial transactions that were not in accordance with authorities nor used for the purposes intended, I have issued a qualified opinion on the regularity of the financial transactions within the Health Board's 2020-21 accounts.
- 13 Alongside my audit opinion, I placed a substantive report on the Health Board's financial statements to highlight the failure to achieve financial balance and to have an approved three-year plan in place and to set out further detail on the Emphasis of Matter paragraph that I included in my audit opinion.

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

14 My programme of Performance Audit work has led me to draw the following conclusions:

- the Test, Trace, Protect programme is making an important contribution to the management of COVID-19 in Wales. Whilst the programme struggled to cope with earlier peaks in virus transmission, it has demonstrated an ability to rapidly learn and evolve in response to the challenges it has faced.
- in relation to the Welsh Health Specialised Services Committee Governance Arrangements: since the previous reviews in 2015, governance, management and planning arrangements have improved, but the impact of COVID-19 will now require a clear strategy to recover services and there would still be benefits in reviewing the wider governance arrangements for specialised services in line with the commitments within 'A Healthier Wales'.
- the COVID-19 vaccination programme in Wales has been delivered at significant pace with local, national and UK partners working together to vaccinate a significant proportion of the Welsh population. A clear national plan is now needed for the challenges which lie ahead.
- all NHS bodies have maintained a clear focus on staff wellbeing throughout the pandemic and implemented a wide range of measures to support the physical health and mental wellbeing of their staff during the crisis. It is vital that these activities are built upon, and that staff wellbeing remains a central priority for NHS bodies as they deal with the combined challenges of recovering services, continuing to respond to the COVID-19 pandemic, and also managing seasonal pressures.
- the Health Board's arrangements for developing operational plans are generally effective, although for the plan for quarters three and four of 2020-2021, it did not have the processes necessary to monitor and review progress in delivering its priorities.
- the Health Board has effective Board and committee arrangements, is committed to high quality services and staff wellbeing, and since my earlier work, has well-developed plans which are now routinely monitored. A number of innovative approaches have been adopted to aid scrutiny and assurance, and although operational arrangements for risk and quality governance have posed challenges, improvement action is now underway.
- while the Health Board continues to face significant financial challenges, it has maintained effective financial controls and monitoring and reporting is robust. The Health Board is working hard to achieve financial recovery but is managing a number of risks and delivery is being hindered by operational capacity to develop recurring saving schemes.
- the Health Board is committed to providing safe, high quality services and has aligned its strategy and plans with risk and quality improvement. While

corporate structures and resources provide effective support for quality governance and improvement, inconsistencies in operational arrangements and weaknesses in operational risk management limit the provision of assurance. Monitoring and scrutiny of the quality and safety of services are being strengthened through increased use of quality outcome measures.

15 These findings are considered further in the following sections.

# Detailed report

## Audit of accounts

- 16 This section of the report summarises the findings from my audit of the Health Board's financial statements for 2020-21. These statements are how the organisation shows its financial performance and sets out its net assets, net operating costs, recognised gains and losses, and cash flows. Preparing the statements is an essential element in demonstrating the appropriate stewardship of public money.
- 17 My 2021 Audit Plan set out the financial audit risks for the audit of the Health Board's 2020-21 financial statements. **Exhibit 4** in **Appendix 3** lists these risks and sets out how they were addressed as part of the audit.
- 18 My responsibilities in auditing the Health Board's financial statements are described in my [Statement of Responsibilities](#) publications, which are available on the [Audit Wales website](#).

## Accuracy and preparation of the 2020-21 financial statements

- 19 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 the Health Board's internal controls (as relevant to my audit). However, I placed an Emphasis of Matter paragraph in my report to draw attention to disclosures in the accounts relating to note 21 of the financial statements which describes the impact of a Ministerial Direction issued on 18 December 2019 to the Permanent Secretary of the Welsh Government, instructing her to fund NHS Clinicians' pension tax liabilities incurred by NHS Wales bodies in respect of the 2020-21 financial year. I also brought one other issue to the attention of officers and the Audit Committee about the need to improve the system to collect year end annual leave balances and calculate the year-end provision.
- 20 Draft accounts were submitted for audit on time and the quality of working papers was good. No other material weaknesses were identified in internal controls.
- 21 I must report issues arising from my work to those charged with governance before I issue my audit opinion on the accounts. My Financial Audit Engagement Lead reported these issues to the Health Board's Audit and Risk Assurance Committee on 10 June 2021. **Exhibit 1** summarises the key issues set out in that report.

