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Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

The team who helped me prepare this report comprised Sara Utley, Matthew Coe and Dave Thomas.

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Summary report

Summary

- 1 This report summarises my findings from the audit work I have undertaken at Cwm Taf University Health Board (the Health Board) during 2017. I did that work to discharge my responsibilities under the Public Audit (Wales) Act 2004 (the 2004 Act) in respect of the audit of accounts and the Health Board's arrangements to secure efficiency, effectiveness and economy in its use of resources.
- 2 My audit work focused on strategic priorities and the significant financial and operational risks facing the Health Board, and which are relevant to my audit responsibilities. The separate reports I have produced during the year have more detail on the specific aspects of my audit. We discuss these reports and agree their factual accuracy with officers before presenting them to the Audit Committee. My reports are shown in [Appendix 1](#).
- 3 The Chief Executive and the Director of Finance have agreed the factual accuracy of this report, which has been shared electronically with Audit Committee members and will be considered by the Audit Committee at its next meeting on 16 April 2018. The Board will receive the report at its 29 March 2018 Board meeting and every member will receive a copy. We strongly encourage the Health Board to arrange wider publication of this report. Following Board consideration, we will make the report available to the public on the [Wales Audit Office website](#).
- 4 My audit work can be summarised under the following headings.

Section 1: audit of accounts

- 5 I have issued an unqualified opinion and report on the 2016-17 financial statements of the Health Board. There were no issues that needed to be brought to the attention of officers and the Audit Committee from the audit of the financial statements. My work did not identify any material weaknesses in the Health Board's internal controls relevant to my audit of the accounts.
- 6 The Health Board achieved financial balance for the three-year period ending 2016-17, meeting its statutory duty under the 2014 NHS (Wales) Finance Act. [Section 2](#) of this report has more detail about the financial position and financial management arrangements.

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

- 7 I have examined the Health Board's financial planning and management arrangements, its governance and assurance arrangements, and its progress on the improvement issues identified in last year's Structured Assessment. I did this to satisfy myself that the Health Board has made proper arrangements for securing efficiency, effectiveness and economy in the use of its resources. I have also

undertaken Performance Audit reviews on specific areas of service delivery, including, GP Out of Hours Services, Radiology services and a review of follow-up outpatients. My conclusions based on this work are set out below.

The Health Board is meeting its statutory financial duty to break even over a three-year cycle but non-recurring savings are increasing, whilst the approach to planning savings is effective there is scope to develop more transformational schemes and enhance project management and data analytics

8 My review of the Health Board's arrangements for financial planning and management found that:

- the Health Board has met its statutory duty under the 2014 NHS (Wales) Finance Act to break even over a three-year rolling period ending 2016-17 and is also forecasting a breakeven position at the end of the period ending 2017-18;
- the Health Board achieved 96% of the overall savings target but there was significant variation in the extent to which directorates performed;
- effective systems are in place for identifying savings, informed by good analysis of available opportunities, however, the majority of savings are short term and more transformation projects will be needed to achieve the levels of recurrent savings needed;
- savings are monitored and reported at all levels of the organisation and there is good Board and committee level scrutiny; and
- the Health Board made good progress to address previous recommendations on financial planning and management.

The Health Board has continued to demonstrate effective strategic planning and governance arrangements, however, there is scope to further refine integrated medium term plan reporting, support new independent members and improve compliance with information governance training

9 My review of the Health Board's arrangements for strategic planning, board effectiveness, risk management, information governance and performance management found that:

- the Health Board again received Welsh Government approval for its IMTP, in line with the statutory requirements of the 2014 NHS (Wales) Finance Act, and has a sound and established approach to strategic planning;
- work on the organisational structure has been positive, although it should be noted that at the time of our review the post of Director of Finance was still being filled on an interim basis;
- board administration and conduct remained effective, with some opportunities for further work in relation to quality, safety and risk committee;

- a mature approach to risk management was in place;
- information governance arrangements remain sound, with some work to be done in respect of information governance training; and
- the Health Board is implementing its new performance management framework, and had good performance monitoring arrangements in place.

