

Annual Audit Report 2023 – Cardiff and Vale University Health Board

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Summary report

About this report

- 1 This report summarises the findings from my 2023 audit work at Cardiff and Vale University Health Board (the Health Board) undertaken to fulfil my responsibilities under the Public Audit (Wales) Act 2004. That Act requires me to:
 - examine and certify the accounts submitted to me by the Health Board, and to lay them before the Senedd;
 - satisfy myself that expenditure and income have been applied to the purposes intended and are in accordance with authorities; and
 - satisfy myself that the Health Board has made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources.
- 2 I report my overall findings under the following headings:
 - audit of accounts; and
 - arrangements for securing economy, efficiency, and effectiveness in the use of resources.
- 3 This year's audit work took place at a time when NHS bodies were still responding to the legacy of the COVID-19 pandemic, as they look to recover and transform services and respond to the additional demand in the system that has built up during the pandemic. Furthermore, health bodies were also dealing with a broader set of challenges associated with the cost-of-living crisis, the climate emergency, inflationary pressures on public finances, workforce shortages, and an ageing estate. My work programme, therefore, was designed to best assure the people of Wales that public funds are well managed.
- 4 I aimed to ensure my work did not hamper public bodies in tackling the post-pandemic challenges they face, whilst ensuring it continued to support both scrutiny and learning. We largely continued to work and engage remotely where possible through the use of technology, but some on-site audit work resumed where it was safe and appropriate to do so. This inevitably had an impact on how we deliver audit work but has also helped to embed positive changes in our ways of working.
- 5 The delivery of my audit of accounts work has continued mostly remotely. Auditing standards were updated for 2022-23 audits which resulted in some significant changes in our approach. The specific changes were discussed in detail in my 2023 Audit Plan. The audited accounts submission deadline was extended to 31 July 2023. The financial statements were certified on 28 July 2023, meaning the deadline was met. This reflects a great collective effort by both my staff and the Health Board's officers.
- 6 I also adjusted the focus and approach of my performance audit work to ensure its relevance in the context of the post-pandemic challenges facing the NHS in Wales. I have commented on how NHS Wales is tackling the backlog of patients waiting for orthopaedic treatments. I have also published an NHS Workforce Data

Briefing that brings together a range of metrics and trends to help illustrate the challenges that need to be gripped locally and nationally. The data briefing complements my assessments of how the workforce planning arrangements of individual NHS bodies are helping them to effectively address current and future workforce challenges. My local audit teams have commented on the governance arrangements of individual bodies, as well as how they are responding to specific local challenges and risks. My performance audit work is conducted in line with INTOSAI auditing standards¹.

- 7 This report is a summary of the issues presented in more detailed reports to the Health Board this year (see **Appendix 1**). I also include a summary of the status of work still underway, but not yet completed.
- 8 **Appendix 2** presents the latest estimate of the audit fee that I will need to charge to cover the costs of undertaking my work, compared to the original fee set out in the 2023 Audit Plan.
- 9 **Appendix 3** sets out the audit of accounts risks set out in my 2023 Audit Plan and how they were addressed through the audit.
- 10 The Chief Executive and the Director of Finance have agreed the factual accuracy of this report. We will be presenting it to the Audit and Assurance Committee on 6 February 2024. The Board will receive the report at a later Board meeting and every member will receive a copy. We strongly encourage the Health Board to arrange its wider publication. We will make the report available to the public on the [Audit Wales website](#) after the Board have considered it.
- 11 I would like to thank the Health Board's staff and members for their help and co-operation throughout my audit.

Key messages

Audit of accounts

- 12 I concluded that the Health Board's 2022-23 accounts² were properly prepared and materially accurate and I therefore issued an unqualified true-and-fair opinion on them. My work did not identify any material weaknesses in the Health Board's internal controls (as relevant to my financial audit).
- 13 However, I qualified my regularity opinion because the Health Board breached its revenue resource limit. For the three-year period 2020-21 to 2022-23, the Health

¹ INTOSAI (International Organisation of Supreme Audit Institutions) is a global umbrella organisation for the performance audit community. It is a non-governmental organisation with special consultative status with the Economic and Social Council (ECOSOC) of the United Nations.