## Exhibit 1: issues identified in the Audit of Financial Statements Report

Issue	Auditors' comments
Uncorrected misstatements	None
Corrected misstatements	There were initial misstatements in the accounts that were corrected by management.
Other significant issues	<ul style="list-style-type: none"> <li>• Emphasis of Matter paragraph to draw attention to disclosures in the accounts relating to note 21 of the financial statements which describes the impact of a Ministerial Direction issued on 18 December 2019 to the Permanent Secretary of the Welsh Government, instructing her to fund NHS Clinicians' pension tax liabilities incurred by NHS Wales bodies in respect of the 2020-21 financial year.</li> <li>• The need to improve the Health Board's system to collect year end annual leave balances to be able to calculate the year-end provision.</li> <li>• Regularity opinion qualified because the Health Board did not achieve financial balance for the three-year period ending 31 March 2021. No approved three-year integrated medium-term plan in place for the period 2019-22.</li> </ul>

22 As a result of delays in instruction from the National Audit Office we have been unable to review the Whole of Government Accounts return to date. We will complete this audit work as soon as audit requirements are clear.

23 My separate audit of the charitable funds financial statements is complete and reported to trustees. An unqualified audit opinion was given and there were no significant matters arising.

### Regularity of financial transactions

24 The Health Board did not achieve financial balance for the three-year period ending 31 March 2021 or have an approved three-year integrated medium-term plan in place for the period 2019-22, and although it had no other material financial transactions that were not in accordance with authorities nor used for the purposes

intended, I have issued a qualified opinion on the regularity of the financial transactions within the Health Board's 2020-21 accounts.

- 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 the income and incur the 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 For 2020-21 the Health Board failed to meet both the first and the second financial duty. The first financial duty gives additional flexibility to NHS bodies by allowing them to balance their income with their expenditure over a three-year rolling period. The three-year period being measured under this duty this year is 2019-20 to 2021-22.
- 27 The Health Board did not manage its revenue expenditure within its resource allocation over this three-year period, exceeding its cumulative revenue resource limit of £2.755 billion by £95.3 million. Where an NHS body does not balance its books over a rolling three-year period, any expenditure over the resource allocation for those three years exceeds the NHS body's authority to spend and is therefore classed as 'irregular'.
- 28 The second financial duty requires NHS bodies to prepare and have approved by the Welsh Ministers a rolling three-year integrated medium-term plan. This duty is an essential foundation to the delivery of sustainable quality health services. An NHS body will be deemed to have met this duty for 2020-21 if it submitted a 2019-22 plan approved by its Board to the Welsh Ministers who then approved it by the 30 June 2019. This duty is unchanged from last year because due to the pandemic, the duty to prepare a new three-year plan for the period 2020-23 was paused, leaving the previous year's duty in place. The Health Board did not meet its second financial duty to have an approved three-year integrated medium-term plan in place for the period 2019-22.
- 29 Alongside my audit opinion, I placed a substantive report on the Health Board's financial statements to highlight the failure to achieve financial balance and to have an approved three-year plan in place, and to set out further detail on the Emphasis of Matter paragraph that I included in my audit opinion.
- 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 Health Board's failure to meet financial duties I issued a substantive report setting out the factual details: it failed its duty to achieve financial balance and it does not have an approved three-year plan in place (as set out above). The report also sets out more detail on the Emphasis of Matter paragraph in my audit opinion.

## 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:
- examining how NHS bodies have responded to the challenges of delivering the Test, Trace, Protect programme.
  - reviewing the governance arrangements of the Welsh Health Specialised Services Committee.
  - reviewing how well the rollout of the COVID-19 vaccination programme was progressing.
  - reviewing how NHS bodies supported staff wellbeing during the COVID-19 pandemic.
  - undertaking a phased structured assessment of the Health Board's corporate arrangements for ensuring that resources are used efficiently, effectively, and economically.
  - reviewing the effectiveness of the Health Board's quality governance arrangements.
- 32 My conclusions based on this work are set out below.

