

# Annual Audit Report 2021 – Powys Teaching Health Board

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# Summary report

## About this report

- 1 This report summarises the findings from my 2021 audit work at Powys Teaching Health Board (the Health Board) undertaken to fulfil my responsibilities under the Public Audit (Wales) Act 2004. That Act requires me to:
  - examine and certify the accounts submitted to me by the Health Board, and to lay them before the Senedd;
  - satisfy myself that expenditure and income have been applied to the purposes intended and are in accordance with authorities; and
  - satisfy myself that the Health Board has made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources.
- 2 I report my overall findings under the following headings:
  - Audit of accounts.
  - Arrangements for securing economy, efficiency, and effectiveness in the use of resources.
- 3 This year's audit work took place at a time when public bodies continued responding to the unprecedented challenges presented by the COVID-19 pandemic, whilst at the same time recovering services. My work programme was designed to best assure the people of Wales that public funds are well managed. I have considered the impact of the current crisis on both resilience and the future shape of public services. I aimed to ensure my work did not hamper public bodies in tackling the crisis, whilst ensuring it continued to support both scrutiny and learning. On-site audit work continues to be restricted, and we continued to work and engage remotely where possible through the use of technology. This inevitably had an impact on how we deliver audit work but has also helped to embed positive changes in our ways of working.
- 4 As was the case in 2020, the delivery of my audit of accounts work was not without its challenges, not only in how and where we undertook the work, but also in taking account of considerations for financial statements arising directly from the pandemic. The success in delivering it reflects a great collective effort by both my staff and the Health Board's officers to embrace and enable new ways of working and remain flexible to and considerate of the many issues arising.
- 5 I have adjusted the focus and approach of my performance audit work to ensure its relevance in the context of the crisis and to enable remote working. My programme of work has provided focus on themes, lessons and opportunities relating to NHS governance and NHS staff wellbeing. I have reviewed the Test, Trace, Protect programme and the rollout of the COVID-19 vaccine. My local audit teams have commented on how governance arrangements have adapted to respond to the pandemic, and the impact the crisis has had on service delivery. I have also reviewed the governance arrangements of the Welsh Health Specialised Services Committee.

- 6 This report is a summary of the issues presented in more detailed reports to the Health Board this year (see **Appendix 1**). I also include a summary of the status of planned work currently being re-scoped.
- 7 **Appendix 2** presents the latest estimate of the audit fee that I will need to charge to cover the costs of undertaking my work, compared to the original fee set out in the 2021 Audit Plan.
- 8 **Appendix 3** sets out the financial audit risks set out in my 2021 Audit Plan and how they were addressed through the audit.
- 9 The Chief Executive, Deputy Chief Executive and the Director of Finance have agreed the factual accuracy of this report. We presented it to the Audit, Risk and Assurance Committee on 20 January 2022. 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.
- 10 I would like to thank the Health Board's staff and members for their help and co-operation throughout my audit.

## Key messages

### Audit of accounts

- 11 I concluded that the Health Board's accounts were properly prepared and materially accurate and issued an unqualified audit opinion on them. My work did not identify any material weaknesses in the Health Board's internal controls (as relevant to my audit). However, I placed an Emphasis of Matter paragraph in my report to draw attention to disclosures in note 21.1 relating to the impact of a Ministerial Direction issued on 18 December 2019 to the Permanent Secretary of the Welsh Government. I placed a substantive report on the Health Board's financial statements to provide further information on this matter. I also brought two important issues to the attention of officers, the Audit, Risk and Assurance Committee and the Board. These issues related to the overpayment of salary to a former senior officer, and arrangements for the collation and quality assurance of the Remuneration and Staff Report.
- 12 The Health Board achieved financial balance for the three-year period ending 31 March 2021 and had no other material financial transactions that were not in accordance with authorities nor used for the purposes intended, so I have issued an unqualified opinion on the regularity of the financial transactions within the Health Board's 2020-21 accounts.