² I audit and certify the Health Board's Performance Report, Accountability Report, and Financial Statements. 'Accounts' is a generic term.

Board expended £26.467 million over the three-year revenue limit that the Welsh Government had authorised. The Health Board did not exceed its authorised capital resource-limit for the for the three-year period 2020-21 to 2022-23.

- 14 I found no other regularity matters of a material adverse nature. I did, however, report that the Health Board did not meet its financial duty to have an approved three-year integrated medium-term plan in place for the period 2022-23 to 2024-25. This financial duty requires health boards to prepare, and have approved by the Welsh Ministers, a rolling three-year integrated medium-term plan.
- 15 I reported nine audit recommendations for improvement to the Health Board's Audit and Assurance Committee. Management fully accepted all the recommendations and they have put actions in place to implement them. I will review the Health Board's progress with the actions as part of my 2023-24 audit.

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

- 16 My programme of Performance Audit work has led me to draw the following conclusions:
- urgent and sustainable action is needed to tackle the long waiting times for orthopaedic services. There is a clear commitment to improve waiting times, however, it could take three years or more to return the orthopaedic waiting list to pre-pandemic levels.
 - from an all-Wales perspective, despite an increasing NHS workforce, there remain vacancies in key areas, high sickness and staff turnover resulting in over-reliance on agency staffing. More positively, NHS Wales is becoming a more flexible and equal employer.
 - the Health Board is taking appropriate action to address its significant workforce challenges. However, it needs to ensure that it has sufficient workforce planning resources to support delivery of the Health Board's people plan and better understand the impact of the actions it is taking.
 - the Health Board has maintained effective arrangements to ensure good governance and has adopted a refreshed long-term strategy. Opportunities exist to enhance certain arrangements to support the delivery of the organisation's refreshed strategic objectives and address the challenges facing the Health Board.
- 17 These findings are considered further in the following sections.

Detailed report

Audit of accounts

- 18 Preparing annual accounts is an essential part of demonstrating the stewardship of public money. The accounts show the organisation’s financial performance and set out its net assets, net operating costs, gains and losses, and cash flows. My annual audit of those accounts provides an opinion on both their accuracy and the proper use (‘regularity’) of public monies.
- 19 My 2023 Audit Plan set out the key risks for audit of the accounts for 2022-23 and these are detailed along with how they were addressed in **Exhibit 4: Appendix 3**.
- 20 My responsibilities in auditing the accounts are described in my [Statement of Responsibilities](#) publications, which are available on the [Audit Wales website](#).

Accuracy and preparation of the 2022-23 accounts

- 21 I concluded that the Health Board’s accounts were properly prepared and materially accurate (true and fair) and I issued an unqualified audit opinion on them. My work did not identify any material weaknesses in the Health Board’s internal controls (as relevant to my financial audit).
- 22 I reported nine audit recommendations, to management and to the Health Board’s Audit and Assurance Committee. Management accepted all the recommendations and formally agreed management actions and dates of implementation.
- 23 I must report issues arising from my work to those charged with governance (the Members of the Board), for their consideration before I issue my audit opinion on the accounts. My audit team reported these issues to the Board on 25 July 2023. **Exhibit 1** summarises the key issues set out in that report.

Exhibit 1: issues reported to the Audit Committee

Issue	Auditors’ comments
Uncorrected misstatements	There were no non-trivial uncorrected misstatements.
Corrected misstatements	I reported the five most significant areas of corrected misstatements. They related mainly to accounting classifications and disclosures.

Issue	Auditors' comments
Other significant issues	I reported nine recommendations for improvement, with management's formal responses (including their acceptance of the nine recommendations). The Health Board's Audit and Assurance Committee considered them on 7 November 2023.

- 24 I also undertook a review of the Whole of Government Accounts return. I concluded that the counterparty consolidation information was consistent with the Health Board's financial position on 31 March 2023 and the return was prepared in accordance with the Treasury's instructions.
- 25 My separate audit of the Health Board's Charity's annual report and accounts is substantially complete, and I will be reporting my findings to Trustee Members on 24 January 2024. I expect to certify the annual report and accounts on 26 January. The Charity Commission's deadline is 31 January.