### Test, Trace, Protect programme

- 33 My work examined how public services responded to the challenges of delivering the Welsh Government's Test, Trace, Protect Programme (TTP). As well as commenting on the delivery of TTP up to and including December 2020, my report set out some key challenges and opportunities that will present themselves as part of the ongoing battle to control COVID-19.
- 34 I found that the different parts of the Welsh public and third sector had worked well together to rapidly build the TTP programme. The configuration of the system blended national oversight and technical expertise with local and regional ownership of the programme, and the ability to use local intelligence and knowledge to shape responses.
- 35 Arrangements for testing and contact tracing have evolved as the pandemic has progressed. But maintaining the required performance in these arrangements proved challenging in the face of increasing demand.
- 36 Despite increased testing and tracing activity, the virus continued to spread, and as in other parts of the UK and internationally, testing and tracing have needed to be

supplemented with local and national lockdown restrictions in an attempt to reduce transmission rates.

- 37 While a range of support mechanisms exist, it remains difficult to know how well the 'protect' element of TTP has been working in supporting people to self-isolate.

## Welsh Health Specialised Services Committee governance arrangements

- 38 In May 2021, I published my review on the governance arrangements of the Welsh Health Specialised Services Committee (WHSSC). WHSSC is a joint committee made up of, and funded by, the seven local health boards in Wales. On a day-to-day basis, the Joint Committee delegates operational responsibility for commissioning to Welsh Health Specialised Services officers, through the management team. WHSSC, which is hosted by Cwm Taf Morgannwg University Health Board, has an annual budget of £680 million and makes collective decisions on the review, planning, procurement, and performance monitoring of specialised services for the population of Wales on behalf of health boards.
- 39 In 2015, two separate reviews highlighted issues with WHSSC's governance arrangements. Considering the time passed since the two reviews, together with increasing service and financial pressures and the changing landscape of collaborative commissioning, I felt it was timely to review WHSSC's governance arrangements.
- 40 My review found a number of improvements have been made to the overall governance arrangements in WHSCC since 2015. Good progress has been made to strengthen arrangements for quality assurance of specialised services, although scope still exists to increase the attention given to finance, performance, and quality reporting at Joint Committee. There is also a need to review the arrangements for recruiting and remunerating independent members that sit on the Joint Committee given some of the challenges in filling these roles. Current Joint Committee members have a healthy working relationship and operate well together. However, the current model creates potential conflicts of interest due to the fact some Joint Committee members are also the Chief Officers of the health bodies commissioned to provide specialised services.
- 41 My review found that arrangements for planning commissioned services are generally good and there is an improving focus on value. However, some key new services such as new service models for major trauma and thoracic surgery have taken a long time to agree and implement. My review also found that the COVID-19 pandemic has significantly affected the delivery of specialised services, and that the development of a plan for the recovery of specialised services should now be a priority. The Welsh Government's long-term plan for health and social care, A Healthier Wales, signals the intention to review a number of hosted national functions, including WHSSC, with the aim of 'consolidating national activity and clarifying governance and accountability'.

- 42 Whilst the governance arrangements for WHSSC have continued to improve, my report shows that there are still a number of facets of the WHSSC model that merit further attention.

## **Vaccination programme**

- 43 My audit focused on the rollout of the COVID-19 programme in Wales up to June 2021, the factors that affected the rollout and future challenges and opportunities.
- 44 The vaccine programme has delivered at significant pace. At the time of reporting, vaccination rates in Wales were the highest of the four UK nations, and some of the highest in the world. The milestones in the Welsh Government's vaccination strategy provided a strong impetus to drive the programme and up to the time of reporting, the key milestones had been met.
- 45 The UK's Joint Committee on Vaccination and Immunisation (JCVI) guidance on priority groups was adopted but the process of identifying people within some of those groups has been challenging.
- 46 The organisations involved in the rollout have worked well to set up a range of vaccination models which make the best use of the vaccines available, while also providing opportunities to deliver vaccines close to the communities they serve.
- 47 Overall vaccine uptake to the time of reporting was high, but there was a lower uptake for some ethnic groups and in the most deprived communities. At the time of the audit, vaccine wastage was minimal, but concerns were emerging about non-attendance at booked appointments.
- 48 The international supply chain is the most significant factor affecting the rollout, with limited vaccine stock held in Wales. However, increasing awareness of future supply levels was allowing health boards to manage the vaccine rollout effectively.
- 49 As the programme moved into the second half of 2021, challenges presented themselves around encouraging take-up amongst some groups, vaccine workforce resilience and venue availability. A longer-term plan is needed to address these and other elements of the ongoing vaccination programme.