My performance audit work has identified areas of good progress but opportunities remain to secure better use of resources in a number of areas

10 My Structured Assessment work reviewed a number of key enablers of efficient, effective and economical use of resources, in particular arrangements for change management, workforce planning, and ICT and technology. In addition, my staff have undertaken work on Radiology Services, GP Out of Hours services and also a review of the implementation of recommendations from my previous work on follow-up outpatient appointments. During 2017 I also undertook work across Wales which examined emergency ambulance commissioning arrangements and the collaborative arrangements for managing local public health resources. My conclusions are as follows:

- overall the Health Board has good change management arrangements in place, but there remains scope to improve their visibility;
- workforce pressures remain a challenge for the Health Board, with comparatively high spend on medical agency staffing, however, there is work being done to address this through cross-cutting workstreams as well as the Efficiency, Productivity and Value board arrangements. The Health Board is working to develop its leadership capacity.
- positive work has been done to take forward the Digital Health Strategy, which now needs to be resourced and broken down into key deliverables.
- the radiology service within the Health Board is well managed and strategically focussed, but there are risks to meeting future demand due to issues with recruitment, and waiting times are not currently being met.
- the GP Out of Hours service has been stabilised, but there remains work to improve data integrity as well as increasing operational management capacity and improving performance against some targets.
- overall, the Health Board has made good progress against our recommendations, although our follow-up outpatient review found that not all recommendations had been fully addressed as reported in the audit tracker.
- collaborative commissioning arrangements have helped drive some important changes for emergency ambulance services in Wales; however, the maturing arrangements require greater commitment from some partners.
- collaborative arrangements for managing local public health resources do not work as effectively as they should do.

- 11 We would like to thank the Health Board's staff and members for their assistance and co-operation during the audit.

Detailed report

About this report

- 12 This Annual Audit Report 2017 to the board members of the Health Board sets out the findings from the audit work that I have undertaken between December 2016 and November 2017.
- 13 I undertake my work at the Health Board in response to the requirements set out in the 2004 Act¹. That act requires me to:
- a) examine and certify the accounts submitted to me by the Health Board, 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 it; and
 - c) satisfy myself that the Health Board has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 14 In relation to (c), I have drawn assurances or otherwise from the following sources of evidence:
- the results of audit work on the Health Board's financial statements;
 - work undertaken as part of my latest structured assessment of the Health Board, which examined the arrangements for financial management, governance and assurance;
 - performance audit examinations undertaken at the Health Board;
 - 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 as part of the National Fraud Initiative (NFI).
- 15 I have issued a number of reports to the Health Board 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](#).
- 16 The findings from my work are considered under the following headings:
- [Section 1](#): audit of accounts
 - [Section 2](#): arrangements for securing economy, efficiency and effectiveness in the use of resources
- 17 [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 Health Board, alongside the original fee that was set out in the 2017 Audit Plan.
- 18 Finally, [Appendix 3](#) sets out the significant financial audit risks highlighted in my 2017 Audit Plan and how they were addressed through the audit.

¹ [Public Audit \(Wales\) Act 2004](#)

Section 1: audit of accounts

- 19 This section of the report summarises the findings from my audit of the Health Board's financial statements for 2016-17. These statements are the means by which the organisation demonstrates its financial performance and sets out its net operating costs, 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.
- 20 In examining the Health Board'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 Health Board and of its income and expenditure for the period in question;
 - whether they are prepared in accordance with statutory and other requirements, and comply with relevant requirements for accounting presentation and disclosure;
 - whether that part of the remuneration report to be audited is properly prepared;
 - whether the other information provided with the financial statements (usually the annual report) is consistent with them; and
 - the regularity of the expenditure and income in the financial statements.
- 21 In giving this opinion, I have complied with my Code of Audit Practice and the International Standards on Auditing (ISAs).

I have issued an unqualified opinion and report on the 2016-17 financial statements of the Health Board. There were no issues that needed to be brought to the attention of officers and the Audit Committee from the audit of the financial statements

The Health Board's accounts were properly prepared and materially accurate

- 22 The draft financial statements were produced for audit by the agreed deadline of 28 April 2017 and were again of a good standard. The Health Board has quality assurance processes over the financial statements and there is a high level of scrutiny from the Audit Committee. We concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear.
- 23 We noted in 2014-15 and 2015-16 that we experienced some difficulty in getting responses and working papers to support the figures in the accounts in a timely manner. As a result, management have made changes to the structure of the finance function. We have also worked in partnership with management to improve supporting working papers, and the accounts preparation and audit processes. We generally received information in a timely and helpful manner, and we were not

restricted in our work. There remain a few areas where the supporting working papers are still complicated and difficult to understand and we will continue to work with management to identify further improvements for 2017-18.