Regularity of financial transactions

- 26 The Health Board's financial transactions must be in accordance with authorities that govern them. The Health Board must have the powers to receive income and incur expenditure. Our work reviews these powers and tests that there are no material elements of income or expenditure which the Health Board does not have the powers to receive or incur.
- 27 Where a Health Board does not achieve financial balance, its revenue and/or capital expenditure exceed its powers to spend, and so I must qualify my regularity opinion.
- 28 I qualified my regularity opinion, because the Health Board breached its revenue resource limit. For the three-year period 2020-21 to 2022-23, the Health Board expended £26.467 million over the three-year revenue limit that the Welsh Government had authorised.
- 29 The Health Board did not exceed its authorised capital resource limit for the for the three-year period 2020-21 to 2022-23. For the three-year period 2020-21 to 2022-23, the Health Board expended £233,000 below the three-year capital limit that the Welsh Government had authorised.
- 30 I have the power to place a substantive report on the Health Board's accounts, alongside my opinions, where I want to highlight an issue(s). Due to the regularity issue set out above, I issued a substantive report setting out the factual details of my qualification of my regularity opinion.
- 31 My substantive report also highlighted that the Health Board did not meet its financial duty to have an approved three-year integrated medium-term plan in

place for the period 2022-23 to 2024-25. This financial duty requires health boards to prepare and have approved by the Welsh Ministers a rolling three-year integrated medium-term plan. The duty is an essential foundation to the delivery of sustainable quality health services.

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

32 I have a statutory requirement to satisfy myself that the Health Board has proper arrangements in place to secure efficiency, effectiveness, and economy in the use of resources. I have undertaken a range of performance audit work at the Health Board over the last 12 months to help me discharge that responsibility. This work has involved:

- commenting on how NHS Wales is tackling the backlog of patients waiting for orthopaedic treatments;
- publishing an NHS Workforce Data Briefing that brings together a range of metrics and trends to help illustrate the challenges that need to be gripped locally and nationally;
- reviewing the effectiveness of the Health Board's workforce planning arrangements;
- undertaking a structured assessment of the Health Board's corporate arrangements for ensuring that resources are used efficiently, effectively, and economically; and
- assessing, as part of my structured assessment work, the extent to which the Health Board acted in accordance with the sustainable development principle when setting its well-being objectives as required under the Well-being of Future Generations (Wales) Act 2015.

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

Orthopaedic Services in Wales

34 In March 2023, I commented on orthopaedic services across Wales. My national report [Orthopaedic Services in Wales – Tackling the Waiting List Backlog](#) sets out the scale of orthopaedic waits, changes in demand, aspects of service capacity and some of the nationally co-ordinated work to modernise services. My report also set out key actions NHS Wales needs to take to tackle the challenges in orthopaedic services.

35 My work found that securing timely treatment for people with orthopaedic problems has been a challenge for the NHS in Wales for many years, with the COVID-19 pandemic making this significantly worse. Previous monies allocated by the Welsh Government have resulted in short-term improvements, but have

not achieved the sustainable changes to services that were necessary, with orthopaedic waiting list targets not met since they were first established in 2009.

36 Since the impact of the pandemic has lessened, orthopaedic services have been slow to restart, and while necessary infection control regimes will continue to have an impact on throughput, there is scope for current capacity to be used more efficiently. My scenario modelling indicates that it could take between three to five years to return orthopaedic waits to pre-pandemic levels across Wales. This is based on both a significant drive on community-based prevention and an increase in capacity and activity. Without this, services may never return to pre-pandemic levels.

37 My work found that there is a clear commitment to improve orthopaedic services. NHS Wales commissioned efficiency and effectiveness reviews both nationally and locally, which set out a suite of recommendations. A national clinical strategy for orthopaedics was also commissioned which sets out service options and a clear clinical voice on what needs to be done. However, urgent action is needed to secure short-term improvements in waiting times to minimise how long people wait in pain and discomfort, as well as creating more sustainable longer-term improvements.

