



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

March 2011

Author: Auditor General for Wales

Ref: 139A2011

# Annual Audit Report 2010

## **Public Health Wales NHS Trust**

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## Summary

1. This report summarises the findings from audit work I have undertaken at Public Health Wales NHS Trust (the Trust) during the latter part of 2009 and throughout 2010. This work includes the audit of the Trust's financial statements for the six-month period ended 31 March 2010.
2. The work I have done at the Trust allows me to discharge my responsibilities under the Public Audit (Wales) Act 2004 in respect of the audit of accounts and the Trust's arrangements to secure efficiency, effectiveness and economy in its use of resources.
3. I have adopted a risk-based approach to planning the audit, and my audit work has focused on 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 have been discussed and agreed with officers and presented to the Audit Committee. The reports I have issued are shown in Appendix 1.
4. The findings I have set out in this report need to be taken in the context of the major structural re-organisation, which has occurred in the NHS in Wales over the last 18 months, and the programme of nationally driven work that is underway to address health inequalities, mixed performance and financial sustainability. Collectively this represents a significant and extremely challenging change agenda for the Trust and its staff.
5. The Trust was established on 1 October 2009 and took over the responsibility for a number of public health functions, including:
  - National Public Health Services (formerly part of Velindre NHS Trust (Velindre));
  - Screening Services (formerly part of Velindre);
  - Wales Centre for Health (former Assembly Government Sponsored Body);
  - Congenital Anomaly Register and Information Services (formerly part of Abertawe Bro Morgannwg Local Health Board); and
  - Welsh Cancer Intelligence and Surveillance Unit (formerly hosted by Velindre).
6. Unlike so many of the other NHS organisations affected by the NHS reforms, the Trust did not benefit from having a 'shadow' period prior to its establishment. As a result, the Trust adopted interim arrangements from October 2009, which proved to be effective, until a permanent Executive Management Team was appointed in April 2010.
7. This report identifies a number of areas where arrangements and services need to be further developed. Given the scale of the change agenda within the NHS, it is inevitable that many corporate arrangements and service delivery areas within the Trust are going to be either under review, or in the process of change.

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8. It is important that that the key messages from my audit work, which are summarised in this report, are used as a stimulus and focus for management attention to ensure that where improvements are necessary, they are implemented as quickly as possible.
  9. The key messages from my audit work are summarised under the following headings.

### **Audit of accounts**

10. My work on the audit of accounts has led me to give an unqualified opinion on the financial statements of the Trust. The Trust achieved a retained surplus of £18,000 at the end of 2009-10.
11. I have also concluded that:
  - whilst the Trust's accounts were materially accurate, the accounts preparation process could be further improved; and
  - the Trust has adequate accounting and internal control systems in place; however, there are some areas that require further strengthening.
12. In giving an unqualified opinion, I have drawn the Trust's attention to a number of issues. These relate to the year-end closedown process and the financial statements preparation process, in particular, the need to improve both the quality of the working papers to support the financial statements and the quality review process.

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

13. My work in this area has concluded that the Trust has adequate arrangements in place for securing economy, efficiency and effectiveness in the use of resources.
14. My structured assessment work concluded that the Trust has adequate arrangements in place to manage short-term finances; however, further improvements are required for medium-term financial planning. Both the governance arrangements and the enablers of effective, efficient and economic use of resources are still developing in some areas and can be further strengthened.
15. I have reached this conclusion because:
  - while financial management arrangements are adequate in the short term, priority must be given to formalising the medium-term financial plan;
  - whilst foundations for sound governance arrangements are in place, planned developmental work needs to be completed swiftly; and
  - consultation with service users and effective partnership working arrangements are in place, although further work is required to strengthen the 'enabler' functions, which will assist in more effective, efficient and economical use of resources.

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16. My other performance audit work at the Trust involves a number of reviews on the following topics. These will be reported to the Trust in 2011:
- realising the benefits of the new consultant contract;
  - efficiency savings and better use of resources – review of Public Health resources; and
  - follow-up of issues reported in the Legacy Report in 2009.

