

Swansea Bay University Health Board– Detailed Audit Plan 2023

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About Audit Wales

Our aims and ambitions

Assure



the people of
Wales that public
money is well
managed

Explain



how public
money is being
used to meet
people's needs

Inspire



and empower
the Welsh
public sector to
improve



Fully exploit
our unique
perspective,
expertise and
depth of insight



Strengthen our
position as an
authoritative,
trusted and
independent
voice



Increase our
visibility,
influence and
relevance



Be a model
organisation for
the public sector
in Wales and
beyond

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Introduction

I have now largely completed my planning work.

This Detailed Audit Plan specifies my statutory responsibilities as your external auditor and to fulfil my obligations under the Code of Audit Practice.

It sets out the work my team intends undertaking to address the audit risks identified and other key areas of focus during 2023.

It also sets out my estimated audit fee, details of my audit team and key dates for delivering my audit team's activities and planned outputs.



Adrian Crompton

Auditor General for
Wales

Audit of financial statements

I am required to issue a report on your financial statements which includes an opinion on their 'truth and fairness' and the regularity of income and expenditure. and the proper preparation of key elements of your Remuneration and Staff Report. I lay them before the Senedd together with any report that I make on them. I will also report by exception on a number of matters which are set out in more detail in our [Statement of Responsibilities](#).

I do not seek to obtain absolute assurance on the truth and fairness of the financial statements and related notes but adopt a concept of materiality. My aim is to identify material misstatements, that is, those that might result in a reader of the accounts being misled. The levels at which I judge such misstatements to be material is set out later in this plan.

I am also required to certify a return to the Welsh Government which provides information about the Health Board to support preparation of the Whole of Government Accounts.

There have been no limitations imposed on me in planning the scope of this audit.

Performance audit work

I must satisfy myself that the Health Board has made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources. I do this by undertaking an appropriate programme of performance audit work each year.

My work programme is informed by specific issues and risks facing the Health Board and the wider NHS in Wales. I have also taken account of the work that is being undertaken or planned by other external review bodies and by internal audit.

My performance audit work is conducted using International Organisation of Supreme Audit Institutions (INTOSAI) auditing standards. INTOSAI 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

Your audit at a glance



My financial statements audit will concentrate on your risks and other areas of focus

My audit planning has identified the following risks:

Significant financial statement risk

- Risk of Management Override
- Risk of exceeding breakeven position at year end and failing to meet the first financial duty to break even over a three-year period

Other areas of audit focus

- IFRS16 Leases
- Quinquennial Valuation



My performance audit will include:

- Structured Assessment - core
- Structured Assessment – deep dive review of investment in digital
- All Wales Thematic Review – planned care service recovery
- Local work – management of follow up outpatients
- Local work – setting of Wellbeing of Future Generations (WFG) objectives



Materiality

Materiality	£14.06 million
Reporting threshold	£0.703 million

Financial statements materiality



Materiality £14.06 million

My aim is to identify and correct material misstatements, that is, those that might otherwise cause the user of the accounts into being misled.

Materiality is calculated using:

- 2021-22 gross expenditure of £1,406 million
- Materiality percentage of 1%

I report to those charged with governance any misstatements above a trivial level (set at 5% of materiality i.e., £0.703 million).



Areas of specific interest

There are some areas of the accounts that may be of more importance to the user of the accounts, and we have set a lower materiality level for these:

- Remuneration report £5,000
- Related party disclosures £10,000 (Individuals)

Significant financial statements risks

Significant risks are identified risks of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum of inherent risk or those which are to be treated as a significant risk in accordance with the requirements of other ISAs. The ISAs require us to focus more attention on these significant risks.

Exhibit 1: significant financial statement risks

Significant risk	Our planned response
<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 240.32-33].</p>	<p>The audit team 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 bias; • evaluate the rationale for any significant transactions outside the normal course of business.
<p>There is a significant risk that you will fail to meet your first financial duty to break even over a three-year period.</p> <p>The position at month 11 shows a year-to-date deficit of £2.4m and a forecast year-end breakeven position. This, combined with the outturns for 2020-21 and 2021-22, predicts a three-year deficit of £48.7 million.</p> <p>Where you fail this financial duty, we will place a substantive report on the financial statements highlighting the failure and qualify your regularity opinion. Your current financial pressures increase the risk that management judgements and estimates could be biased in an effort to achieve the financial duty and breakeven in 2022-23.</p>	<p>We will focus our testing on areas of the financial statements which could contain reporting bias.</p>

Other areas of focus

I set out other identified risks of material misstatement which, whilst not determined to be significant risks as above, I would like to bring to your attention.