38 In addition to my national report, my team set out how the Health Board's orthopaedic services compare to other health boards across Wales. My comparative report highlighted that the Health Board has:

- fewer people on its waiting list per head of population, with the lowest proportion of patients on the waiting list for longer than two years in Wales. The proportion of patients waiting longer than a year for a first outpatient appointment is, however, above the all-Wales average.
- average levels of potential latent 'lost' demand as an impact of patients not going to their GP during the pandemic.
- the highest level of orthopaedic bed and medical workforce capacity.
- below average waits for radiology services, and the shortest waits for physiotherapy in Wales.
- the highest uptake of 'see on symptom' pathways to reduce unnecessary follow-up outpatient demand, but limited uptake of patient-initiated follow-ups.

39 My scenario modelling indicates that, optimistically, the orthopaedic waiting list for the Health Board could return to pre-pandemic levels by early 2025, and realistically by 2026, but without concerted effort may take many years to return to pre-pandemic levels, if at all.

40 My local report sets out a series of prompts and questions for Board members to inform debate and obtain assurance that improvement actions at a local level are having the desired effect.

NHS workforce data briefing

- 41 In September 2023, I published a [data briefing](#) which set out key workforce data for NHS Wales. My briefing highlighted the continued growth of NHS Wales, and reflected that in some instances, the growth in staff levels, particularly in nursing and some medical specialties, has not kept up with increasing demand.
- 42 The pandemic clearly had an impact on staff and the workforce remains under significant pressure. The recent key trends show increased staff turnover, sickness absence and vacancies. This has resulted in greater reliance on external agency staffing and notably increased agency costs to £325 million in 2022-23. Wales is growing its own workforce, with increased nurses and doctors in training.
- 43 Despite this, there is still a heavy reliance on medical staff from outside Wales, demonstrating a need to both ensure that education commissioning is aligned to demand, but also that health bodies are able to recruit sufficient graduates, once they have completed their training. My report also highlights some positive trends that show that the NHS is becoming a more flexible and equal employer.

Workforce planning arrangements

- 44 My review examined whether the Health Board has effective arrangements to support workforce planning. It focussed on the strategic and operational workforce planning, how it uses workforce information and how it works with its stakeholders to develop solutions. The work also considered the organisation's capacity and capability to identify and address key short and long-term workforce challenges, and how it monitors whether its approach is making a difference.
- 45 My work found that the Health Board is taking appropriate action to address its significant workforce challenges. However, it needs to ensure that it has sufficient workforce planning resources to support delivery of the Health Board's People Plan and better understand the impact of the actions it is taking.
- 46 Despite the Health Board steadily increasing its workforce numbers over the past decade, it still faces serious workforce challenges with recruitment and retention, which threatens the stability of services. This has caused a sharp rise in the use of agency staff, which cost the Health Board over £28 million in 2022-23, further exacerbating an already pressurised financial situation. The Health Board's staff turnover (11.5%) and sickness rates (7%) are amongst the highest in Wales and present significant challenges. In 2022-23, the Health Board's workforce spending was £879 million, which is a 30% increase in the four years since 2018-19. Financial pressures facing the Health Board could pose a risk to the sustainability of the workforce in the short and longer term, although effective workforce planning would support more efficient and effective use of the Health Board's existing resources.
- 47 The Health Board's People Plan is clearly focused on addressing workforce challenges in the short and medium term, but more attention is needed on

addressing long-term risks. Although the Health Board is at the initial stages of understanding its current service capacity, it needs to strengthen how it predicts service demand to allow it to model and plan for the future. The Health Board is working effectively with internal and external stakeholders to find shared solutions to current and future workforce challenges.

- 48 The Health Board has clear intent to improve workforce planning capability but should ensure it has the resources to support delivery of its People Plan. It has a good understanding of the risks that might prevent the delivery of its workforce ambitions, but actions to mitigate these risks have had minimal effect to date. The Health Board is also appropriately focussing on its current workforce challenges at an operational level through a range of recruitment, retention, and development activities. However, significant challenges remain, and education commissioning is not yet supporting a sustainable workforce, leaving gaps in some key areas.
- 49 The newly established People and Culture Committee is starting to receive timely and comprehensive workforce performance reports, but the Health Board needs to strengthen the focus on the impact of People Plan actions.