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

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

- the Test, Trace, Protect programme is making an important contribution to the management of COVID-19 in Wales. Whilst the programme struggled to cope with earlier peaks in virus transmission, it has demonstrated an ability to rapidly learn and evolve in response to the challenges it has faced.
- in relation to the Welsh Health Specialised Services Committee Governance Arrangements: since the previous reviews in 2015, governance, management and planning arrangements have improved, but the impact of COVID-19 will now require a clear strategy to recover services and there would still be benefits in reviewing the wider governance arrangements for specialised services in line with the commitments within 'A Healthier Wales'.
- the COVID-19 vaccination programme in Wales has been delivered at significant pace with local, national and UK partners working together to vaccinate a significant proportion of the Welsh population. A clear plan is now needed for the challenges which lie ahead.
- all NHS bodies have maintained a clear focus on staff wellbeing throughout the pandemic and implemented a wide range of measures to support the physical health and mental wellbeing of their staff during the crisis. It is vital that these activities are built upon, and that staff wellbeing remains a central priority for NHS bodies as they deal with the combined challenges of recovering services, continuing to respond to the COVID-19 pandemic, and also managing seasonal pressures.
- the Health Board has effective operational planning arrangements, underpinned with good arrangements to engage with staff members and the public, and to monitor delivery of operational plans.
- the Health Board has generally effective Board and committee arrangements, however, capacity gaps within the corporate governance team and the turnover of independent members are areas that need addressing. Plans have been developed for responding to COVID-19 and transformation of healthcare services. The Health Board will need to continue to utilise its good partnership working arrangements to ensure that Powys residents are appropriately prioritised by commissioned services.
- financial resources are managed well, however, delivering the required financial savings will be challenging.
- the Health Board is committed to ensure high quality, safe and effective services and has taken steps to improve its quality governance arrangements. There remains work to embed these arrangements, articulate the quality priorities of the organisation and ensure there are measures in

place to demonstrate and monitor achievement to drive improvements across the full range of services provided and commissioned.

14 These findings are considered further in the following sections.

# Detailed report

## Audit of accounts

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

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

- 18 I concluded that the Health Board's accounts were properly prepared and materially accurate and issued an unqualified audit opinion on them. My work did not identify any material weaknesses in the Health Board's internal controls (as relevant to my audit). However, I placed an Emphasis of Matter paragraph in my report to draw attention to disclosures in note 21.1 relating to the impact of a Ministerial Direction issued on 18 December 2019 to the Permanent Secretary of the Welsh Government, instructing her to fund NHS Clinicians' pension tax liabilities incurred by NHS Wales bodies in respect of the 2019-20 financial year. I placed a substantive report alongside my audit opinion to provide further information on this matter. I also brought two important issues to the attention of officers, the Audit, Risk and Assurance Committee and the Board. These issues related to the overpayment of salary to a former senior officer and the collation and quality assurance of the Remuneration and Staff Report.
- 19 I received the draft accounts on 30 April 2021 and the Annual Report and Accountability Report on 7 May 2021, both in accordance with Welsh Government deadlines. The draft accounts and supporting working papers were generally of a good standard, but I raised several issues on the Remuneration and Staff Report.
- 20 I must report issues arising from my work to those charged with governance before I issue my audit opinion on the accounts. My Financial Audit Engagement Lead reported these issues to the Health Board on 10 June 2021.

- 21 In September 2021, my audit team held a shared learning session with officers, to reflect on the 2020-21 accounts preparation and audit process, and to agree areas for improvement in 2021-22. These mainly relate to the Remuneration and Staff Report.
- 22 I also undertook a review of the Whole of Government Accounts return (LMS 2) and reported that there were some inconsistent classifications between the accounts and the return. The Health Board should look to address any inconsistencies in 2021-22.
- 23 My separate audit of the Health Board's Charitable Funds Account is currently ongoing. Officers are currently undertaking some additional work and I expect to complete my audit in January 2022.

