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Auditor General for Wales



WALES **AUDIT** OFFICE
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Annual Audit Report 2014

Velindre NHS Trust

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The team who assisted me in the preparation of this report comprised Matthew Coe, David Thomas, Tracy Veale, Elaine Matthews and Gillian Gillett.

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Summary report

1. This report summarises my findings from the audit work I have undertaken at Velindre NHS Trust (the Trust) during 2014.
2. The work I have done at the Trust allows me to discharge my responsibilities under the Public Audit (Wales) Act 2004 (the 2004 Act) in respect of the audit of accounts and the Trust's arrangements to secure efficiency, effectiveness and economy in its use of resources.
3. My audit work has focused on strategic priorities as well as the significant financial and operational risks facing the Trust, and which are relevant to my audit responsibilities. More detail on the specific aspects of my audit can be found in the separate reports I have issued during the year. These reports are discussed and their factual accuracy agreed with officers and presented to the Audit Committee. The reports I have issued are shown in [Appendix 1](#).
4. The factual accuracy of this report has been agreed with the Chief Executive and the Director of Finance. It was presented to the Audit Committee on 17 December 2014. It will then be presented to a subsequent Board meeting and a copy provided to every member of the Trust Board. We strongly encourage wider publication of this report by the Trust Board. Following Trust Board consideration, the report will also be made available to the public on the Wales Audit Office's own website (www.wao.gov.uk).
5. The key messages from my audit work are summarised under the following headings.

Section 1: Audit of accounts

6. I have issued an unqualified opinion on the 2013-14 financial statements of the Trust, although in doing so I have brought some issues to the attention of officers and the Audit Committee. These related to an uncorrected misstatement in respect of medical negligence liabilities and the quality of working papers.
7. I have also concluded that:
 - the Trust's accounts were properly prepared and materially accurate;
 - the Trust had an effective control environment to reduce the risks of material misstatements to the financial statements; and
 - the Trust's significant financial and accounting systems were appropriately controlled and operating as intended.
8. The Trust achieved financial balance at the end of 2013-14. I set out more detail about the financial position and financial management arrangements in Section 1 of the Detailed Report.

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

9. I have reviewed the Trust's arrangements for securing efficiency, effectiveness and economy in the use of its resources. My Structured Assessment work has examined the robustness of the Trust's financial management arrangements and the adequacy of its governance arrangements, including arrangements to plan effectively and gauging progress on quality governance and arrangements since last year. I have also reviewed the arrangements to support good use of resources as part of the Structured Assessment work, which is informed by performance audit on specific areas of service delivery. This work has led me to draw the following conclusions:

Sound financial management enabled the Trust to achieve financial balance at the end of 2013-14, but some specific financial challenges within the Velindre Cancer Centre still need to be considered

10. My Structured Assessment work has demonstrated that the Trust has sound arrangements for in-year financial management. Savings plans were developed early and a small surplus was achieved at the end of the 2013-14 financial year.
11. The ongoing financial outlook will make it more challenging for the Trust to achieve its savings targets for 2014-15 particularly at the Velindre Cancer Centre. In addition, the Trust must continue to focus on achieving an appropriate balance of non-recurrent and recurring savings and must ensure that it continues to carefully monitor the delivery of planned savings at Divisions.

Whilst governance arrangements are effective and there is an agreed Integrated Medium-Term Plan, there are opportunities to improve the detail and co-ordination of the information provided to committees to support enhanced scrutiny, challenge and oversight

12. There is strong strategic leadership, accountability and delegation with a clear vision and an agreed Integrated Medium-Term Plan, but the process for monitoring in year performance against the plan could be improved.
13. The strengthened senior team and clearer lines of accountability support good corporate governance and the delivery of the organisation's strategic objectives. Further organisational development work will put the Trust in a strong position to accelerate the delivery of change.
14. The Trust has good arrangements to support Board effectiveness and internal controls, although there is some room for improvement to ensure better consistency of management information to support scrutiny and decision making.
15. The Trust is performing well in its key measures with any areas of underperformance identified and action quickly taken to address concerns. Performance management arrangements provide assurance and there is scope to exploit service level data to enhance business intelligence and drive performance.
16. The Trust has good information governance arrangements.