Structured assessment

- 50 My 2023 structured assessment work took place at a time when NHS bodies were continuing to deal with the legacy of the COVID-19 pandemic in terms of recovering and transforming services and responding to the additional demand in the system that built up during the pandemic. Furthermore, they were also dealing with a broader set of challenges associated with the cost-of-living crisis, the climate emergency, inflationary pressures on public finances, workforce shortages, and an ageing estate.
- 51 My team focussed on the Health Board's corporate arrangements for ensuring that resources are used efficiently, effectively, and economically, with a specific focus on: Board transparency, effectiveness, and cohesion; corporate systems of assurance; corporate approach to planning; and corporate approach to managing financial resources. To help discharge my duties under Section 15 of the Well-being of Future Generations (Wales) Act 2015, my team also assessed the Health Board's corporate approach to setting its new well-being objectives in accordance with the sustainable development principle. Auditors also paid attention to progress made to address previous recommendations.
- 52 At the time of my structured assessment work, the Health Board was subject to 'enhanced monitoring' by the Welsh Government for its planning and finance arrangements.

Corporate approach to planning

- 53 My work considered whether the Health Board has a sound corporate approach to planning. I paid particular attention to the organisation's arrangements for:

- producing and overseeing the development of strategies and corporate plans, including the Integrated Medium Term Plan (IMTP); and
- overseeing the delivery of corporate strategies and plans.

54 My work found that the Health Board's arrangements for producing, overseeing, and scrutinising the development of corporate strategies and plans are robust. The Health Board has taken positive steps to refresh its long-term strategy and has adopted a new long-term vision and strategic objectives. However, like other health boards in Wales, it has been unable to produce an approvable IMTP for 2023-26, due to its challenging financial position, and is working to an Annual Plan for 2023-24 instead.

55 The Health Board's new strategic objectives are also its well-being objectives, as required under the Well-being of Future Generations (Wales) Act 2015. Whilst the well-being objectives are underpinned by clear priorities, they do not encompass all aspects of sustainable development. Furthermore, the Health Board has not aligned its objectives to the national well-being goals or to the well-being objectives of partner organisations.

56 Key corporate strategies and plans, such as the long-term strategy and 2023-24 Annual Plan, contain clear strategic objectives and priorities and SMART³ milestones, targets, and outcomes. The Health Board also has good arrangements in place to enable the Board to oversee and scrutinise the delivery of key corporate strategies and plans. However, opportunities exist to enhance reports to provide greater assurance to the Board on the delivery of intended benefits and outcomes.

Board transparency, effectiveness, and cohesion

57 My work considered whether the Health Board's Board conducts its business appropriately, effectively, and transparently. I paid particular attention to:

- Public transparency of Board business
- Arrangements to support the conduct of Board business
- Board and committee structure, business, meetings, and flows of assurance
- Board commitment to hearing from staff, users, other stakeholders
- Board skills, experiences, cohesiveness, and commitment to improvement

58 My work found that the Board and its committees continue to operate effectively, and maintain a good focus on public transparency, good governance, and continuous improvement. Opportunities remain to further enhance public transparency of Board business as well as to review the effectiveness of the new committee structure.

³ Specific, measurable, achievable, relevant, and time-bound.

- 59 The Board continues to have good arrangements in place to conduct its business transparently, but opportunities remain to improve public accessibility of Board meetings and keeping governance-related documents on its website up to date. Whilst arrangements continue to support the effective conduct of Board business, the substantial backlog of outdated policies poses a potential risk to breaching regulatory and statutory requirements.
- 60 The Health Board's new committee structure appears to be bedding down well, but it is too early to comment on its overall effectiveness. There is an opportunity for the Health Board to review the new committee structure, as part of the 2023-24 Board and committee effectiveness review, to ensure it is operating as intended and supporting the delivery of the refreshed strategic objectives. The Board and its committees continue to receive timely, well-written papers, and the Health Board is taking steps to further improve their content and quality.
- 61 The Health Board continues to have a stable and experienced Board. Whilst there are some Independent Member vacancies, the Health Board has taken steps to ensure committees remain quorate whilst recruitment is underway. As in previous years, the Health Board maintains a strong focus on continuous improvement. It also remains committed to hearing from patients and service users, but opportunities exist to make greater use of patient stories at Quality, Safety and Experience Committee meetings.