## **How NHS bodies supported staff wellbeing during the COVID-19 pandemic**

- 50 My review considered how NHS bodies have supported the wellbeing of their staff during the pandemic, with a particular focus on their arrangements for safeguarding staff at higher risk from COVID-19.
- 51 NHS staff have shown tremendous resilience and dedication throughout the pandemic, despite facing huge strains to their mental and physical health. The NHS in Wales was already facing a number of challenges relating to staff wellbeing prior to the pandemic, and the crisis has highlighted the importance of supporting the mental and physical health of the NHS workforce.

- 52 Through my structured assessment work, I found that NHS bodies moved quickly at the beginning of the pandemic to enhance wellbeing initiatives to support staff through unprecedented times. As the pandemic unfolded, I found that NHS bodies in Wales implemented a range of measures to improve staff wellbeing, such as creating dedicated rest spaces, increasing mental health and psychological wellbeing provision, enhancing infection and prevention control measures, and enabling remote working.
- 53 My work also looked at how NHS bodies in Wales protected staff at higher risk from COVID-19. Amongst other safeguarding initiatives, I found that all bodies rolled out the All-Wales COVID-19 Workforce Risk Assessment Tool which identifies those at a higher risk and encourages a conversation about additional measures to be put in place to ensure staff are adequately protected. Although NHS bodies promoted and encouraged staff to complete the assessment tool, completion rates varied between NHS bodies.
- 54 While the crisis has undoubtedly had a considerable impact on the wellbeing of staff in the short term, the longer-term impacts cannot be underestimated. With a more emotionally and physically exhausted workforce than ever, NHS bodies in Wales must maintain a focus on staff wellbeing and staff engagement to navigate through the longer-term impacts of the crisis. My report, therefore, is accompanied by a checklist which sets out some of the questions NHS Board members should be asking to ensure their health bodies have good arrangements in place to support staff wellbeing.
- 55 At a local level, my structured assessment found that the Health Board continues to make a strong commitment to staff wellbeing and is leading the way with its discovery work to understand and learn from staff experiences during the pandemic.

## Structured assessment

- 56 My structured assessment work was designed in the context of the ongoing response to the pandemic. I ensured a suitably pragmatic and relevant approach to help me discharge my statutory responsibilities, whilst minimising the impact on NHS bodies as they continue to respond to the pandemic. My team undertook the work into two phases this year:
- phase 1 considered the planning arrangements underpinning the development and delivery of the operational plan for quarters three and four of 2020-21.
  - phase 2 considered how corporate governance and financial management arrangements adapted over the year. Auditors also paid attention to progress made to address previous recommendations.

## **Operational planning arrangements**

- 57 My work considered the Health Board's arrangements underpinning the operational plan for quarters three and four of 2020-21. The planning framework covered the maintenance of effective and efficient operational planning arrangements in health bodies to guide their response to the pandemic as well as responding to winter pressures and laying the foundations for effective recovery of services.
- 58 My work found that the Health Board's plan for quarters three and four was submitted to the Welsh Government within the required timeframe, covers the necessary areas within the planning framework guidance and received the required Board scrutiny, through the use of Board Seminars and the previous People, Planning and Performance Assurance Committee.
- 59 The Health Board's approach has increasingly enabled operational teams to drive the planning process, but further improvements were needed. The plan for quarters three and four lacked clear information about progress over the previous quarters, linkage with the development of supporting plans was not always evident, and planning capacity to support the process was stretched. There was reporting to Board on key areas within the plan for quarters three and four, but at the time of my review the Health Board did not have the necessary processes to monitor and review progress with its operational plans.