My performance audit work has identified some opportunities to secure better use of resources to support the delivery of larger scale change

- 17.** My Structured Assessment and local audit work has reviewed how a number of key enablers of efficient, effective and economical use of resources are managed. This work has shown that:
- the Trust is strengthening the way it manages and delivers larger scale change while further changes are underway in key resource areas to support delivery of the Integrated Medium-Term Plan;
 - the completion of clinical coding has been timely in the past, but a range of weaknesses in the arrangements and process are impacting on the accuracy of clinical coded data in the Trust and limited resources means that backlogs in uncoded episodes are now increasing;
 - both the Welsh Blood Service and Velindre Cancer Centre have adequate ICT disaster recovery and business continuity arrangements, although testing and reporting arrangements need better oversight and co-ordination at Trust level; and
 - the Trust has made good progress in addressing recommendations from previous audit work
- 18.** We gratefully acknowledge the assistance and co-operation of the Trust's staff and members during the audit.

Detailed report

About this report

19. This Annual Audit Report to the Board members of the Trust sets out the key findings from the audit work that I have undertaken between December 2013 and November 2014.
20. My work at the Trust is undertaken in response to the requirements set out in the 2004 Act. That act requires me to:
 - a) examine and certify the accounts submitted to me by the Trust, and to lay them before the National Assembly;
 - b) satisfy myself that the expenditure and income to which the accounts relate have been applied to the purposes intended and in accordance with the authorities which govern them; and
 - c) satisfy myself that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
21. In relation to c), I have drawn assurances or otherwise from the following sources of evidence:
 - the results of audit work on the Trust's financial statements;
 - work undertaken as part of my latest Structured Assessment of the Trust, which examined the arrangements for financial management, governance and accountability, and management of resources;
 - performance audit examinations undertaken at the Trust;
 - the results of the work of other external review bodies, where they are relevant to my responsibilities; and
 - other work, such as data-matching exercises and certification of claims and returns.
22. I have issued a number of reports to the Trust this year. The messages contained in this Annual Audit Report represent a summary of the issues presented in these more detailed reports, a list of which is included in [Appendix 1](#).
23. The findings from my work are considered under the following headings:
 - Section 1: Audit of accounts
 - Section 2: Arrangements for securing efficiency, effectiveness and economy in the use of resources
24. [Appendix 2](#) presents the latest estimate on the audit fee that I will need to charge to cover the actual costs of undertaking my work at the Trust, alongside the original fee that was set out in the Annual Audit Outline.
25. Finally, [Appendix 3](#) sets out the significant financial audit risks highlighted in my Outline of Audit Work for 2014 and how they were addressed through the audit.

Section 1: Audit of accounts

- 26.** This section of the report summarises the findings from my audit of the Trust's financial statements for 2013-14. These statements are the means by which the organisation demonstrates its financial performance and sets out its surplus or deficit, recognised gains and losses, and cash flows. Preparation of an organisation's financial statements is an essential element in demonstrating appropriate stewardship of public money.
- 27.** In examining the Trust's financial statements, I am required to give an opinion on:
- whether they give a true and fair view of the financial position of the Trust and of its income and expenditure for the period in question;
 - whether they are free from material misstatement – whether caused by fraud or by error;
 - whether they are prepared in accordance with statutory and other requirements, and comply with all relevant requirements for accounting presentation and disclosure;
 - whether that part of the Remuneration Report to be audited is properly prepared; and
 - the regularity of the expenditure and income.
- 28.** In giving this opinion, I have complied with my Code of Audit Practice and the International Standards on Auditing (ISAs).
- 29.** In undertaking this work, auditors have also examined the adequacy of the:
- Trust's internal control environment; and
 - financial systems for producing the financial statements.