### **Agreeing my findings with the Trust**

17. This report has been agreed with the Chief Executive and the Director of Finance. It was presented to the Audit Committee on 7 March 2011. It will then be presented to a subsequent Board meeting and a copy provided to every member of the Trust.
18. The assistance and co-operation of the Trust's staff and members during the audit are gratefully acknowledged.

### About this report

19. This Annual Audit Report to the Board Members of the Trust sets out the key findings from audit work undertaken between October 2009 and November 2010.
20. My work at the Trust is undertaken in response to the requirements set out in the Public Audit (Wales) Act 2004. The act requires me to:
  - a) examine and certify the accounts submitted to me by the Trust;
  - b) satisfy myself that the expenditure to which the accounts relate has been incurred lawfully and is in accordance with the authorities which govern it; 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 structured assessment of the Trust examining 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:
  - audit of accounts; and
  - arrangements for securing economy, efficiency and effectiveness in the use of resources.
24. Finally, Appendix 2 presents the latest estimate on the audit fee that I will need to charge to undertake my work at the Trust, alongside the fee that was set out in the Audit Strategy.

## Section 1: Audit of accounts

25. This section of the report summarises the findings from my audit of the Trust's financial statements for 2009-10. These statements are the means by which the organisation demonstrates its financial performance and sets out its net surplus or deficit, recognised gains and losses, and cash flows. Examination of an organisation's financial statements is an essential element in demonstrating appropriate stewardship of public money.

### My responsibilities

26. In examining the Trust's financial statements, auditors are 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 – caused by fraud or other irregularity or error;
  - whether they are prepared in accordance with statutory and other applicable 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.
27. In giving this opinion, auditors are required to comply with International Standards of Auditing (ISAs).
28. 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 financial statements of Public Health Wales NHS Trust, although in doing so I have brought several issues to the attention of officers and the Audit Committee**

#### **Whilst The Trust's accounts were materially accurate, the accounts preparation process could be further improved**

29. I concluded that the accounts give a true and fair view of the Trust's financial position for the six-month period ended 31 March 2010. However, I identified a number of areas where improvements could be made to enhance the accounts preparation process and quality assurance mechanisms.

30. 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 Partner reported these issues to the Trust's Audit Committee on 28 June 2010. Exhibit 1 summarises the reporting requirements set out in that report.

#### Exhibit 1: ISA 260 reporting requirements

Reporting requirements	Auditor's comments
Expected modifications to the auditor's report.	There were no modifications to the Auditor General's certificate and report.
Unadjusted misstatements.	There were no unadjusted misstatements, other than those, which the auditor believes to be clearly trivial.
Material weaknesses in the accounting and internal control systems identified during the audit.	No material weaknesses in the accounting and internal control systems were identified during the audit.
Views about the qualitative aspects of the entity's accounting practices and financial reporting.	Some recommendations were made to further improve the accounts preparation process and minimise any amendments needed between the draft and audited accounts.
Matters specifically required by other auditing standards to be communicated to those charged with governance.	There were no matters specifically required by other auditing standards to be communicated to those charged with governance.
Any other relevant matters relating to the audit.	There was one matter that was brought to the attention of those charged with governance regarding the timeliness of finalising the agreed Corporate Support Services Service Level Agreement (SLA) with Velindre. This SLA was finalised in September 2010.

31. Since October 2009, the Trust has received financial services support from Velindre, as part of the Corporate Support SLA. Included within this agreement were the year-end closedown and the preparation of the Trust's financial statements for the six-month period ending 31 March 2010.
32. On 1 April 2010, Velindre gained a new hosted organisation called NHS Wales Informatics Service and implemented a new financial ledger system, Oracle. The additional workload that this created in April 2010 impacted upon Velindre's execution of the year-end closedown process and the financial statements preparation process for the Trust. I have reported my findings regarding improvements that can be made to enhance further both the year-end closedown process and the financial statements preparation process to the Velindre Audit Committee.
33. I reported in the ISA 260 Report to both the Trust and Velindre that the working paper files, and the overall quality of the papers to support the accounts, had shown some improvement from those received from Velindre in previous years. However, there remained areas where further improvement was required for future years.