## Regularity of financial transactions

- 24 The Health Board achieved financial balance for the three-year period ending 31 March 2021 and had no other material financial transactions that were not in accordance with authorities nor used for the purposes intended, so I have issued an unqualified opinion on the regularity of the financial transactions within the Health Board's 2020-21 accounts.
- 25 The Health Board's financial transactions must be in accordance with authorities that govern them. The Health Board must have the powers to receive the income and incur the expenditure. Our work reviews these powers and tests that there are no material elements of income or expenditure which the Health Board does not have the powers to receive or incur.
- 26 Where a Health Board does not achieve financial balance, its expenditure exceeds its powers to spend and so I must qualify my regularity opinion. The Health Board achieved financial balance over the three years to 2020-21 as shown in **Exhibit 1**. The Health Board therefore met its statutory duty to breakeven over the three years.

### Exhibit 1: financial position at year-end

Financial year	Revenue surplus £000	Capital surplus £000
2018-19	65	12
2019-20	55	3

Financial year	Revenue surplus £000	Capital surplus £000
2020-21	143	27
<b>Total</b>	<b>263</b>	<b>42</b>

27 The Health Board met both of its financial duties: to achieve financial balance (as set out above) and to have an approved three-year plan in place.

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

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

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

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

### Test, Trace, Protect programme

30 My work examined how public services responded to the challenges of delivering the Welsh Government's Test, Trace, Protect Programme (TTP). As well as

commenting on the delivery of TTP up to and including December 2020, my report set out some key challenges and opportunities that will present themselves as part of the ongoing battle to control COVID-19.

- 31 I found that the different parts of the Welsh public and third sector had worked well together to rapidly build the TTP programme. The configuration of the system blended national oversight and technical expertise with local and regional ownership of the programme, and the ability to use local intelligence and knowledge to shape responses.
- 32 Arrangements for testing and contact tracing have evolved as the pandemic has progressed. But maintaining the required performance in these arrangements proved challenging in the face of increasing demand.
- 33 Despite increased testing and tracing activity, the virus continued to spread, and as in other parts of the UK and internationally, testing and tracing have needed to be supplemented with local and national lockdown restrictions in an attempt to reduce transmission rates.
- 34 While a range of support mechanisms exist, it remains difficult to know how well the 'protect' element of TTP has been working in supporting people to self-isolate.

## **Welsh Health Specialised Services Committee governance arrangements**

- 35 In May 2021, I published my review on the governance arrangements of the Welsh Health Specialised Services Committee (WHSSC). WHSSC is a joint committee made up of, and funded by, the seven local health boards in Wales. On a day-to-day basis, the Joint Committee delegates operational responsibility for commissioning to Welsh Health Specialised Services officers, through the management team. WHSSC, which is hosted by Cwm Taf Morgannwg University Health Board, has an annual budget of £680 million and makes collective decisions on the review, planning, procurement, and performance monitoring of specialised services for the population of Wales on behalf of health boards.
- 36 In 2015, two separate reviews highlighted issues with WHSSC's governance arrangements. Considering the time passed since the two reviews, together with increasing service and financial pressures and the changing landscape of collaborative commissioning, I felt it was timely to review WHSSC's governance arrangements.
- 37 My review found a number of improvements have been made to the overall governance arrangements in WHSCC since 2015. Good progress has been made to strengthen arrangements for quality assurance of specialised services, although scope still exists to increase the attention given to finance, performance, and quality reporting at Joint Committee. There is also a need to review the arrangements for recruiting and remunerating independent members that sit on the Joint Committee given some of the challenges in filling these roles. Current Joint Committee members have a healthy working relationship and operate well

together. However, the current model creates potential conflicts of interest due to the fact some Joint Committee members are also the Chief Officers of the health bodies commissioned to provide specialised services.

- 38 My review found that arrangements for planning commissioned services are generally good and there is an improving focus on value. However, some key new services such as new service models for major trauma and thoracic surgery have taken a long time to agree and implement. My review also found that the COVID-19 pandemic has significantly affected the delivery of specialised services, and that the development of a plan for the recovery of specialised services should now be a priority. The Welsh Government's long-term plan for health and social care, A Healthier Wales, signals the intention to review a number of hosted national functions, including WHSSC, with the aim of 'consolidating national activity and clarifying governance and accountability'.
- 39 Whilst the governance arrangements for WHSSC have continued to improve, my report shows that there are still a number of facets of the WHSSC model that merit further attention.