- 24 The deadlines for submission of the accounts and relevant parts of the Annual Report remain challenging and we would like to commend the Finance team and the wider Health Board for the timing and quality of their work. The constructive working relationships with the Board Secretary, Director of Finance and the whole finance team have continued again this year, and we thank them again for that.
- 25 I am required 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 to the Health Board's Audit Committee on 31 May 2017 that there were no issues that needed to be brought to the attention of officers and the Audit Committee from the audit of the financial statements.
- 26 As part of my financial audit, I also undertook a review of the Whole of Government Accounts return. I concluded that the counterparty consolidation information was consistent with the financial position of the Health Board at 31 March 2017 and the return was prepared in accordance with the Treasury's instructions.
- 27 My separate independent review of the Health Board's charitable funds financial statements is complete and no issues arose from that review that required reporting to the Trustees.

My work did not identify any material weaknesses in the Health Board's internal controls

- 28 I reviewed the Health Board's internal controls that I considered to be relevant to the audit to help me identify, assess and respond to the risks of material misstatement in the accounts. I did not, however, consider them for the purposes of expressing an opinion on their operating effectiveness of internal control. My review did not identify any significant deficiencies in the Health Board's internal controls.

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

- 29 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 Health Board over the last 12 months to help me discharge that responsibility. This work has involved:
- reviewing the Health Board's planning and delivery of financial savings and their contribution to achieving financial balance;

- assessing the effectiveness of the Health Board's governance and assurance arrangements through my structured assessment work, including a review of the progress made in addressing structured assessment recommendations made last year;
 - assessing the application of data-matching as part of the National Fraud Initiative (NFI);
 - specific use of resources work on radiology services and GP out-of-hours services; and
 - assessing the progress the Health Board has made in addressing the recommendations raised by previous audit work on the management of follow-up outpatients and reviewing the Health Board's arrangements for tracking progress against external audit recommendations.
- 30 I have also undertaken performance audit work that has examined the governance arrangements within the Emergency Ambulance Services Committee, and also the collaborative working arrangements between local public health teams and Public Health Wales NHS Trust.
- 31 The main findings from the work referenced above are summarised under the following headings.

The Health Board is meeting its statutory financial duty to break even over a three-year cycle but non-recurring savings are increasing, and whilst the approach to planning savings is effective there is scope to develop more transformational schemes and enhance project management and data analytics

- 32 In addition to commenting on the Health Board's overall financial position, my structured assessment work in 2017 has considered the actions that the Health Board is taking to achieve financial balance and create longer-term financial sustainability. I have assessed the corporate arrangements for planning and delivering financial savings in the context of the overall financial position of the organisation. I have also reviewed progress made in addressing previous structured assessment recommendations relating to financial management. I summarise my findings below.

The Health Board met its statutory financial duty to break even over the three-year period ending 2016-17, however, performance against savings targets varies considerably across directorates and the proportion of non-recurrent savings has grown

- 33 The Health Board met its statutory financial duty to break even over the three-year rolling period ending in 2016-17 and is also forecasting a breakeven position at the end of the period ending 2017-18. In 2016-17, the Health Board achieved 96% of its overall savings target but there was significant variation in the extent to which

directorates performed against their individual delegated savings targets, with the majority of directorates not meeting their target. Over the last three years, the proportion of recurrent savings achieved has fallen and consequently the levels of non-recurrent savings have grown.

The Health Board has an effective system for identifying savings which draws on available opportunities and its linked to the IMTP planning cycle, however, to achieve recurrent, sustainable savings more long-term transformational schemes are needed

- 34 The Health Board has an effective system for identifying savings, informed by good analysis of available opportunities. Each directorate has its own savings target identified through benchmarking exercises and other relevant analyses. In addition, across the Health Board, savings planning is explicitly linked to the IMTP planning cycle. However, the majority of savings are short term, whilst the Health Board has some service transformation projects, more will need to be developed to achieve the levels of recurrent savings needed and ensure services remain sustainable.
- 35 The Health Board has enablers and support mechanisms in place to support the planning and delivery of savings schemes, but there is scope to strengthen these arrangements further, particularly in relation to programme and project management support, and data analytics capacity and skills.