34. I also reported that there was limited evidence of a robust quality assurance review of the draft accounts by senior management, prior to their submission for audit. A thorough quality assurance review of both the financial statements and the supporting working papers would have reduced the number of amendments that were made to the financial statements and also highlight to finance staff areas for improvement for future years.
35. Recent discussions held between my staff and the Interim Director of Finance of Velindre have identified a number of changes that have already taken place, which should contribute towards improving the annual accounts process for 2010-11. These changes include earlier month-end closedown and a more even allocation of workload across the finance department. Further discussions have been held between my staff, the Director of Finance of Velindre and the Trust's Director of Finance to ensure that appropriate arrangements are in place to implement improvements regarding these matters.

**The Trust has adequate accounting and internal control systems in place; however, there are some areas that require further strengthening**

36. During the audit, I did not identify any material weaknesses in the accounting and internal control systems operated by the Trust and Velindre. However, there were areas where improvements could be made as set out in Exhibit 2 below, and I have made recommendations to both Trusts that appropriate arrangements should be put in place to strengthen further the internal controls. It is my understanding that the Trust and Velindre are working closely together to ensure appropriate action is taken. Exhibit 2 also sets out the action taken to date by the Trust in response to my recommendations.

**Exhibit 2: Key issues and action taken**

Key issue	Action taken
<p><b>Corporate Support Services SLA:</b></p> <ul style="list-style-type: none"> <li>the timeliness in which the SLA between the Trust and Velindre is agreed and signed; and</li> <li>appropriate monitoring procedures need to be established to ensure that the service provision is as agreed.</li> </ul>	A project has been set up to ensure the SLA is agreed and signed in a timely manner and that that the service provision is closely monitored.
<p><b>Fixed assets:</b></p> <ul style="list-style-type: none"> <li>implementation of appropriate systems for the consideration of de-recognition and impairment of assets in accordance with International Accounting Standard 16.</li> </ul>	Procedures to be developed and review undertaken prior to the year-end.
<p><b>Internal audit reports and external recommendations:</b></p> <ul style="list-style-type: none"> <li>establish a reporting mechanism to capture internal and external audit recommendations, in order that the Audit Committee can effectively monitor their implementation.</li> </ul>	Progress is now monitored at each Audit Committee and a log of agreed actions will be included in each agenda.

37. During the year, I also conducted a review of the local controls over the Electronic Staff Record (ESR) payroll system. This review confirmed that the local Information Communication and Technology (ICT) infrastructure supporting the ESR Payroll system is, in the main, appropriate with good support arrangements in place; however, some environmental controls need to be improved. The ESR payroll system forms part of the SLA that the Trust has with Velindre; therefore, it will be important for the Trust to satisfy itself that appropriate actions have been taken by Velindre to address my recommendations in this area.

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

38. 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. To assist in meeting this requirement, auditors have undertaken a 'structured assessment' of the relevant corporate arrangements in the Trust. The findings from this work have considered the arrangements for:
- financial management;
  - governance and accountability; and
  - using key 'enablers' to support the efficient, effective and economical use of resources.
39. Overall, I concluded that the Trust has adequate arrangements in place to manage short-term finances; however, further improvements are required for medium-term financial planning. Both the governance arrangements and the enablers of effective, efficient and economic and use of resources are still developing in some areas and can be further strengthened.

### **While financial management arrangements are adequate in the short term, priority must be given to formalising the medium-term financial plan**

40. In the current economic climate, high standards of financial management are more important than ever. This section of the report summarises auditors' findings on the Trust's financial management arrangements, and considers:
- financial planning arrangements;
  - cost control and budget monitoring arrangements; and
  - the progress being made with cost savings programmes, and the ability of the Board to keep spending within its resource limits and enable the Trust to achieve its breakeven target.