## Vaccination programme

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

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

- 47 My review considered how NHS bodies have supported the wellbeing of their staff during the pandemic, with a particular focus on their arrangements for safeguarding staff at higher risk from COVID-19.
- 48 NHS staff have shown tremendous resilience and dedication throughout the pandemic, despite facing huge strains to their mental and physical health. The NHS in Wales was already facing a number of challenges relating to staff wellbeing prior to the pandemic, and the crisis has highlighted the importance of supporting the mental and physical health of the NHS workforce.
- 49 Through my Structured Assessment work, I found that NHS bodies moved quickly at the beginning of the pandemic to enhance wellbeing initiatives to support staff through unprecedented times. As the pandemic unfolded, I found that NHS bodies in Wales implemented a range of measures to improve staff wellbeing, such as creating dedicated rest spaces, increasing mental health and psychological wellbeing provision, enhancing infection and prevention control measures, and enabling remote working.
- 50 My work also looked at how NHS bodies in Wales protected staff at higher risk from COVID-19. Amongst other safeguarding initiatives, I found that all bodies rolled out the All-Wales COVID-19 Workforce Risk Assessment Tool which identifies those at a higher risk and encourages a conversation about additional measures to be put in place to ensure staff are adequately protected. Although NHS bodies promoted and encouraged staff to complete the assessment tool, completion rates varied between NHS bodies.
- 51 While the crisis has undoubtedly had a considerable impact on the wellbeing of staff in the short term, the longer-term impacts cannot be underestimated. With a more emotionally and physically exhausted workforce than ever, NHS bodies in Wales must maintain a focus on staff wellbeing and staff engagement to navigate through the longer-term impacts of the crisis. My report, therefore, is accompanied by a checklist which sets out some of the questions NHS Board members should be asking to ensure their health bodies have good arrangements in place to support staff wellbeing.

## Structured assessment

- 52 My structured assessment work was designed in the context of the ongoing response to the pandemic. I ensured a suitably pragmatic and relevant approach to help me discharge my statutory responsibilities, whilst minimising the impact on NHS bodies as they continue to respond to the pandemic. My team undertook the work into two phases this year:

- phase 1 considered the planning arrangements underpinning the development and delivery of the operational plan for quarters three and four of 2020-21.
- phase 2 considered how corporate governance and financial management arrangements adapted over the year. Auditors also paid attention to progress made to address previous recommendations.

## Operational planning arrangements

- 53 My work considered the Health Board's operational planning arrangements underpinning the operational plan for quarters three and four of 2020-21. The planning framework covered the maintenance of effective and efficient operational planning arrangements in health bodies to guide their response to the pandemic as well as responding to winter pressures and laying the foundations for effective recovery of services.
- 54 My work found that the Health Board has effective operational planning arrangements, underpinned with good arrangements to engage with staff members and the public, and to monitor delivery of operational plans.
- 55 The Health Board's plan for quarters three and four was submitted to the Welsh Government within the required timeframe, covers the necessary areas within the planning framework guidance and received independent member scrutiny.
- 56 The Health Board's operational planning arrangements are robust, and plans were developed through extensive engagement with staff and the public. The Health Board had good arrangements for monitoring and reporting on the delivery of the operational plans to the Board, albeit that the use of delivery milestones was temporarily stood down which made assessment against delivery difficult.

## Governance arrangements

- 57 My work considered the Health Board's ability to maintain sound governance arrangements while having to respond to the unprecedented challenges presented by the pandemic. The key focus of the work has been the corporate arrangements for ensuring that resources are used efficiently, effectively, and economically. We also considered how business deferred in 2020 was reinstated and how learning from the pandemic is shaping future arrangements for ensuring continued good governance and recovery.
- 58 The Health Board has generally good Board and committee arrangements and has recently revised the committee structure following an internal review and informed by learning through the pandemic. However, there are a number of gaps within the corporate governance team which will need to be managed effectively. The transparency of Board business to the public is good, and the Health Board's Chief Executive has undertaken well publicised live public question and answer sessions. However, recently some agenda papers are provided late to Board and committees which could potentially affect the ability of independent members to

scrutinise them effectively. A number of independent members will be leaving the Health Board soon, and formal induction training is needed to help new members ease quickly into their roles.