Corporate systems of assurance

- 62 My work considered whether the Health Board has a sound corporate approach to managing risks, performance, and the quality and safety of services. I paid particular attention to the organisation's arrangements for:
- overseeing strategic and corporate risks;
 - overseeing organisational performance;
 - overseeing the quality and safety of services; and
 - tracking recommendations.
- 63 My work found that whilst the Health Board has maintained good corporate systems of assurance, there are opportunities to enhance operational risk management arrangements, performance reporting, and overseeing recommendations tracking.
- 64 The Board continues to have good arrangements for overseeing strategic and corporate risks and it has updated its Board Assurance Framework to align risks to the Health Board's refreshed strategic objectives, priorities, and workstreams. However, opportunities remain to improve operational risk management arrangements. The Board maintains good oversight of organisational performance, but we found opportunities to strengthen the improved Integrated Performance Report as well as to review the Performance Management Framework to ensure it supports delivery of the refreshed strategic objectives. The Health Board is taking appropriate steps to ensure compliance with the new

duties of quality and candour, and is improving its overall approach to overseeing the quality and safety of services. There is a clear and well-established recommendations tracking process, but there is potential to enhance its impact by developing a report which pulls together common themes, issues and learning from the internal, external and regulatory compliance reports and by formally assigning recommendations to relevant committees for deeper scrutiny.

Corporate approach to managing financial resources

65 My work considered whether the Health Board has a sound corporate approach to managing its financial resources. I paid particular attention to the organisation's arrangements for:

- achieving its financial objectives;
- overseeing financial planning;
- overseeing financial management; and
- overseeing financial performance.

66 My work found that despite clear processes for financial planning, management and monitoring, the Health Board's financial position for 2023-24 is challenging.

67 The Health Board did not achieve its financial duties and objectives for 2022-23, and the financial position for 2023-24 remains challenging. The Health Board has a good approach to financial planning and has set an ambitious savings target with a clear focus on quality improvements and achieving financial sustainability. Arrangements for overseeing and scrutinising financial management and controls have been strengthened. The Health Board continues to have robust arrangements for overseeing and scrutinising financial performance, with clear financial reports which are open about financial challenges and risks.

Appendix 1

Reports issued since my last annual audit report

Exhibit 2: reports issued since my last annual audit report

The following table lists the reports issued to the Health Board in 2023.

Report	Month
Financial audit reports	
Audit of Accounts Report	July 2023
Opinion on the Financial Statements	July 2023
Audit of Accounts Addendum Report	September 2023
Charitable Funds Audit of Accounts Addendum Report (2021-22 Accounts)	February 2023
Charitable Funds Audit of Accounts Addendum Report (2022-23 Accounts)	January 2024
Performance audit reports	
Orthopaedic Services in Wales – Tackling the Waiting List Backlog	March 2023
Orthopaedic Services in Wales – Tackling the Waiting List Backlog: A comparative picture for Cardiff and Vale University Health Board.	March 2023
NHS Workforce Data Briefing	September 2023

Report	Month
Review of Workforce Planning Arrangements	November 2023
Structured Assessment 2023	December 2023
Other	
2023 Audit Plan	April 2023

My wider programme of national value for money studies in 2023 included reviews that focused on the NHS and pan-public-sector topics. These studies are typically funded through the Welsh Consolidated Fund and are presented to the Public Accounts Committee to support its scrutiny of public expenditure. Reports are available on the [Audit Wales website](#).

Exhibit 3: performance audit work still underway

There are several performance audits that are still underway or planned at the Health Board. These are shown in the following table, with the estimated dates for completion of the work.

Report	Estimated completion date
Primary Care Follow-up Review	February 2024
Unscheduled Care: Flow out of Hospital – Cardiff and Vale Region	March 2024
Discharge Planning: Progress Update	March 2024
Review of Financial Efficiencies	March 2024
Unscheduled Care: Arrangements for Managing Access	June 2024
Review of Planned Care Services Recovery	July 2024
Follow-up of 2019 Clinical Coding follow-up review	July 2024

Appendix 2

Audit fee

My 2023 Audit Plan set out my fee estimate of £437,662 (excluding VAT, which is not chargeable). I also set a fee estimate of £23,784 in the 2023 Audit Plan for my audit of the Health Board's Charity's annual report and accounts. My staff will determine the final audit costs once all audits are fully concluded. My audit team will then notify management of the closing position, which I will set out as usual in my 2024 Audit Plan.