There is good Board and Committee level scrutiny of savings delivery and the Health Board is strengthening monitoring arrangements at executive and directorate level

- 36 I found that savings are monitored and reported at all levels of the organisation from the Board to individual directorate teams. There is good Board and committee level scrutiny of savings performance, and executive and directorate level monitoring and scrutiny arrangements have been strengthened through the introduction of new escalation measures and an executive level, Efficiency, Productivity and Value Board.

The Health Board has made good progress in addressing our financial management recommendations, and continues to strengthen arrangements for financial control and stewardship

- 37 The Health Board has made good progress addressing our 2016 recommendations. It has strengthened arrangements for monitoring and escalation in relation to savings plans across all directorates. The Health Board has also established the Efficiency, Productivity and Value Board to monitor directorates where savings targets are not being achieved. Further work could be done to agree a consistent approach for terms of reference for clinical business meetings as recommended by internal audit.

The Health Board has continued to demonstrate effective strategic planning and governance arrangements, however, there is scope to further refine integrated medium term plan reporting and support new independent members

38 My structured assessment work has assessed the Health Board's governance and assurance arrangements. This included the effectiveness of the board and its governance structures and the progress made in addressing previous structured assessment recommendations and improvement issues. My findings are set out below.

Strategic planning arrangements are sound, but there are opportunities for increased rigour in financial plans and potential to improve IMTP reporting even further

39 The Health Board again received Welsh Government approval for its Integrated Medium Term Plan (IMTP) and has a sound and established approach to strategic planning.

40 There are a number of positive corporate arrangements in place to support this such as engagement with Board Members and the use of Board development sessions, stakeholder engagement plans for each IMTP refresh. In addition, the business partner model within directorates provides expertise across a range of areas including planning, finance and workforce.

41 Work has continued this year to refine the Health Board's IMTP reporting process. However, further work could be done to better articulate milestones within the IMTP and to monitor progress against achieving them.

The Health Board has continued to strengthen its structure to ensure the organisation is fit for purpose, however, the appointment of a substantive Director of Finance is still to be resolved

42 The Health Board has completed work to update the organisation structure and this should ensure that the Health Board is better placed to meet its future challenges. However, it was noted that the post of Director of Finance was still being filled on an interim basis at the time of our preparing this report.

The Board operates effectively and steps have been taken to mitigate the risks associated with independent member turnover, however, work is still needed to manage the volume of information with the quality, safety and risk committee

43 Board administration and conduct continue to be effective and the Health Board has taken positive steps to manage the risks associated with the independent board member turnover. We have continued to observe good levels of scrutiny and challenge at Board and Committees. A Board Assurance Framework (BAF) is in

place and updated on a quarterly basis to reflect the periodic review of corporate, directorate and locality risks.

- 44 However, improvements are needed to the prioritisation of the agenda within the quality, safety and risk committee. Good progress has been made against our 2016 recommendations around developing forward work plans as well as ensuring appropriate committee templates are used.

Risk management arrangements are sound and provide a reasonable basis to understand and respond to key organisational and strategic risks

- 45 The Health Board has a mature approach to risk management. The Health Board's corporate risk register is routinely reported to Board and Audit Committee. There is clear ownership of risk with each risk having been allocated to a committee to ensure effective oversight and scrutiny.

Executive leadership issues notwithstanding information governance arrangements appear to be settled, with no major changes to last year. Preparations are in place to meet the new general data protection regulations

- 46 Information governance arrangements have remained sound with the Health Board making preparations for the new general data protection arrangements. The Health Board has appointed its Data Protection Officer, which is positive. This year there have also been improvements to improving compliance with information governance training and this will continue to be a focus for the coming year.

Performance management arrangements are largely sound, with important work having been done to strengthen accountability for performance within the organisation

- 47 The Health Board's performance monitoring arrangements are positive in terms of monitoring and reporting to Board and committee. Although Internal Audit have identified some information technology related issues with the compilation of the performance reports which will need to be addressed. The development of the performance management framework is positive and this is currently being implemented.