- 59 My work also found that the Health Board has set out its plans for managing COVID-19 and renewal/transformation of healthcare services. Plans are supported with specific, measurable and timebound actions for delivery, and there is good oversight and monitoring of progress through the Health Board's committees. There is good evidence of partnership working with commissioned services, and oversight of this work is good.
- 60 Whilst there is good Board scrutiny of risks, the Board Assurance Framework needs to be updated to reflect risks to achieving new strategic priorities. There is further work to do to fully address recommendations from Internal Audit reports on risk management in 2019 and 2020. The Health Board is revising its risk management framework. The work will need to demonstrate that operational risks on departmental and directorate risk registers are escalated appropriately. Comprehensive training will need to be rolled out to staff. Although good arrangements are in place to monitor progress on audit and review recommendations, actions to address a number of recommendations which were reprioritised are now overdue.

## **Managing financial resources**

- 61 I considered the Health Board's financial performance, financial controls and arrangements for monitoring and reporting financial performance.
- 62 I found that the Health Board has good arrangements to manage its financial resources and continues year on year to meet its financial duties. Financial controls are effective, and the Health Board uses clear, financial information to monitor and report its performance. However, the delivery of savings will be challenging this year, with all savings to be achieved profiled across the last six months of the financial year. Further work is also needed to ensure timely reporting to the Delivery and Performance committee.

## **Quality governance arrangements**

- 63 My audit examined whether the organisation's governance arrangements support delivery of high quality, safe and effective services. The review focused on both the operational and corporate approach to quality governance, organisational culture and behaviours, strategy, structures and processes, information flows and reporting.
- 64 My work found that there is a clear commitment to ensure high-quality commissioned and provided services, supported by corporate frameworks, and improving risk management. The Health Board is committed to growing its quality improvement capacity, and there has been better use of clinical audit. There is a well-established values and behaviours framework in place and staff feel supported

to raise concerns. The Health Board has a range of formal mechanisms for capturing patient experience and work is underway to develop a new Patient Experience Engagement Framework and Strategy and implement a new real time system to capture patient feedback. The introduction of the new Clinical Quality Framework is positive, and its roll out is starting to strengthen operational governance, alongside an increase in resources. Recent developments have strengthened lines of accountability and oversight of scrutiny to improve flows of assurance.

- 65 However, the quality priorities and success measures need to be clearer in order to measure impact and improvement. Work on capturing patient feedback needs to be more consistent and there needs to be better systems for demonstrating learning. Health Board resources to support quality governance are limited, and historical capacity constraints within the concerns team are affecting the timeliness of responses to complaints. There is scope to broaden the current performance reporting to ensure a clearer focus on quality matters covering the breadth of services provided and commissioned, as well as developing a quality dashboard reflecting the unique nature of the Health Board. Due to the majority of healthcare being provided by commissioned services, the Health Board will need to continue to utilise its good partnership working arrangements to ensure Powys residents are appropriately prioritised by providers to ensure good patient outcomes.

# Appendix 1

## Reports issued since my last annual audit report

### Exhibit 2: reports issued since my last annual audit report

The following table lists the reports issued to the Health Board in 2021.

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

Report	Date
Quality Governance Review	October 2021
Structured Assessment 2021: Phase 2 Corporate Governance and Financial Management Arrangements	December 2021
<b>Other</b>	
2021 Audit Plan	February 2021

My wider programme of national value for money studies in 2021 included reviews that focused on the NHS and pan-public-sector topics. These studies are typically funded through the Welsh Consolidated Fund and are presented to the Public Accounts Committee to support its scrutiny of public expenditure. Reports are available on the [Audit Wales website](#).