Appendix 3

Audit of accounts risks

Exhibit 4: audit of accounts risks

My 2023 Audit Plan set out the risks for the audit of the Health Board's 2022-23 accounts. The table below lists these risks and sets out how they were addressed as part of the audit.

Audit risk	Proposed audit response	Work done and outcome
<p>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].</p>	<p>I will:</p> <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; • evaluate the rationale for any significant transactions outside the normal course of business; and • add additional procedures to address any specific risks of management override which are not addressed by the mandatory work above. 	<p>I reviewed numerous accounting estimates and samples of transactions that included journal entries.</p> <p>The results of my testing were satisfactory.</p>
<p>Under the NHS Finance (Wales) Act 2014, health boards moved to a rolling three-year resource limit for both revenue and capital. For 2022-23 and the three years to 31 March 2023, the</p>	<p>I monitor the Health Board's financial position for 2022-23 and the cumulative three-year position to 31 March 2023.</p> <p>My review will also consider the impact of any relevant uncorrected</p>	<p>As set out in this report, my audit confirmed that the Health Board met its three-year capital resource limit but did not meet its three-year resource limit and I therefore qualified my regularity opinion.</p>

Audit risk	Proposed audit response	Work done and outcome
<p>Health Board forecasts⁴ to exceed its revenue resource limit by £26.9 million. This outcome could affect my regularity opinion, as the Health Board has experienced for some of its past financial years.</p>	<p>misstatements over the three years.</p> <p>If the Health Board fails to meet the three-year resource limits for revenue and/or capital, I would expect to qualify my regularity opinion on the 2022-23 financial statements. I would also expect to place a substantive report on the statements to explain the basis of the qualification and the circumstances under which it had arisen.</p> <p>Also, I will focus my testing on areas of the financial statements which could contain judgements such as provisions. We will also focus on year-end accruals with a focus on ensuring transactions have been reported in the correct accounting period.</p>	
<p>The quinquennial valuation of the NHS estate took place as at 1 April 2022.</p> <p>There is a risk that assets are not valued on appropriate bases and that movements in the carrying values of assets are not</p>	<p>I will:</p> <ul style="list-style-type: none"> • consider the appropriateness of the work of the Valuation Office as a management expert; • test the appropriateness of 	<p>The results of my prescribed audit testing were satisfactory.</p>

⁴ Based on the Health Board's 'month 11' financial reporting to the Welsh Government.

Audit risk	Proposed audit response	Work done and outcome
<p>appropriately accounted for and disclosed.</p> <p>Given the current economic climate, there is a further risk that the carrying values of assets have changed during 2022-23 and that 1 April 2022 valuations are materially misstated at the balance sheet date of 31 March 2023.</p>	<p>asset valuation bases;</p> <ul style="list-style-type: none"> • review a sample of movements in carrying values to ensure that movements have been accounted for and disclosed in accordance with the Welsh Government's Manual for Accounts; and • consider whether the carrying value of assets at 1 April 2022 remains materially appropriate or whether additional in-year adjustments are required due to the impact of current economic conditions. 	
<p>A new accounting standard, IFRS16⁵ Leases, has been introduced from 2022-23. The standard significantly changes how most leased assets are to be accounted for, with leased assets needing to be recognised as assets and liabilities in the Statement of Financial Position (the balance sheet).</p>	<p>I will:</p> <ul style="list-style-type: none"> • consider the completeness of the lease portfolios identified by the Health Board, as needing to be included in IFRS16 calculations; • review a sample of calculated asset and liability values and ensure that these have been accounted for and disclosed in 	<p>The results of my prescribed audit testing were satisfactory. There was one audit correction to reclassify an amount of £2.388 million.</p>

⁵ International Financial Reporting Standard 16.

Audit risk	Proposed audit response	Work done and outcome
<p>There are also significant additional disclosure requirements specific to leased assets that need to be reflected in the financial statements.</p>	<p>accordance with the new requirements; and</p> <ul style="list-style-type: none"> • ensure that all material disclosures have been made. <p>As part of my audit planning, I have liaised with officers and provided them with the main audit questions to be raised.</p>	



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We welcome correspondence and telephone calls in Welsh and English.
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.