I have issued an unqualified opinion on the 2013-14 financial statements of the Trust, although in doing so, I have brought some issues to the attention of officers and the Audit Committee

The Trust's accounts were properly prepared and materially accurate

- 30.** The Trust submitted its draft financial statements by the Welsh Government deadline of 2 May, and the consolidated statements (containing the Charitable Funds' accounts) were submitted on 19 May. I found the information provided to support the financial statements to be relevant and reliable and the improvements made by the finance department to the accounts preparation process had a positive impact on the quality of the draft financial statements and the supporting working papers.
- 31.** I am required by ISA 260 to 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 Trust's Audit Committee on 3 June 2014. **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 misstatement	The liability in respect of two structured settlement cases had been calculated incorrectly which understated trade and other payables by £251k. There was no impact on the year-end financial position as any amendment would have been offset by Welsh Government funding of equivalent value.
Quality of working papers	The quality of supporting working papers improved significantly but scope to improve further does still exist and we will continue to work closely with Finance staff to identify opportunities for further refinement.

32. As part of my financial audit, I also undertook the following reviews:
- Whole of Government Accounts return – I concluded that the counterparty consolidation information was consistent with the financial position of the Trust at 31 March 2014 and the return was prepared in accordance with the Treasury's instructions; and
 - Summary Financial Statements and Annual Report – I concluded that the summary statements were consistent with the full statements and that the Annual Report was compliant with Welsh Government guidance.
33. My separate audit of charitable funds financial statements has been completed and the issues arising from this work were reported to the Charitable Funds Committee on 26 November 2014. I plan to issue an unqualified opinion on the 2013-14 financial statements of the charitable funds.

The Trust had an effective control environment to reduce the risks of material misstatements to the financial statements

34. I reviewed the Trust's internal control environment by assessing the Trust's control arrangements over the main accounting and budgetary control systems, the local IT infrastructure and the work of Internal Audit.
35. I found that controls were operating as intended and formed a reliable basis for preparing the financial statements.
36. The Trust's Internal Audit function is provided by the NHS Wales Shared Services Partnership – Audit and Assurance Services. My review of the Audit and Assurance Service concluded that they planned to provide an all-Wales internal audit service that is compliant with the Public Sector Internal Audit Standards (PSIAS).
37. The work that I have undertaken supports my opinion on the financial statements and does not constitute an assessment of internal audit under the Standards. Under PSIAS (which came into effect on 1 April 2013) organisations are required, every five years, to conduct an external assessment of internal audit. This goes beyond the work that external audit undertake to place reliance upon, or take assurance from, the work of internal audit.

The Trust's significant financial and accounting systems were appropriately controlled and operating as intended

38. I did not identify any significant weaknesses within the Trust's financial systems. However, there were some less significant areas for improvement identified during the audit and recommendations have been made to management to address these and appropriate action agreed.

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

39. I have a statutory requirement to satisfy myself that NHS bodies have proper arrangements in place to secure efficiency, effectiveness and economy in the use of their resources. I have undertaken a range of performance audit work at the Trust over the last 12 months to help me discharge that responsibility. This work has involved:
- reviewing the Trust's financial management arrangements, including the progress it has made in delivering cost saving plans and their contribution to achieving financial balance;
 - assessing the effectiveness of the Trust's governance arrangements through my Structured Assessment work;
 - specific use of resources work on clinical coding and local audit reviews of ICT disaster recovery and business continuity arrangements; and
 - reviewing the Trust's arrangements for tracking external audit recommendations.
40. The main findings from this work are summarised under the following headings.

Sound financial management enabled the Trust to achieve financial balance at the end of 2013-14, but some specific financial challenges within the Velindre Cancer Centre still need to be considered

The Trust has sound arrangements for in-year financial management. Savings plans were developed early and a small surplus was achieved at the end of the 2013-14 financial year

41. The Trust has a sound approach to in-year financial management and achieved its financial targets for the year. The Trust reported a surplus of £57,000 whilst brokering £450k back to Welsh Government at the end of 2013-14.
42. A budget was set at the start of the year and identified a funding gap of £3.2 million, for which cost improvement plans (CIPs) were identified which included 69 per cent of recurring savings. Overall, the Trust achieved 94 per cent of its savings target albeit with some schemes overachieving and others underachieving.