Exhibit 2: other areas of focus

Audit risk	Our planned response
<p>A new accounting standard, IFRS16 Leases, has been adopted by the FReM for 2022-23.</p> <p>IFRS16 will significantly change how most leased assets are accounted for as leased assets will need to be recognised as assets and liabilities in the Statement of Financial Position.</p> <p>There are also significant additional disclosure requirements specific to leased assets that will need to be reflected in the financial statements.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • consider the completeness of the lease portfolios identified by the health board/trust/authority 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 accordance with the Manual for Accounts. • ensure that all material disclosures have been made.
<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 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.</p>	<p>My audit team 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 asset valuation bases. • review a sample of movements in carrying values to ensure that movements have been accounted for and disclosed in accordance with the Manual for Accounts. • 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>Last year, I qualified my regularity opinion in respect of clinician's pension tax compensation scheme and placed a</p>	<p>No further work required.</p>

Audit risk	Our planned response
<p>substantive report on the financial statements explaining my rationale.</p> <p>For 2022-23, whilst any transactions included in the Health Board's financial statements strictly remain irregular, I am not classifying these as material by their nature. I consider that a further qualification of my regularity opinion would have diminished value particularly against the backdrop of the Chancellor of the Exchequer abolishing the Lifetime Allowance in his March 2023 budget statement.</p>	

Financial statements audit timetable

I set out below key dates for delivery of my accounts audit work and planned outputs.

Exhibit 3: key dates for delivery of planned outputs

Planned output	Work undertaken	Report finalised
2023 Outline Audit Plan	February 2023	March 2023
2023 Detailed Audit Plan	February – April 2023	May 2023
Audit of financial statements work: <ul style="list-style-type: none">• Audit of Financial Statements Report• Opinion on the Financial Statements	May – July 2023 May – July 2023	July 2023 July 2023

Planned performance audit work

I set out below details of my performance audit work and key dates for delivery of planned outputs.

Exhibit 4: key dates for delivery of planned outputs

Theme	Approach	Key dates
<p>Structured Assessment - core</p>	<p>Structured assessment will continue to form the basis of the work my audit teams do at each NHS body to examine the existence of proper arrangements for the efficient, effective, and economical use of resources. My 2023 structured assessment work will review the following core areas:</p> <ul style="list-style-type: none"> • Board and committee cohesion and effectiveness; • Corporate systems of assurance; • Corporate planning arrangements; and • Corporate financial planning and management arrangements. <p>My structured assessment work will also include a review of the arrangements that are in place to track progress against previous audit recommendations. This allows the audit team to obtain assurance that the necessary progress is being made in addressing areas for improvement identified in previous audit work. It also enables us to more explicitly measure the impact our work is having.</p>	<p>Fieldwork to commence between June and August 2023 with reporting by the end of October 2023.</p>
<p>Structured Assessment - deep dive review of investment in digital</p>	<p>In addition to the core structured assessment work described above, my audit teams will also review certain arrangements at NHS bodies in more depth. This year, my audit teams will examine digital arrangements, with a particular focus on how NHS bodies are investing in digital technologies, solutions, and capabilities to support the workforce, transform patient care, meet demand, and improve productivity and efficiency.</p>	<p>Fieldwork to commence during the autumn of 2023 and reporting by April 2024.</p>

Theme	Approach	Key dates
<p>All Wales thematic review of planned care service recovery</p>	<p>I plan to undertake work following on from my national report on tackling the planned care backlog. Whilst the exact focus of this work is still to be determined, it is likely to consider:</p> <ul style="list-style-type: none"> • The extent that health boards have achieved Welsh Government targets for recovering planned care services; • The efficacy of local plans and activity to recover waiting lists; and • Use of the additional Welsh Government financial allocations to improve waiting lists. 	<p>Fieldwork to commence between November and December 2023 and reporting by April 2024.</p>
<p>Local project work</p>	<p>My audit team will also undertake performance audit work that reflects issues specific to the Health Board. Subject to confirmation with executive officers, this work is likely to focus on the progress made by the Health Board in addressing my previous recommendations focused on managing follow up outpatients.</p> <p>My audit team will also review the Health Board's arrangements for setting its Wellbeing of Future Generations (WFG) objectives when it looks to revisit them in Autumn 2023.</p>	<p>Fieldwork and reporting timescale to be confirmed.</p>

Fee and audit team

In January 2023 I published the [fee scheme](#) for the 2023-24 year as approved by the Senedd Finance Committee. My fee rates for 2023-24 have increased by 4.8% for inflationary pressures. In addition, my financial audit fee has a further increase of 10.2% for the impact of the revised auditing standard ISA315 on my financial audit approach. More details of the revised auditing standard and what it means for the audit I undertake is set out in **Appendix 1**.

I estimate your total audit fee will be **£414,663**. A breakdown of the audit fee is set out in **Exhibit 5**.

Our financial audit fee is based on the following assumptions:

- The agreed audit deliverables sets out the expected working paper requirements to support the financial statements and includes timescales and responsibilities.
- No matters of significance, other than as summarised in this plan, are identified during the audit.