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## **The Trust is still developing a medium-term financial plan and, while short-term financial planning is adequate, improvements can be made to enhance the overall planning process**

41. At the time of my structured assessment work, the Trust was still developing its medium-term financial plan (the plan). This work is still ongoing. There were a number of factors, which contributed to the delay in starting the work to develop the plan which included:
- no 'shadow-running' period prior to the establishment of the Trust on 1 October 2010; and
  - late notification received from the Assembly Government of the Trust's funding allocation for 2010-11.
42. These factors, in addition to the Trust forecasting a break-even financial position for the year ending 31 March 2011, resulted in the Assembly Government not imposing on the Trust the same deadline for producing a medium-term financial plan as was imposed on other NHS bodies in Wales. However, it will be important for the Trust to formalise the plan as early as possible, ensuring that the plan is clearly linked to the Trust's strategic objectives.
43. Arrangements for short-term financial planning appear effective, with processes in place for reviewing the annual plans. Whilst evidence shows that the financial plans are linked to service planning, further clarity is needed to demonstrate how the IT and workforce strategies are reflected in the financial plans.

## **The Trust has adequate arrangements in place to monitor financial performance; however, the level of detail reported to the Board could be enhanced in certain areas**

44. The Trust has arrangements in place within the service divisions to scrutinise performance against budgets in the annual financial plan and initiate corrective action for significant variances. Finance teams and divisions meet monthly to assess performance, which is reported to the Board. The Board receives regular monthly financial information, which includes a narrative report by the Director of Finance to support the monthly monitoring returns. However, the overall level of detail provided to the Board could be improved to include:
- further detail of performance against budgets at a sub-directorate level;
  - further detail on achievement of individual savings schemes, differentiating between 'staff' and 'non-staff' savings schemes and between those that are recurring and non recurring; and
  - likely financial risks other than the risk to achieving break-even.
45. The Trust has appropriate arrangements in place to identify funding pressures at the start of the year, which enables the Trust to identify the necessary efficiency savings required to achieve a break-even position at the year-end. The annual savings plan only includes non-recurring savings, which is sufficient for the short-term financial planning process, but further consideration should be given to identifying recurring savings in the longer term.

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### **The Trust is currently operating within its available spending resources and is forecasting to break even for 2010-11**

- 46. The Trust achieved a surplus of £18,000 for the six-month period ending 31 March 2010 without the need for additional financial assistance from the Assembly Government. The Trust is currently operating within its available resources due to good financial management, and is forecasting a break-even position for 2010-11.
- 47. Achievement of statutory financial targets will need to be closely monitored as the cost pressures within Wales increase. The Trust, like all other health bodies in Wales, will be required to make considerable efficiency savings over the next five years. The finalisation of the medium-term financial plan will be an important tool to identify whether future resources will be sufficient to meet future spending plans.

### **Whilst the foundations for sound governance arrangements are in place, planned developmental work needs to be completed swiftly**

- 48. High standards of governance and accountability are fundamental requirements in demonstrating effective stewardship of public money and the efficient, effective and economical use of resources. Boards of NHS bodies need to ensure that they have an effective 'assurance framework' in place to support decision making and to scrutinise performance. As part of the structured assessment, auditors have examined the Trust's arrangements for governance and accountability.
- 49. I concluded that whilst the foundations for sound governance arrangements are in place, planned developmental work needs to be completed swiftly. I have reached this conclusion as result of the following findings.

### **The Trust's approach to setting, implementing and reviewing strategic and operational objectives is not yet fully developed**

- 50. In October 2010, the Trust launched its five-year organisational strategy following discussions with staff and key stakeholders. The five-year strategy sets out the Trust's ambition, purpose and values and seven high-level strategic objectives and is aligned to the Assembly Government's vision for public health.
- 51. The seven strategic objectives are high level and work is underway to develop the associated operational level objectives and plans to support them. The Trust anticipates finalising the operational plans that will underpin the strategic objectives in the first quarter of 2011. Although, the strategy identifies in broad terms how it intends to achieve the seven objectives, more detailed measures of success against which the seven strategic objectives can be assessed are also still to be developed.
- 52. The seven strategic objectives and the operational level objectives being developed should support the preparation of the Trust's Service Workforce and Financial Framework.