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- 43.** At the end of 2013-14, Velindre Cancer Centre delivered 92 per cent of its £2.3 million savings target, which was carefully monitored throughout the year. Velindre Cancer Centre continues to face significant financial challenges going forward due to demand pressures that they are absorbing, and the identification of achievable and recurring savings is proving challenging, although, considerable progress has been made over the last 3 years.

The ongoing financial outlook will make it more challenging for the Trust to achieve its savings targets for 2014-15 particularly at the Velindre Cancer Centre. In addition, the Trust must continue to focus on achieving an appropriate balance of non-recurrent and recurring savings and must ensure that it continues to carefully monitor the delivery of planned savings at Divisions

- 44.** NHS trusts are required to prepare an Integrated Medium-Term Plan, reflecting longer-term planning and delivery objectives which support the safe and sustainable delivery of patient-centred quality services. The Integrated Medium-Term Plan is a three-year rolling plan which focuses on service planning, workforce and financial decisions. These plans must be submitted to, and approved by, the Welsh Government prior to the beginning of the financial year of implementation.
- 45.** The Trust's Integrated Medium-Term Plan, which has been approved by the Board and Welsh Government, is realistic and financially balanced. For the first year of the plan, a funding gap of £3.4 million was identified against which savings are needed to ensure a balanced year end position as at 31 March 2015.
- 46.** The Trust's financial plans have been developed to achieve strategic priorities, quality and outcome levels and financial balance. Plans have been scrutinised at all levels, and recognise cost pressures from local costs/service developments, service modernisation, service demand and technological advances.
- 47.** There is still some reliance on non-recurring savings and opportunistic savings as a result of staffing turnover. The Trust is aware that such savings cannot be relied upon year on year and such savings need to be carried forward to the next financial year. This makes the extent of savings required in future years greater than if they were to be achieved on a recurring basis. As at month six, non-recurrent savings represents 38 per cent of the required saving total compared to 31 per cent at the end of 2013-14, when taking the managed vacancy factor as a recurring opportunity. The Trust must continue to focus on ensuring that it has an appropriate balance of recurring and non-recurring savings schemes and must ensure that it continues to carefully monitor the delivery of planned savings at Divisional level.
- 48.** Whilst both the Corporate Division and Welsh Blood Service are predicting achievement of savings plans and year-end under-spends at the end of month six, this is not the case for Velindre Cancer Centre and £600,000 of these savings schemes have had their risk assessment regarding their achievement reclassified as 'red'. The Velindre Cancer Centre Senior Management Team is currently working to identify further in-year savings to ensure full delivery of the total savings requirements by the

end of the financial year and engagement of external stakeholders could provide further opportunities for delivering savings in partnership arrangements.

49. The increasing demand for services and technological advances in cancer treatments have been recognised as an ongoing challenge to the Trust in the medium-term but accessing sufficient capital and financial resources to meet these pressures is identified as a key risk facing the Trust. The Trust is also responding to major service changes and challenges of transforming cancer services, developing a new cancer campus and the creation of an all Wales blood service.
50. Whilst I recognise that the Trust has improved its process for reviewing and challenging identified savings schemes, with good engagement from Directorate Senior Management Team, the Planning and Performance Committee and the Board, there is scope for Independent Members to further increase the depth of scrutiny and challenge during the year to monitor delivery of planned savings schemes.
51. The Trust continues to have sound arrangements in place to monitor its financial position. Divisional delivery plans are monitored monthly through the Trust's performance management framework and reported to the Board and Welsh Government in a consistent and transparent manner. Even though there is slippage in some savings schemes, because of under spends in other areas, the Trust reported an overall surplus of £100,000 at month six and is forecasting a break-even position for the year end.

Whilst governance arrangements are effective and there is an agreed Integrated Medium-Term Plan, there are opportunities to improve the detail and co-ordination of the information provided to committees to support enhanced scrutiny, challenge and oversight

52. This section of the report considers my findings on governance and board assurance, presented under the following themes:
 - strategic planning;
 - organisational structure;
 - board assurance and internal controls;
 - performance management; and
 - information governance.