Exhibit 5: breakdown of audit fee

Audit area	Proposed fee for 2023 (£) ¹	Actual fee for 2022 (£)
Audit of Financial Statements	240,769	209,542
Performance audit work:		
• Structured Assessment	84,397	81,789
• All-Wales thematic review	45,519	46,953
• Local projects	43,978	43,720
Performance audit work total	173,894	168,462
Total audit fee	414,663	378,004

Planning will be ongoing, and changes to my programme of audit work, and therefore my fee, may be required if any key new risks emerge. I shall make no changes without first discussing them with the Director of Finance.

¹ The fees shown in this document are exclusive of VAT, which is not charged to you.

The main members of my team, together with their contact details, are summarised in **Exhibit 6**.

Exhibit 6: my local audit team

Name	Role	Contact details
Dave Thomas	Engagement Director & Audit Director (Performance Audit)	dave.thomas@audit.wales 02920 320604
Derwyn Owen	Audit Director (Financial Audit)	derwyn.owen@audit.wales 02920 320651
Jason Blewitt	Audit Manager (Financial Audit)	jason.blewitt@audit.wales 02920 320700
Anne Beegan	Audit Manager (Performance Audit)	anne.beegan@audit.wales 02920 829341
Leanne Malough	Audit Lead (Financial Audit)	leanne.malough@audit.wales 02920 320687
Sara Utley	Audit Lead (Performance Audit)	sara.utley@audit.wales 02920 829399

I can confirm that my team members are all independent of the Health Board and your officers. There are two potential conflicts of interest that we need to bring to your attention. Both relate to Dave Thomas having family members who work in the Health Board. Dave's sister-in-law is the Head of Digital Strategy and Planning, and his cousin works as a physiotherapist in the Health Board. The necessary arrangements have been put in place to manage these potential conflicts of interest.

Audit quality

Our commitment to audit quality in Audit Wales is absolute. We believe that audit quality is about getting things right first time.

We use a three lines of assurance model to demonstrate how we achieve this. We have established an Audit Quality Committee to co-ordinate and oversee those arrangements. We subject our work to independent scrutiny by Quality Assurance Department (QAD)* and our Chair, acts as a link to our Board on audit quality. For more information see our [Audit Quality Report 2021](#).



Our People

The first line of assurance is formed by our staff and management who are individually and collectively responsible for achieving the standards of audit quality to which we aspire.

- Selection of right team
- Use of specialists
- Supervisions and review



Arrangements for achieving audit quality

The second line of assurance is formed by the policies, tools, learning & development, guidance, and leadership we provide to our staff to support them in achieving those standards of audit quality.

- Audit platform
- Ethics
- Guidance
- Culture
- Learning and development
- Leadership
- Technical support



Independent assurance

The third line of assurance is formed by those activities that provide independent assurance over the effectiveness of the first two lines of assurance.

- EQCRs
- Themed reviews
- Cold reviews
- Root cause analysis
- Peer review
- Audit Quality Committee
- External monitoring

* QAD is the quality monitoring arm of ICAEW.

Appendix 1

The key changes to ISA315 and the potential impact on your organisation

Key change	Potential impact on your organisation
More detailed and extensive risk identification and assessment procedures	<p>Your finance team and others in your organisation may receive a greater number of enquiries from my audit teams at the planning stage of the audit. Requests for information may include:</p> <ul style="list-style-type: none">• information on your organisation’s business model and how it integrates the use of information technology (IT);• information about your organisation’s risk assessment process and how your organisation monitors the system of internal control;• more detailed information on how transactions are initiated, recorded, processed, and reported. This may include access to supporting documentation such as policy and procedure manuals; and• more detailed discussions with your organisation to support the audit team’s assessment of inherent risk.
Obtaining an enhanced understanding of your organisation’s environment, particularly in relation to IT	<p>Your organisation may receive more enquiries to assist the audit team in understanding the IT environment. This may include information on:</p> <ul style="list-style-type: none">• IT applications relevant to financial reporting;• the supporting IT infrastructure (e.g., the network, databases);• IT processes (e.g., managing program changes, IT operations); and• the IT personnel involved in the IT processes. <p>Audit teams may need to test the general IT controls and this may require obtaining more detailed audit evidence on the operation of IT controls within your organisation.</p> <p>On some audits, my audit teams may involve IT audit specialists to assist with their work. My IT auditors may need to engage with members of your IT team who have not previously been involved in the audit process.</p>

Key change	Potential impact on your organisation
<p>Enhanced requirements relating to exercising professional scepticism</p>	<p>My audit teams may make additional inquiries if they identify information which appears to contradict what they have already learned in the audit.</p>
<p>Risk assessments are scalable depending on the nature and complexity of the audited body</p>	<p>The audit team's expectations regarding the formality of your organisation's policies, procedures, processes, and systems will depend on the complexity of your organisation.</p>
<p>Audit teams may make greater use of technology in the performance of their audit</p>	<p>My audit teams may make use of automated tools and techniques such as data analytics when performing their audit. My teams may request different information or information in a different format from previous audits so that they can perform their audit procedures.</p>

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