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**The organisational structure adopted by the Board has yet to become fully established**

53. I recognise that over the last 12 to 16 months the Trust has been developing its organisational structure and management arrangements. The Trust did not benefit from a shadow period prior to 1 October 2009 and, for the first six months of operation, it relied on an interim management structure. Since that time, the Trust has been working hard, through its organisational transition programme, to put the foundations in place to support an effective organisational structure. The effectiveness of the Trust's Board was not helped by these evolving arrangements and it can now be further strengthened by a period of stability at executive level.
54. The Board structure has taken time to develop through 2010. The post of Director of Public Health Development is still vacant. This post is a key role and is crucial for the interface with the new health boards.
55. A position on the Board for a Non Executive Director representing the trade unions also remained vacant throughout 2010. The Trust is currently waiting for the Assembly Government to appoint to this Non Executive Director position. Other key posts have also taken time to fill, in particular, the role of Director of Workforce and Organisational Development. This role has been filled by secondment for much of 2010 and the Trust has relied on strategic support from Velindre. In December 2010, the Trust appointed a new Director of Workforce and Organisational Development, although this post will not be taken up until April 2011.
56. Due to the relatively small size of the Trust, many areas of corporate support have, in the short term, been provided by Velindre under the terms of an 18-month SLA. The Trust has initiated a review of the agreement to assess whether the services which should continue to be provided by Velindre and those which could now be provided 'in-house'.

**Whilst the Board committee structure and scheme of delegation are in place, performance, risk and clinical management arrangements are still being developed and inherited operational policies are still being harmonised**

57. An effective scheme of delegation is in place, which is set out in the Trust's Standing Orders. Schemes of delegation are in place but will need to be updated for the new model Standing Financial Instructions and Standing Orders when issued by the Assembly Government in early 2011. The Trust's Standing Orders were ratified by the Trust Board at its inaugural meeting in October 2009.

58. The Trust recognises that the Standing Orders have yet to be fully updated. The Standing Orders still state they are 'interim' and were based on the interim models produced by the Assembly Government. They have also not been updated to reflect the titles of the Executive Director posts, Board committees or leads and champions appointed by the Chair. The Trust plans to update the Standing Orders in early 2011 for all of these amendments when the new 'final' model guidance is issued by the Assembly Government.
59. The Board's committees have been established, each with an agreed terms of reference. Each committee is chaired by an independent member and meets quarterly. The Trust's committees include the:
- Audit Committee;
  - Quality and Safety Committee; and
  - Information Governance Committee.
60. The Trust recognises it will take time to fully develop work programmes for all committees and fully embed all of the Board's committees into the organisation.
61. Since October 2009, the Trust has also been working to different operational policies, which may lead to inequality and confusion amongst staff. The Trust inherited policies from predecessor organisations and set up a project to develop procedures for introducing, reviewing and amending policies. The Trust is currently reviewing all inherited policies from predecessor bodies to update these where necessary. Those policies and procedures that have most impact are being reviewed as a priority to ensure they are appropriate and consistently used by Trust staff. The effectiveness of the Board is yet to be fully realised given the ongoing development of key management systems. For example, the performance, risk and clinical governance management arrangements are being developed and vacant key Board-level posts still remain.

**The Trust is still reliant on a variety of inherited risk management systems and policies, although work to consolidate and strengthen these arrangements is now well underway**

62. The Trust currently relies on various risk management systems and policies inherited from predecessor organisations. In December 2010, the Trust agreed a risk management development plan. This plan aims to deliver and implement an integrated risk management process by April 2011. Work is underway to develop a risk management strategy, policy and a framework to assess and manage risks.
63. The Trust is currently implementing the DATIX web-based system across the Trust to support risk management, which includes modules on risk assessment, risk register and reporting. This system allows for incident and risk assessment reporting using web forms via a single entry point.