The Health Board has not made effective use of the NFI to detect fraud and overpayments

- 48 The NFI is a biennial data-matching exercise that helps detect fraud and overpayments by matching data across organisations and systems to help public bodies identify potentially fraudulent or erroneous claims and transactions. It is a highly effective tool in detecting and preventing fraud and overpayments, and helping organisations to strengthen their anti-fraud and corruption arrangements.

- 49 Participating bodies submitted data to the current NFI data matching exercise in October 2016. The outcomes were released to participating bodies in January 2017.
- 50 The Health Board is a mandatory participant in NFI. In January 2017, the Health Board received 5,263 data-matches through the NFI web application. Data-matches highlight anomalies which, when reviewed, can help to identify fraud and error. Whilst we would not expect the organisation to review all data-matches, some of the matches are categorised as 'recommended matches'. These are matches considered to be of high risk and therefore recommended for early review. The Health Board included 311 recommended matches. The NFI web-application, which records the findings of the Health Board's review of its data-matches, shows that as at 20 November 2017, the Health Board had only reviewed nine of the data-matches. It is of some concern that the Health Board has failed to made effective use of the NFI as part of its arrangements to prevent and detect fraud. The Health Board is due to provide data for the next NFI exercise (NFI 2018-19) in October 2018. It is important that the Health Board puts in place an action plan to ensure that the matches it receives from that exercise are reviewed and where necessary investigated in a timely manner.

The Health Board has made good progress in addressing the issues identified in last year's structured assessment

- 50 Overall, the Health Board has made good progress in addressing our 2016 structured assessment recommendations. The Health Board has strengthened some aspects for monitoring and reporting of savings plans, although the terms of reference for clinical and corporate business meetings were still to be reviewed by lead executives before implementation.
- 51 Arrangements are in place to regularly review and monitor assurances within the Board Assurance Framework and committee templates and forward work plans are fully embedded. However, although the Health Board has taken steps to address a number of our information technology recommendations a number of recommendations still need to be addressed.
- 52 In addition to reviewing the actions taken to address my 2016 structured assessment recommendations, I also considered the effectiveness of the Health Board's wider arrangements to respond to my audit recommendations. At the time of our review the Health Board was revisiting its audit tracking arrangements, and we found that generally the tracker information was consistent with the status of the 2017 structured assessment recommendations. A positive development this year is the introduction of a mechanism where lead executives must brief the audit committee on any high level recommendations still outstanding after six months.

My performance audit work has identified areas of good progress but opportunities remain to secure better use of resources in a number of areas

There is a need for ongoing action to tackle workforce challenges, implement the new digital health strategy and to continue to develop corporate change management arrangements

- 53 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 Health Board has good change management arrangements, however, there is scope to improve their visibility. There are still some significant workforce challenges within the Health Board, for example spend on medical agency staff is comparatively high. The new digital health strategy needs to be implemented to deliver the required improvements to information technology. My key findings are summarised in [Exhibit 1](#).

Exhibit 1: progress in implementing audit recommendations in specific service areas

The following table summarises the key findings on use of resource enablers from structured assessment.

Issue	Summary of findings
Change management capacity	Overall change management arrangements are good; however, there is scope to improve visibility of progress against the cross-cutting themes and review the effectiveness of the Programme Management Office.
Workforce planning	Steps are being taken to tackle some significant workforce challenges within the Health Board, however, agency spending and sickness levels remain comparatively high.
ICT and use of technology	The development of the Digital Health Strategy is a positive step: work now needs to be done to break this down into key deliverables, and ensure allocation of resources

Whilst the Health Board's radiology services are operationally well managed and strategically focussed, performance targets are not being met and there are risks to the current and future service delivery because of increasing demand and recruitment issues

- 54 The radiology service within the Health Board has a strategic plan supported with detailed demand and capacity forecasts. The service has a clear management structure with clear lines of accountability. The Health Board reviews radiology

performance at both the corporate and management level but could broaden the use of comparative performance information its reports.