There is strong strategic leadership, accountability and delegation with a clear vision and an agreed Integrated Medium-Term Plan, but the process for monitoring in year performance against the plan could be improved

53. The Trust produced an inclusive and clinically led Integrated Medium-Term Plan with strong committee involvement which was agreed with Welsh Government. The Integrated Medium-Term Plan responds to local, national and stakeholder issues.

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54. However, workforce issues did not receive sufficient prominence and there could be better links between capital, revenue, resources and improvement objectives within the plan.
 55. There is scope to further improve the alignment between the strategy and components in the Integrated Medium-Term Plan to avoid any unnecessary sub-division between the Velindre Cancer Centre and the Welsh Blood Service.
 56. While the detailed action plans for the Integrated Medium-Term Plan are being monitored at divisional level, the Trust recognises that it could improve monitoring in-year performance against the plan at the corporate level.

The strengthened senior team and clearer lines of accountability support good corporate governance and the delivery of the organisation's strategic objectives. Further organisational development work will put the Trust in a strong position to accelerate the delivery of change

57. The Trust has an effective senior management team, with clear lines of accountability and a good focus on effective and safe services. Senior capacity constraints mean staff often have to blend senior strategic roles with hands-on operational management. While it has taken time to fill gaps, recent appointments of Assistant Directors mean senior management is now close to full capacity.
58. The Trust's communications function is now centrally led and supported by a divisional network of staff. There are opportunities to achieve closer alignment of other business processes across the Trust, such as information management and technology, and improve efficiencies and effectiveness across the Trust. The planned development of an organisational development strategy that supports such an aim will be beneficial.

The Trust has good arrangements to support Board effectiveness and internal controls although there is some room for improvement to ensure better consistency of management information to support scrutiny and decision making

59. The Trust has a strong Chair and a good mix of Independent Members with clarity of roles and responsibilities as well as a good knowledge of their portfolio areas. Independent Members maintain regular dialogue with Executives to provide challenge beyond the committees. Board development sessions continue to support improved scrutiny and consistent challenge across all areas of the business.
60. The Annual Governance Statement provides a realistic description of the Trust's governance, risk assessment and internal control arrangements, and provides assurance that these arrangements are operating effectively..
61. Committees have clear terms of reference, with an effective scheme of delegation which is understood by members. Management information provided to Board and Committees has improved but is not always provided to a consistent timeframe due to different reporting cycles of each committee. Further refinement is needed to clarify which committee holds overall responsibility for every one of the performance indicators as a small number are monitored by more than one committee.

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62. There are clear structures to highlight, update and escalate operational and clinical risks up from Divisional risk registers. There is good evidence that staff are comfortable in highlighting risks, completing risk assessments, escalating as necessary and taking relevant action. Risk management arrangements will be further strengthened by the finalisation of the Trust's risk management strategy.
 63. As part of my commitment to help secure and demonstrate improvement through audit work, I have reviewed the effectiveness of the Trust Board's arrangements to manage and respond to recommendations made as part of our nationally mandated and local programme of audit work during 2012, 2013 and 2014.
 64. This work has found that the Trust has effective arrangements for tracking internal and external audit recommendations and the Audit Committee actively reviews progress at every committee meeting.

The Trust is performing well in its key measures with any areas of underperformance identified and action quickly taken to address concerns. Performance management arrangements provide assurance and there is scope to exploit service level data to enhance business intelligence and drive performance

65. The Trust is broadly performing well in its key measures, with areas of underperformance identified and action quickly taken to address concerns.
66. Arrangements for monitoring and reviewing performance are adequate and have improved significantly over the last two years although the Trust could do more to exploit service level data to drive performance and provide business intelligence.

The Trust has good information governance arrangements

67. There are clear responsibilities for information governance at the senior management, independent member level and clear terms of reference for the Trust's Information Governance and IM&T Committee. More consistent clinical involvement at the Information Governance and IM&T Committee would further strengthen governance arrangements.
68. Caldicott provides the Trust with a set of recommendations and principles to help ensure that person identifiable information (including that of patients, staff and service users) is adequately protected. The Trust's annual Caldicott assessment provides a good level of assurance of information governance risks across all areas of the Trust. The assessment provides the basis for any necessary work and implementation of the improvement plans are monitored by the Information Governance and IM&T Committee.