64. Governance structures are in place to help manage risk. A Risk Management Group has been established to review and manage all the divisional level operational risks and issues identified. The Quality and Safety Committee is responsible for managing the Trust risk profile. The Risk Management Group reports significant operational risks through a corporate and operational risk register through to the Quality and Safety Committee. This register contains the risks that are assessed as significant.
65. My work has identified some improvements required in the way risks are reported in the operational and corporate risk registers. These improvements include ensuring all the information about risks contained within the register is completed for all entries and is up to date.

**The Trust has established the framework for an effective internal control environment although further development work is required**

66. The Trust has been establishing the foundations for an internal control environment throughout 2010. The Trust receives assurance from a number of areas with a balance between internal and external sources. The key internal control mechanisms are routed through the committee structure of the Board. There is a framework for compliance with legislation and regulation, which is reported to the relevant Board committees and the full Board.
67. The key sources of assurance that contribute to the Trust's internal control environment include:
- The Statement of Internal Control provides a clear understanding of the Trust's internal control framework and helps ensure the co-ordination of assurance processes.
  - Internal audit provides a satisfactory service to the Trust and is compliant with the Internal Audit Standards for the NHS in Wales. Internal audit works well with the Trust to develop an audit strategy and a risk-assessed plan of work.
  - The Trust's Standing Orders and Standing Financial Instructions which set out how the Trust will make decisions and carry out its business.
68. Clinical audit is a fundamental element of assuring the quality and safety of patient services. It can also be used to provide a valuable source of assurance for the Trust's Board. The Trust is still developing its clinical audit development programme and plan through the Quality and Safety Committee. However, as the Trust does not have a Director of Nursing, executive leadership on clinical audit sits with the Director of Public Health Services.
69. As the five-year Trust strategy was approved in October 2010, the development of a clinical audit programme can now be informed by the Trust's key strategic objectives. This programme should be agreed each year by the Trust's Quality and Safety Committee, which will also monitor progress against it. The Trust is also progressing the development of a Healthcare Standards improvement plan.

**The Trust should develop Information Management and Technology and Information Governance strategies and is currently developing the necessary arrangements**

70. The Trust currently relies on the Information Management and Technology (IM&T) or Information Governance strategies and policies inherited from predecessor organisations. These strategies and policies would benefit from being updated to ensure they are fit for purpose for the Trust. There are currently no formal and agreed Trust IM&T or Information Governance strategies in place which support the Trust's updated strategic plans. Both of these strategies and associated action plans are currently being developed. The Trust plans to consult on these strategies in early 2011 and have them approved by the Trust Board in the first quarter of 2011.
71. The governance arrangements over IM&T and Information Governance can be strengthened. The Director of Planning and Performance has responsibility for Information Governance and IM&T. Unlike other NHS organisations in Wales, there is no Non Executive Director lead for IM&T and Information Governance issues. An Information Governance Committee has been set up for information governance strategy and operational issues. However, it has no responsibility or accountability for IM&T strategy or issues. No other subcommittee of the Trust Board has been charged with responsibility for IM&T.

**Public Health Wales relies on performance monitoring arrangements inherited from its predecessor bodies and work is underway to develop and strengthen these systems**

72. The Trust currently relies on the performance monitoring arrangements of its predecessor bodies. These are largely via balanced scorecards. The Trust Board reviews divisional performance on a quarterly basis via the balanced scorecard with data presented being for the previous quarter. Information presented to the Board in relation to monitoring performance lacks a detailed narrative, for example, to explain trends and variances against wider service objectives.
73. The Trust is developing the current performance management approach and balanced scorecards to design a framework that is fit-for-purpose for the Trust. The Trust will need to ensure that the performance monitoring arrangements also provide measures to assess achievement of the strategic objectives and provide adequate assurance to the Board that performance is being managed effectively. These new arrangements would allow the Trust to identify and assess the directorate contribution to delivering the Trust's objectives. A more robust performance management framework would also provide assurance to the Board that the Trust is delivering against the Long Term Agreement and the Programme Level Agreements.
74. Externally, the Assembly Government reviews the Trust's performance in relation to the Long Term Agreement via a six-monthly formal meeting of its Director General for Health and Social Services with Trust Executive Directors. There are also two informal meetings annually, held every six months between the Chief Medical Officer for NHS Wales and the Trust's Chief Executive.