- 55 The increasing role of radiology in clinical care has led to growing demand for radiological examinations, in particular CT and MRI scans. As well as demand increasing the scans are also becoming more complex. I found that waiting time targets were not always met, and a number of patients were waiting longer than eight weeks for radiology examinations. Despite increasing use of outsourced reporting, I found that turnaround targets for reporting examinations are not always being met and the Health Board was struggling to optimise advanced practitioner radiographers to support reporting.
- 56 The Health Board's radiology workforce profile compares favourably with the rest of Wales, and staff carry out more radiology examinations per whole-time equivalent radiographer than on average across Wales. However, difficulty in recruiting vacant radiographer posts is having a negative impact on the service, and staffing constraints were hindering the Health Board's ability to train staff and maintain compliance with statutory and mandatory training. The Health Board is exploring options in relation to skill mix to help support delivery of the service.
- 57 The Health Board told us that difficulties with the radiology ICT systems meant that the Health Board relies on a paper waiting list to identify the patients waiting the longest.
- 58 In terms of equipment, the number of scanners per head of population is comparable to Wales and the Health Board was proactively optimising usage of its CT and MRI capacity. Planned changes to the diagnostic radiology capacity at Royal Glamorgan Hospital will increase equipment capacity, and should enable the Health Board to improve performance against waiting time targets.

The Health Board has taken positive steps to stabilise the GP out-of-hours service, however, there is further scope to improve data integrity, operational management capacity, public signposting and performance against some targets

- 59 My 2017 review aimed to establish whether the Health Board is ensuring that patients have access to effective and resilient GP out-of-hours services. I found that the GP out-of-hours service has clear lines of accountability, with improved clinical leadership.
- 60 I found that the Health Board had a relatively good understanding of demand, and this was constantly monitored. There was, however, limited capacity at an operational level, which is most prevalent during the out-of-hours shifts. Although senior support is available, the lean management structure means that key members of staff remain on call outside of their working hours. This means the service relies on the commitment of individual staff, and although the service has improved, this model is not sustainable.

- 61 At the time of our review, the Health Board had been experiencing data integrity issues with Aadastra. The Health Board was attempting to resolve the situation but issues remained.
- 62 The Health Board has made progress in designing a more sustainable service through their service redesign project and has increased GP shift fill rates through introducing a shift bundling incentive scheme.
- 63 Between 2009-10 and 2015-16 the Health Board's expenditure on GP out-of-hours services increased by 5% in real terms. The Health Board was one of the three Health Boards in Wales that have increased their expenditure on GP out of hours in real terms. In 2015-16, the Health Board subsidised its GP out-of-hours services to the sum of £617,000. This amounted to the third highest percentage of subsidy paid by a Health Board as a percentage of its notional allocation, equating to 25.2% and higher than the national average of 16.9%.

The Health Board has made progress in addressing recommendations from previous audit work although important actions remain outstanding in a few key areas

- 64 In addition to reviewing the effectiveness of the Health Board's arrangements to manage and respond to recommendations made as part of my audit work as discussed in [paragraph 52](#), my work has found that overall the Health Board is making good progress on recommendations, however, there are some ICT recommendations still outstanding. Action against my 2016 Structured Assessment recommendations is positive. However, when reviewing the progress the Health Board had made against the recommendations I had made in previous work on follow-up outpatient appointments, I found that the Health Board had not made all the progress intended in implementation of all the recommendations. The Health Board will continue to monitor and implement actions to fully address the outstanding recommendations.
- 65 Further findings from my work on follow-up outpatient appointments are summarised in [Exhibit 2](#).

Exhibit 2: progress in implementing audit recommendations from my previous work on follow-up outpatient appointments

Area of follow-up work	Conclusions and key audit findings
Progress update of follow-up outpatients	<p>The Health Board has made progress responding to recommendations made in our 2015 report, but it still needs to improve the way it identifies clinical risk, quicken the pace of service improvement and evaluate service changes fully. Outpatient improvement remains a focus for the Health Board:</p> <ul style="list-style-type: none"> • the Health Board has increased the level of scrutiny on follow-up backlogs. However, although the Health Board has targeted areas with the highest level of follow-up backlog there has not been a focus at clinical condition level. Within directorates, there is an awareness on the areas that present the greatest risk of irreversible harm and teams are working hard to manage demands. • retrospective validation of data is still being undertaken, but this should be addressed by a new outpatient system currently being rolled out. • the Health Board has focussed on backlog delays but needs to focus on the whole system process approach to modernise services to ensure they are fit for the future.