## **Governance arrangements**

- 60 My work considered the Health Board's ability to maintain sound governance arrangements while having to respond to the unprecedented challenges presented by the pandemic. The key focus of the work has been the corporate arrangements for ensuring that resources are used efficiently, effectively, and economically. We also considered how business deferred in 2020 was reinstated and how learning from the pandemic is shaping future arrangements for ensuring continued good governance and recovery.
- 61 My work found that the Board continues to conduct business in an open and transparent way. The Health Board has maintained good governance arrangements, with committees working well and adapting accordingly to reduce the burden on staff. Information to support scrutiny and assurance is comprehensive and good use has been made of opportunities to keep independent members briefed. The Board is committed to reviewing its effectiveness and has made a number of positive changes to its committee structures to align scrutiny and assurance with its strategic and planning objectives.
- 62 A stable and cohesive board has largely been maintained during the pandemic and new independent members have been supported well into their roles. The Health Board has adapted its organisational design accordingly to maintain the rapid decision making and whole system working seen during the peaks in the pandemic. Transformation and building organisational capabilities are embedded within the structure and the appointment of the new Director of Strategic

Development and Operational Planning, and alignment of the new planning objectives across the executive director portfolio, have both enhanced an already cohesive executive team.

- 63 My work also found that the Health Board has well developed plans for continuing its response to COVID-19 and to reset and recover services, whilst looking to deliver its longer-term strategic intent. Partnerships appear to be working well and there has been good engagement with the public. Availability of additional capacity is presenting risks to the Health Board, but there are now good mechanisms in place to monitor and scrutinise delivery of its plan. The Health Board has reinvigorated its Board Assurance Framework which we have identified as good practice. Corporate risk management arrangements work well although issues with operational risk management have posed a risk to levels of assurance. Work is underway to address this.
- 64 The quality and safety of services (see **paragraph 65**) is a priority and the Health Board's Improving Together work is promoting a collegiate approach to improvement supported by an interactive performance dashboard. The Health Board continues to have robust arrangements for tracking audit and review recommendations.

## Managing financial resources

- 65 I considered the Health Board's financial performance, financial controls and arrangements for monitoring and reporting financial performance.
- 66 I found that the Health Board was unable to meet its financial duties for 2020-21, ending the year with a deficit of £24.9 million. The Health Board is on track to deliver its financial plan for 2021-22 but is managing a number of risks which could have consequences for future years, and it will continue to fail to meet its financial duties due to a planned year-end deficit of £25 million.
- 67 The Health Board continues to maintain appropriate financial controls and is working hard to strengthen financial management to support longer term sustainability but capacity within operational teams to develop recurring saving schemes is hindering delivery. The Health Board has robust arrangements in place for monitoring and scrutinising its financial position, supported by comprehensive and transparent reporting.

## Quality governance arrangements

- 68 My audit examined whether the organisation's governance arrangements support delivery of high quality, safe and effective services. The review focused on both the operational and corporate approach to quality governance, organisational culture and behaviours, strategy, structures and processes, information flows and reporting.
- 69 I found that the Health Board's recent work to align its strategic objectives, planning priorities and quality improvement priorities has strengthened its ability to

ensure that quality improvement is at the 'heart' of its governance arrangements. The Health Board has an established values and behaviours framework, and staff are generally confident to report concerns. The Health Board is committed to listening and learning and ensuring that best practice is shared and communicated, including through the Listening and Learning Sub-Committee of the Quality, Safety and Experience Sub-Committee.

- 70 Corporate responsibility for quality and safety is well established, and there is good support from corporate teams for operational staff. The Health Board has also developed innovative approaches to strengthen resources and capacity for patient experience. There is growing use of quality and safety outcome indicators to help guidance planning and monitoring arrangements including the implementation of the four quadrants of harm.
- 71 However, my work found that assurances to the Board are limited by inconsistencies in operational risk management, failure to update some risk entries in the operational risk register in line with corporate policy, and shortcomings in the content of registers. While corporate responsibility and structures for quality and patient safety are clearly established, at an operational level leadership, resources, and arrangements to support quality governance remain inconsistent. The way in which risks and issues are reported up through sub-committees and committees to the Board sometimes leads to a dilution of the message being communicated.