75. Performance monitoring of Programme Level Agreements varies depending on the programme and may be monthly or quarterly. Each Programme Level Agreement will have an Assembly Government and Trust responsible owner, although some of the agreements have yet to be signed.

**Public Health Wales is largely reliant on the arrangements of its predecessor bodies to ensure probity and propriety in the conduct of its business, and is tailoring these policies in a structured way**

76. The Trust has yet to fully develop its own policies and procedures in relation to probity and propriety and, in the meantime, is largely reliant on those of its predecessor bodies. Inconsistencies in these policies may give rise to risks as regards probity and propriety in the conduct of the Trust's business.
77. A policy update project has been set up to establish mechanisms to review legacy policies and develop policies that are appropriate to the Trust. This project is planned to be completed by the end of 2011 and those policies most in need of attention are being considered as a priority by the Trust. This policy review also includes those policies to promote and ensure probity and propriety.
78. The Trust has adequate arrangements in respect of counter fraud. The Trust has appointed a Local Counter Fraud Specialist and support for reviewing counter-fraud arrangements are in place. The Trust's Audit Committee have approved the counter-fraud policy and an annual plan of counter-fraud work. The counter-fraud specialist reports to the Trust's Audit Committee, where progress against the counter-fraud work plan is reviewed regularly and final reports are scrutinised.

**Consultation with service users and effective partnership working arrangements are in place, although further work is required to strengthen the 'enabler' functions which will assist in more effective, efficient and economical use of resources**

79. Sound management of key resources such as people and assets is an essential feature in achieving good value for money. Plans for service development and cost savings need to be underpinned by effective workforce planning, partnership working and engagement with the community. This section of the report summarises my findings in the following areas:
- workforce planning arrangements;
  - procurement;
  - asset management;
  - working with partner organisations; and
  - engaging with service users.

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**Adequate workforce plans have been developed but the Trust acknowledges that they will need refining to reflect changes in service models and to align with the medium-term financial plan**

- 80. In spring 2010, the Trust developed its workforce plans, largely based on the inherited staff delivery models of its predecessor bodies. These plans are generally sound and were endorsed by the National Leadership and Innovation Agency for Healthcare.
- 81. The workforce plans support and reflect the Trust's current financial goals, existing working practices and service delivery patterns. The current financial climate means that service delivery models and skill mixes may be subject to further change. The Trust acknowledges that workforce plans need to be further refined in 2011 to align with the Trust's medium-term financial plan.
- 82. In late 2010 it also initiated a Service Delivery Model project to review and redesign services in need of reconfiguration, in particular local public health teams. This Service Delivery Model project review will also inform future workforce plans and the Trust expects to complete the project by mid 2011. Revised workforce plans must be submitted to the Assembly Government by 31 March 2011.

**The Trust's approach to managing its estate asset base is still emerging through the development of an accommodation strategy**

- 83. The Trust has a relatively small estate compared to other NHS organisations in Wales. Instead of hospital buildings, the Trust's estate assets include approximately 50 locations which are mainly office premises, mostly leased, and facilities for its screening services. Many of the Trust's staff already work out of these premises, which belong or are managed by other public sector organisations, for example local health boards.
- 84. The Trust receives support and guidance for strategic estates management, fire safety management, and capital planning through the Corporate Services SLA with Velindre.
- 85. In autumn 2010, the Trust initiated a review to look at the current and future accommodation needs of the organisation. Based on this review, the Trust intends to develop an estate and accommodation strategy by the end of April 2011.
- 86. The Trust currently has no performance indicators that measure and assess the performance of its estate. The Trust would benefit from using such indicators to report at least annually on the performance of its estate to the Board and its subcommittees.