Collaborative commissioning arrangements have helped drive some important changes for emergency ambulance services in Wales; however, the maturing arrangements require greater commitment from some partners.

66 My review of the all-Wales arrangements for commissioning emergency ambulance services found that the Emergency Ambulance Services Committee (EASC) has helped drive some important changes, such as the development of the CAREMORE®² model. However, structures and roles to secure accountability for emergency ambulance services are unclear. I found that there is scope to clarify the roles of EASC, the Welsh Government and the Chief Ambulance Services Commissioner in relation to emergency ambulance service performance, finance and service modernisation. In addition, although the formation of EASC has supported all-Wales ownership of emergency ambulance services, my team identified that EASC needs to do more to drive through service transformation. In

² The CAREMORE® model is a ‘made in Wales’ commissioning method. Its registered trademark belongs to Cwm Taf University Health Board on behalf of NHS Wales.

addition, the sub-group structure, which underpins EASC, lacks clarity and purpose, which is impacting on attendance by health board staff and the ability of the sub-groups to make a meaningful contribution.

- 67 Partners support the commissioning model but the pace with which health boards are driving the necessary changes to enable it to work as intended varies, and the model does not consider regional or cross-border activity. My work identified that there is a general willingness of the Welsh Ambulance Service NHS Trust (WAST) and health boards to work together to improve ambulance services, but the level of ownership of emergency ambulance performance and pathway modernisation by health boards is variable, with the predominant focus on the latter stages of the ambulance pathway, such as, ambulance handovers. I reported that WAST is properly responding to agreements set out by EASC, however, health boards' compliance with and level of understanding of the requirements set out in CAREMORE® vary.
- 68 My work found that commissioning arrangements are underpinning some improvements to emergency ambulance services. The introduction of the new clinical response model is supporting partners to achieve Welsh Government performance targets, with the potential for further performance improvements from other recently agreed initiatives. Planned service changes and performance monitoring of partners are now increasingly aligned with the Ambulance Patient Care Pathway (referred to as the five-step model). But, more consistency is needed across health boards and it is too soon to say if this is having an impact. There is a significantly improved and broader set of measures, which focus on activity and performance through the Ambulance Quality Indicators. However, partners are not yet doing enough to fully understand patients' outcomes and experience when receiving emergency ambulance care.

Collaborative arrangements for managing local public health resources do not work as effectively as they should do

- 69 My review of Public Health Wales' collaborative arrangements for managing local public health resources with the Directors of Public Health found that effective collaboration in relation to health improvement work is dependent upon consensual leadership, which is not always evident. In the overall public health system, a broad range of people and organisations contribute to protecting and improving health and wellbeing, and reducing health inequalities in Wales. No one organisation is wholly responsible for achieving improvements in population health and wellbeing but achievement is predicated on effective collaboration.
- 70 While it may not be desirable to identify a single system leader, there does need to be greater clarity over the respective roles of the different stakeholders within the system. My work found that there is a lack of meaningful dialogue between the Public Health Wales NHS Trust (the Trust), local public health teams and Directors of Public Health about respective roles, responsibilities and an agreed framework about what work is best done collectively.

- 71 Currently, there is an absence of effective arrangements to ensure that value for money is being secured from the resources allocated to local public health teams. Meetings do not take place between the Trust and Directors of Public Health to discuss how resources to improve health and wellbeing are used and whether they deliver the intended benefit. My work also found a lack of robust methods for allocating or changing resources of local public health teams. Instead, ad hoc discussions take place as vacancies arise.
- 72 My work found that arrangements are in place to support professional registration of staff deployed across local teams, but more clarity is needed on how this is used to demonstrate professional competence and career progression. New arrangements are also helping to strengthen appraisal processes and personal development planning but more needs to be done to assess the collective development needs of local public health teams.
- 73 Mechanisms for communicating and sharing information between the Trust and local public health teams are underdeveloped. There is no standardised approach for sharing information about what works well and what different players were doing at both a national and local level. My work also found a lack of arrangements for co-ordinating work developed or delivered locally or nationally, and communicating information to the same shared partners.
- 74 I have noted the collective and collaborative management response that has been prepared by the Trust, Health Boards and the Welsh Government to my findings. I intend to undertake further work in 2018 to assess the progress that has been made to address the concerns identified above.