My performance audit work has identified some opportunities to secure better use of resources to support the delivery of larger scale change

The Trust is strengthening the way it manages and delivers larger scale change while further changes are underway in key resource areas to support delivery of the Integrated Medium-Term Plan

69. My Structured Assessment work has reviewed how a number of key enablers of efficient, effective and economical use of resources are managed. This work has indicated that the Trust is strengthening the way it manages and delivers larger scale change while further changes are underway in key resource areas to support delivery of the Integrated Medium-Term Plan. Key findings are summarised in [Exhibit 2](#).

Exhibit 2: Structured Assessment – key enablers of effective use of resources

Issue	Summary of findings
Change management capacity	There is strong strategic leadership, accountability and delegation with a clear vision and an agreed Integrated Medium-Term Plan. The Trust is committed to further strengthening capacity, capability and change management processes to support and monitor delivery.
Workforce planning	Gaps in capacity and capability are being closed but more work is needed on priority areas of workforce planning and organisational development. There are some workforce compliance issues that need attention, such as: low levels of job planning sign-off; compliance with mandated training; and levels of sickness absence.
Estates and assets	Strengthened estates capacity is supporting major challenges ahead including prioritising of short term capital spend and the approach to asbestos management. While work on the estate strategy is not yet complete, as a precursor to its completion the Trust is developing its condition survey. The long-term ambition to develop a new cancer centre will provide a clear framework for prioritisation in the intervening period; if approved this will require significant investment in estate and other planning capacity during the programme's development.
Partnership working	The Trust has effective partnership working on specific projects and is developing more proactive partnerships to support its ambitions for changes in cancer and blood services.

Issue	Summary of findings
Stakeholder engagement	The Trust engages well with patients and donors and its new engagement strategy provides additional resources to support the delivery of their Integrated Medium-Term Plan.
Use of technology	My IT capacity diagnostic review still underway.

The completion of clinical coding has been timely in the past, but a range of weaknesses in the arrangements and process are impacting on the accuracy of clinical coded data in the Trust and limited resources means that backlogs in un-coded episodes are now increasing

- 70. Clinical coding has a low profile in the Trust and the level of existing investment needs to be considered to ensure that it supports a greater focus on quality and accuracy.
- 71. The ability to provide good quality clinical coding is affected by issues with the way in which patient information is held, managerial and supervisory capacity, staffing levels, and a lack of audit processes.
- 72. The Trust is starting to make greater use of clinical coded data which met the Welsh Government standards for 2012-13 but backlogs of un-coded episodes are increasing. Although the overall accuracy is good, inaccuracies were identified for inpatient episodes, the implications of which need to be clearly explained across the organisation.

Both the Welsh Blood Service and Velindre Cancer Centre have adequate ICT disaster recovery and business continuity arrangements, although testing and reporting arrangements need better oversight and co-ordination at Trust level

- 73. Arrangements for ICT disaster recovery and business continuity at the Welsh Blood Service are generally adequate, although there are some weaknesses in the testing of plans.
- 74. In the last 12 months Velindre Cancer Centre has strengthened physical security, resilience and recovery capacity and its plans are now adequate, although network resilience and the approach to testing could be improved.
- 75. There is a clear willingness to share resources and good practice between the Welsh Blood Service and Velindre Cancer Centre in the field of disaster recovery and business continuity management, but there remains scope to improve co-ordination and oversight of these arrangements at Trust level.

The Trust has made good progress in addressing recommendations from previous audit work

- 76. In addition to reviewing the effectiveness of the Trust's arrangements to manage and respond to recommendations made as part of my nationally mandated and local programme of audit work, my work has found that:

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- The Trust has made good progress against recommendations made in projects undertaken in 2012 to 2014.
 - The two reports on clinical coding and disaster recovery and business continuity were received first by the Audit Committee and then, together with their management responses, by a subsequent Information Governance & IM&T Committee. Work is ongoing to monitor and deliver the recommendations in these reports.
 - The review of user experience was presented to the Executive Management Board and to the Quality and Safety Committee. The recommendations in this review have been actioned as part of the ongoing work of the Trust shaping its approach to user engagement.
 - The Trust has effective arrangements in place to ensure probity and propriety in its everyday business. This includes a 'substantial' internal audit assurance for charitable funds. The Audit Committee receives detailed reports and maintains good oversight of mechanisms in relation to hospitality, counter fraud and claims and losses.