### **Development of a procurement improvement plan would support the delivery of procurement efficiencies**

87. Velindre provides procurement services to the Trust through the Corporate Services SLA. Velindre also compiles performance indicators and a balanced scorecard showing progress against procurement performance targets agreed by the Trust.
88. These procurement performance indicators show progress against agreed performance targets. While the Trust is meeting the 30 days invoices payment and invoices-on-hold targets, there is room for further improvement on many of these key performance indicators to increase the reach and influence of procurements across the Trust.
89. Under the SLA, the Trust relies on the procurement strategy deployed by Velindre. I recognise there are proposals for an All Wales NHS Shared Services agency which includes procurement. However, the Trust (unlike other NHS organisations in Wales) does not have a formal procurement strategy and associated improvement action plan. The Trust would benefit from developing an action plan to drive a procurement improvement programme. This plan should identify areas where procurement efficiencies can be made.
90. There is scope to work with Velindre's procurement function to increase the Trust's purchasing intelligence, to identify where improvements can be made. For example, by identifying the commonly purchased items and suppliers used which are not covered by contracts.

### **The Trust is reliant on, and clearly committed to, partnership working but the time taken to populate the senior management structure is impeding progress**

91. The Trust actively works in partnership with stakeholders through much of its work at both strategic and operational levels. The Trust relies on partnership working to deliver public health services. As a new NHS trust, it is continuing to develop strategic relationships with key partners.
92. The Trust's commitment to partnership working is set out in a tripartite agreement between the Trust, health boards and local authorities. The agreement sets out expectations and responsibilities, for all organisations to work together in a mutually supportive way to tackle the public health challenges facing Wales.

93. Arrangements for working with some partner organisations can be further developed in a number of important areas. The key area for the Trust to focus on is partnership working with the health boards through the Director of Public Health Development. Progress has been hampered partly by the ongoing delays within the Trust in appointing to the role of Director of Public Health Development and the delays between the Director's of Public Health and the LHB's in agreeing the Director's of Public Health contracts. The Trust is still to develop and implement new models of integrated partnership working with the health boards via the seven Directors of Public Health. A Service Delivery Model project is also currently ongoing and the Trust's staff structures for operational public health delivery may be subject to change.

**Public and service user engagement is achieved indirectly by the consultation process on health social care and well-being strategies and through the Screening Division; however, there is no Trust strategy for engagement with the public or service users**

94. The Trust engages with the public and service users in a number of ways. The Directors of Public Health at local health boards annually consult and engage with the public as part of the process for developing the local public health agenda and the health, social care and well-being strategies. Therefore, the public's view on public health priorities is obtained indirectly for the Trust. These strategies are completed for each local authority area often via patient forums and are supported by health needs assessments.
95. The Screening Division have a public engagement agenda through introducing new or key changes to the screening programmes. The Screening Division uses focus groups of service users when new screening services are being planned.
96. The above examples of engagement with service users and the public are performed in the absence of an agreed Trust engagement strategy. The Trust recognises it has not yet developed a formal organisational-wide strategy for planned engagement with the public or service users. This strategy should be approved by the Board and support the Trust's strategic objectives. Clear roles, responsibilities and resources for public engagement should be identified by the Trust.

## Appendix 1

**Reports issued since 1 October 2009**

Report	Date
<b>Financial audit reports</b>	
Financial Accounts Audit and Report to those Charged with Governance	28 June 2010
Financial Statements Memorandum Report 2009-10	31 January 2011 (postponed from 20 December 2010)
<b>Performance audit reports*</b>	
Structured assessment	7 March 2011
<b>Other reports</b>	
Audit Strategy	11 March 2010
Annual Audit Report	7 March 2011

**Notes**

- \* Paragraph 16 of this report identifies the performance audit work that is currently underway and to be reported in 2011.

## Appendix 2

**Audit fee**

The Audit Strategy for 2010 set out the planned audit fee of £129,282 (excluding VAT). The table below sets out my latest estimate of the actual fee, on the basis that some work remains in progress.

**Analysis of proposed and actual audit fee**

Code area	Planned fee (£)	Estimated actual fee (£)
Audit of accounts	£59,038	£63,841*
Performance audit	£70,244	£70,244
<b>Total</b>	<b>£129,282</b>	<b>£134,085</b>

**Notes**

- \* The additional fee of £4,803 arose due to the additional time required to complete the audit of the 2009-10 financial statements.

DRAFT

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