Appendix 1

Reports issued since my last annual audit report

Exhibit 3: reports issued since my last annual audit report

The following table lists the reports issued to the Health Board in 2017.

Report	Date
Financial audit reports	
Audit of Financial Statements Report	31 May 2017
Opinion on the Financial Statements	8 June 2017
2016-17 Management Letter	31 July 2017
Performance audit reports	
Radiology Services	March 2017
Emergency Ambulance Services Commissioning	April 2017
GP Out-of-Hours Services	August 2017
Collaborative Arrangements for Managing Local Public Health Resources	October 2017
Structured Assessment 2017	December 2017
Follow-Up outpatients progress update	October 2017
Other reports	
2017 Audit Plan	March 2017

Exhibit 4: performance audit work still underway

There are also a number of performance audits 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 Discharge Planning	January 2018
Review of Primary Care	June 2018
Locum Doctors	March 2018

Appendix 2

Audit fee

The 2017 Audit Plan set out the proposed audit fee of £412,993 (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.

Appendix 3

Significant audit risks

Exhibit 5: significant audit risks

My 2017 Audit Plan set out the significant financial audit risks for 2017. 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.	Work completed and no issues arising.
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: <ul style="list-style-type: none">• review and test the individual funding and income streams received by the Health Board; and• consider whether all funding and income streams have been identified.	Work completed and no issues arising.

Significant audit risk	Proposed audit response	Work done and outcome
<p>There is a risk that the Health Board could fail to meet its annual revenue resource allocation and annual capital resource allocation despite the month 9 position showing a small year-to-date surplus of £20,000. The Health Board continues to forecast a break-even position at year-end. As in previous years, I may choose to place an explanatory substantive report on the financial statements.</p> <p>The current financial pressures on the Health Board increase the risk that management judgements and estimates could be biased in an effort to achieve the revenue and capital resource limits for the three year period 2014-15 to 2016-17.</p>	<p>My audit team will focus its testing on areas of the financial statements which could contain reporting bias.</p> <p>My team will also review, with management, the Health Board's performance and the impact of all audit findings against the capital and revenue resource limits for the three-year period 2014-15 to 2016-17.</p>	<p>My audit work on estimates and other subjective areas such as provisions did not identify any material adjustments to the Health Board's result for the year.</p> <p>My staff concluded that, taking trivial errors into account, the Health Board met its financial duties for resource limits over the three-year period 2014-15 to 2016-17.</p>
<p>There is a risk that the Health Board will not correctly account for ongoing legal claims between provisions and contingent liabilities.</p>	<p>My audit team will review the most up-to-date position and legal advice, and discuss the accounting treatment and presentation of this issue in the financial statements.</p>	<p>Work completed and no issues arising.</p>
<p>The timetable for producing and certifying the annual accounts remains demanding. There have also been a number of changes to the financial team during 2016-17. The Health Board will need to ensure appropriate arrangements to prepare the accounts and provide working papers for audit on a timely basis.</p>	<p>My audit team have been working with management improve supporting working papers, and streamline the accounts preparation and audit processes.</p>	<p>Significant progress has been made on working papers in general. However, not all of the issues we reported in the 2015-16 Management Letter have been fully addressed and further work is needed by management for 2017-18.</p>

Significant audit risk	Proposed audit response	Work done and outcome
<p>In 2015-16 we commented to management on several areas during the course of our audit work including:</p> <ul style="list-style-type: none"> • Treatment of Property, Plant & Equipment and Intangible Assets • Remuneration report Disclosures • Recognition of Provisions & Contingent Liabilities • Ministerial approval of contracts >£1m 	<p>My team will follow up on the recommendations made in our Financial Accounts Management Letter and the adjustments arising from the audit of the financial statements in 2015-16 as part of our 2016-17 audit work.</p>	<p>Work completed and further improvements can be made. My team did note one contract with a private healthcare provider that was approximately £3 million in value, but for which no ministerial approval had been obtained. There was, however, clear evidence that the Welsh Government had reviewed the business case and approved the funding.</p>

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