# 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 2021.

Report	Date
<b>Financial audit reports</b>	
Audit of Financial Statements Report	June 2021
Opinion on the Financial Statements	June 2021
Audit of Charitable Funds Report	December 2021
<b>Performance audit reports</b>	
Doing it Differently, Doing it Right? (Structured Assessment 2020 All-Wales themes, lessons and opportunities relating to NHS governance during COVID-19)	January 2021
Test, Trace, Protect in Wales: An Overview of Progress to Date	March 2021
Welsh Health Specialised Services Committee Governance Arrangements	May 2021
Rollout of the COVID-19 vaccination programme in Wales	June 2021
Structured Assessment 2021: Phase 1 Operational Planning Arrangements	June 2021

Report	Date
Taking care of the carers? (Structured Assessment 2020 All-Wales themes, lessons and opportunities relating to NHS staff wellbeing during COVID-19)	October 2021
Quality Governance Review	October 2021
Structured Assessment 2021: Phase 2 Corporate Governance and Financial Management Arrangements	December 2021
<b>Other</b>	
2021 Audit Plan	February 2021

My wider programme of national value for money studies in 2021 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 a number of 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
Unscheduled care	Phase 1 – February 2022 Timing of further work included as part of the 2022 plan still to be confirmed.
Orthopaedics	March 2022
Review of the sustainable use of RTT monies	March 2022

# Appendix 2

## Audit fee

The 2021 Audit Plan set out the proposed audit fee of £371,355 (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

## Financial audit risks

### Exhibit 4: financial audit risks

My 2021 Audit Plan set out the financial audit risks for the audit of the Health Board's 2020-21 financial statements. 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 240.31-33].	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 biases; and</li><li>• evaluate the rationale for any significant transactions outside the normal course of business.</li></ul>	Work undertaken as proposed and no matters arising in respect of management override.
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 9 shows a forecast year-end deficit of £25 million. This combined with the outturns for 2018-19 and 2019-20, predicts a three-year deficit of £95.4 million.	The audit team will focus its testing on areas of the financial statements which could contain reporting bias.	Work undertaken as proposed and no matters arising in respect of reporting bias, but our regularity opinion qualified in respect of failure to meet this financial duty.

Audit risk	Proposed audit response	Work done and outcome
<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 effort to achieve the financial duty.</p>		
<p>The COVID-19 national emergency continues and the pressures on staff resource and of remote working may impact on the preparation and audit of accounts. There is a risk that the quality of the accounts and supporting working papers may be compromised leading to an increased incidence of errors. Quality monitoring arrangements may be compromised due to timing issues and/or resource availability.</p>	<p>We will discuss your closedown process and quality monitoring arrangements with the accounts preparation team and monitor the accounts preparation process. We will help to identify areas where there may be gaps in arrangements.</p>	<p>Work undertaken as proposed. No matters arising in respect of closedown processes, quality monitoring arrangements or the accounts preparation process.</p>
<p>The increased funding streams and expenditure in 2020-21 to deal with the COVID-19 pandemic will have a significant</p>	<p>We will identify the key issues and associated risks and plan our work to obtain the assurance needed for our audit.</p>	<p>Work undertaken as proposed and one matter arising in respect of the lack of a robust system to collect annual leave balances that contribute</p>

Audit risk	Proposed audit response	Work done and outcome
<p>impact on the risks of material misstatement and the shape and approach to our audit. Examples of issues include accounting for field hospitals and their associated costs; fraud, error and regularity risks of additional spend; valuation of year-end inventory including PPE; and estimation of annual leave balances.</p>		<p>to the year-end annual leave provision.</p>
<p>The implementation of the 'scheme pays' initiative in respect of the NHS pension tax arrangements for clinical staff is ongoing. Last year we included an Emphasis of matter paragraph in the audit opinion drawing attention to your disclosure of the contingent liability. However, if any expenditure is made in year, we would consider it to be irregular as it contravenes the requirements of Managing Public Monies.</p>	<p>We will review the evidence one year on around the take up of the scheme and the need for a provision, and the consequential impact on the regularity opinion.</p>	<p>Work undertaken as proposed. No such expenditure incurred, but I placed an Emphasis of Matter paragraph in my report to draw attention to disclosures in the accounts in note 21 relating to the impact of a Ministerial Direction issued on 18 December 2019 to the Permanent Secretary of the Welsh Government.</p>
<p>Introduction of IFRS 16 Leases has been deferred until 1 April 2022 and may pose</p>	<p>The audit team will undertake some early work to review preparedness for the</p>	<p>Work ongoing</p>

Audit risk	Proposed audit response	Work done and outcome
<p>implementation risks. There is considerable work required to identify leases and the COVID-19 national emergency may pose implementation risks.</p>	<p>introduction of IFRS 16 Leases.</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.