Appendix 1

Reports issued since my last Annual Audit Report

Report	Date
Financial audit reports	
Audit of Financial Statements Report	June 2014
Opinion on the Financial Statements	June 2014
Financial Statements Memorandum	October 2014
Charitable Funds – Audit of Financial Statements Report	November 2014
Performance audit reports	
Review of Clinical Coding	April 2014
Review of ICT Disaster Recovery and Business Continuity Arrangements	June 2014
Structured Assessment for 2014: presentation to Executive Management Board	November 2014
Structured Assessment for 2014: presentation to Trust Board	November 2014
Other reports	
Outline of Audit Work for 2014	April 2014

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

Report	Estimated completion date
ICT Diagnostic Review	February 2015
Staff Health and Wellbeing	March 2015

Appendix 2

Audit fee

The Outline of Audit Work for 2014 set out the proposed audit fee of £200,690 (excluding VAT). My latest estimate of the actual fee, on the basis that some work remains in progress, is in accordance with the fee set out in the outline.

The audit fee for the audit work undertaken in respect of the shared services provided to the Trust by the NHS Wales Shared Services Partnership was £3,664, and this is included in the fee set out above.

Appendix 3

Significant audit risks

My Outline of Audit Work for 2014 set out the significant financial audit risks for 2014. The table below lists these risks and sets out how they were addressed as part of the audit.

Significant 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].	My audit team will: <ul style="list-style-type: none"> test the appropriateness of journal entries and other adjustments made in preparing the financial statements; review accounting estimates for biases; and evaluate the rationale for any significant transactions outside the normal course of business. 	My audit team reviewed and tested these areas as part of the opinion audit work and did not identify any material mis-statements.
There is a risk of material misstatement due to fraud in revenue recognition and as such is treated as a significant risk [ISA 240.26-27].	My audit team will undertake work to ensure completeness and accuracy of revenue recorded within the financial statements, by undertaking predictive analytical review where appropriate.	My audit team reviewed and tested these areas as part of the opinion audit work and did not identify any material mis-statements.
There is a risk that the Trust will not comply with ISA 27 <i>Consolidated and Separate Financial Statements</i> .	My audit team will discuss the accounting requirements of ISA 27 with the Trust officers to ensure they are understood and liaise with the Welsh Government audit team to clarify and agree the requirements for 2013-14.	My audit team reviewed and tested the application of IAS27 as part of my opinion audit work and concluded that the Trust had complied with IAS27.

Significant audit risk	Proposed audit response	Work done and outcome
<p>Strong financial governance arrangements are required for the Trust to ensure procedures and arrangements are in place to manage its finances in accordance with the guidance in the Welsh Government's e-governance manual. The Trust hosts two large organisations – NHS Wales Informatics Service and NHS Wales Shared Services Partnership. The Trust's Accountable Officer will need to obtain satisfactory levels of assurance from the accountable officers of these two hosted organisations before the Annual Governance Statement can be signed.</p>	<p>My audit team will review the Annual Governance Statements to ensure that appropriate financial governance arrangements are in place to meet objectives, deliver improvements, maintain probity and avoid conflicts of interest.</p>	<p>My audit team reviewed the Annual Governance Statement and concluded that it concurred with our knowledge and experience of the Trust.</p>
<p>The NHS Wales Shared Services Partnership has taken over responsibility for the student bursary system which has increased their expenditure from £50 million to £131 million.</p>	<p>My audit team will ensure that the significant additional expenditure and associated income are reflected appropriately within the financial statements and are supported by appropriate disclosure notes.</p>	<p>My audit team reviewed and tested these areas as part of the opinion audit work and did not identify any material mis-statements.</p>

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