### Exhibit 3: performance audit work still underway

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

Report	Estimated completion date
Unscheduled care	Phase 1 – February 2022 Timing of further work included as part of the 2022 plan still to be confirmed.
Orthopaedics	March 2022
Review of the Health Board's Renewal Programme	March 2022

# Appendix 2

## Audit fee

The 2021 Audit Plan set out the proposed audit fee of £262,655 (excluding VAT). My latest estimate of the actual fee is in keeping with the fee set out in the outline

The estimated fee set out in the 2021 Audit Plan did not include the audit of the 2020-21 Charitable Funds Account. I will report the actual fee for this audit following completion of audit work, which is scheduled for January 2022.

# Appendix 3

## Financial audit risks

### Exhibit 4: financial audit risks

My 2021 Audit Plan set out the financial audit risks for the audit of the Health Board's 2020-21 financial statements. The table below lists these risks and sets out how they were addressed as part of the audit.

Audit risk	Proposed audit response	Work done and outcome
<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>The audit team will:</p> <ul style="list-style-type: none"><li>• test the appropriateness of journal entries and other adjustments made in preparing the financial statements;</li><li>• review accounting estimates for biases; and</li><li>• evaluate the rationale for any significant transactions outside the normal course of business.</li></ul>	<p>I reviewed a sample of the accounting estimates and a sample of transactions that included journal entries. I did not identify any significant transactions outside the normal course of business. My audit findings were satisfactory.</p>
<p>There is a risk that you will fail to meet your first financial duty to break even over a three-year period. The position at month 9 shows a year-to-date deficit of £8,000 and a forecast year-end breakeven position. This combined with the outturns for 2018-19 and 2019-20, predicts a three-year surplus of £120,000.</p>	<p>The audit team will undertake testing on areas of the financial statements which could contain reporting bias.</p>	<p>As set out in this report, my audit confirmed that the Health Board met its financial duty to break even over a three-year period. I substantively tested a sample of transactions and balances. My audit findings were satisfactory.</p>

Audit risk	Proposed audit response	Work done and outcome
<p>Your current financial pressures increase the risk that management judgements and estimates could be biased in an effort to achieve the financial duty.</p>		
<p>The COVID-19 national emergency continues and the pressures on staff resource and of remote working may impact on the preparation and audit of accounts. There is a risk that the quality of the accounts and supporting working papers may be compromised leading to an increased incidence of errors. Quality monitoring arrangements may be compromised due to timing issues and/or resource availability.</p>	<p>We will discuss your closedown process and quality monitoring arrangements with the accounts preparation team and monitor the accounts preparation process. We will help to identify areas where there may be gaps in arrangements.</p>	<p>I did not identify any issues with your closedown process. I did however report errors in the draft Remuneration and Staff report and I raised a recommendation for improvement in the Health Board's quality monitoring arrangements.</p>
<p>The increased funding streams and expenditure in 2020-21 to deal with the COVID-19 pandemic will have an impact on the risks of material misstatement and the shape and approach to our audit. Examples of issues include fraud, error, and regularity risks of additional spend, treatment and valuation of PPE and equipment and estimation of annual leave balances.</p>	<p>We will identify the key issues and associated risks and plan our work to obtain the assurance needed for our audit.</p>	<p>I substantively tested a sample of transactions and balances. My audit findings were satisfactory.</p>

<b>Audit risk</b>	<b>Proposed audit response</b>	<b>Work done and outcome</b>
<p>The implementation of the 'scheme pays' initiative in respect of the NHS pension tax arrangements for clinical staff is ongoing. Last year we included an Emphasis of matter paragraph in the audit opinion, drawing attention to your disclosure of the contingent liability. However, if any expenditure is made in year, we would consider it to be irregular as it contravenes the requirements of Managing Public Monies.</p>	<p>We will review the evidence one year on around the take up of the scheme and the need for a provision, and the consequential impact on the regularity opinion.</p>	<p>No expenditure was incurred during 2020-21, and the Health Board included a narrative contingent liability disclosure in its accounts. As set out in this report, I included an Emphasis of Matter paragraph in my audit opinion, and I issued a substantive report to provide further information on the matter.</p>





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