

# Annual Audit Report 2021 – Swansea Bay University Health Board

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# Summary report

## About this report

- 1 This report summarises the findings from my 2021 audit work at Swansea Bay 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
  - 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 and the Director of Finance have agreed the factual accuracy of this report. We presented it to the Audit Committee on 18 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 relevant to my audit of the accounts. However, I placed an Emphasis of Matter paragraph in my report to draw attention to disclosures in the accounts in note 21 relating to the impact of a Ministerial Direction issued on 18 December 2019 to the Permanent Secretary of the Welsh Government in respect of NHS Clinician's pension tax liabilities.
- 12 I also brought one other matter to the attention of officers and the Audit Committee. The Health Board brought to our attention their minority interest in a private limited wound care company which was set up in 2004-05 as a 'spin out' of the then Bro Morgannwg NHS Trust. At the time, Bro Morgannwg NHS Trust would have had the legal powers to establish this 'spin out' company. This interest was disclosed in the Bro Morgannwg NHS Trust accounts through to 2008-09. However, the accounts format changed in 2009-10 when Abertawe Bro Morgannwg Health Board came into existence and the Fixed Asset Investment note was no longer included in the Health Board accounts proforma. No further disclosure was made in subsequent accounts until 2020-21 when the disclosure was re-instated in Note 16 "other financial assets".
- 13 The Health Board did not achieve financial balance for the three-year period ending 31 March 2021, and although had no other material financial transactions

that were not in accordance with authorities nor used for the purposes intended, I have issued a qualified opinion on the regularity of the financial transactions within the Health Board's 2020-21 accounts.

- 14 Alongside my audit opinion, I placed a substantive report on the Health Board's financial statements to highlight the failure to achieve financial balance and to have an approved three-year plan in place and to set out further detail on the Emphasis of Matter paragraph that I included in my audit opinion.

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

- 15 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 robust arrangements for developing, and monitoring the delivery of, operational plans which are supported by effective data modelling to be able to respond to changing circumstances.
  - the Health Board has generally effective Board and committee arrangements, is committed to high quality services and staff wellbeing, and has well-developed plans which are routinely monitored. The Health Board has now made good progress in implementing a Board Assurance Framework, and corporate risk management arrangements continue to work well. However, changes to the Executive team need to embed, operational

arrangements for risk and quality governance need to be strengthened and there are opportunities to improve information for scrutiny and assurance.

- while the Health Board continues to face significant financial challenges, it has maintained effective financial controls and reporting, and is working hard to achieve financial recovery.
- whilst the Health Board's corporate quality governance arrangements demonstrate a number of strengths, there are significant weaknesses in arrangements both corporately and within operational teams which limits the Health Board's ability to know whether the services it provides are safe and effective.
- the Health Board has made good progress in addressing my previous recommendations in relation to radiology services.

16 These findings are considered further in the following sections.

# Detailed report

## Audit of accounts

- 17 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.
- 18 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.
- 19 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

- 20 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 relevant to my audit of the accounts. However, I placed an Emphasis of Matter paragraph in my report to draw attention to disclosures in the accounts relating to NHS Clinician's Pension Tax Liabilities.
- 21 I received draft accounts by the deadline and the supporting working papers were of good quality.
- 22 I reviewed those internal controls that I considered to be relevant to the audit to help me identify, assess, and respond to the risks of material misstatement in the accounts. I did not consider them for the purposes of expressing an opinion on the operating effectiveness of internal control. My review did not identify any significant deficiencies in the Health Board's internal controls.
- 23 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's Audit Committee on 7 June 2021. **Exhibit 1** summarises the key issues set out in that report.



## Exhibit 1: issues identified in the Audit of Financial Statements Report

Issue	Auditors' comments
Uncorrected misstatements	There were no uncorrected misstatements.
Corrected misstatements	There were several adjustments made to the draft accounts which in the main related to additional narrative to provide more clarity.
Other significant issues	I qualified my regularity opinion and issued a substantive report because the Health Board did not achieve its financial duty to achieve financial balance for the three years ending 2020-21.

- 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 as of 31 March 2021 and the return was prepared in accordance with the Treasury's instructions.
- 25 My separate audit of the charitable funds financial statements is complete, and I issued an unqualified opinion on the accounts on 3 December 2021.

### Regularity of financial transactions

- 26 The Health Board did not achieve financial balance for the three-year period ending 31 March 2021 and so I have issued a qualified opinion on the regularity of the financial transactions within its 2020-21 accounts
- 27 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.
- 28 Where a Health Board does not achieve financial balance, its expenditure exceeds its powers to spend and so I must qualify my regularity opinion.
- 29 In 2020-21, the Health Board reported a year-end deficit of £24.3 million. In addition, the Health Board breached its cumulative resource limit by spending £50.5 million over the £3.1 billion that it was authorised to spend in the three-year period 2018-19 to 2020-21.

- 30 Alongside my audit opinion, I placed a substantive report on the Health Board's financial statements to highlight its failure to achieve financial balance and also its failure to have an approved three-year plan in place.
- 31 I have the power to place a substantive report on the Health Board's accounts alongside my opinions where I want to highlight issues.
- 32 Due to the Health Board's failure to meet its financial duties I issued a substantive report setting out the factual details: it failed its duty to achieve financial balance (as set out above) and it does not have an approved three-year plan in place and is currently working to a one-year plan.

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

- 33 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.
  - assessing progress made against previous recommendations in relation to radiology services.
- 34 My conclusions based on this work are set out below.

## Test, Trace, Protect programme

- 35 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.

- 36 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.
- 37 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.
- 38 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.
- 39 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**

- 40 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.
- 41 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.
- 42 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.

- 43 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'.
- 44 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

- 45 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.
- 46 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.
- 47 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.
- 48 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.
- 49 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.
- 50 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.
- 51 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 is needed to address these and other elements of the ongoing vaccination programme.

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

- 52 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.
- 53 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.
- 54 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.
- 55 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.
- 56 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

- 57 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

- 58 My work considered the Health Board's 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.
- 59 My work found that the Health Board's plan for quarters three and four was submitted to the Welsh Government on time, covers all required areas within the planning guidance and received appropriate Board scrutiny and approval.
- 60 The Health Board's operational planning approach is robust and underpinned by effective data modelling to enable agile responses to changing circumstances. The Health Board set out clear actions and milestones for delivery of its quarters three and four plan, and progress of delivery was monitored regularly by the Board and its committees.

## Governance arrangements

- 61 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.
- 62 My work found that the Board continues to conduct business in an open and transparent way, but the Health Board's website needs to improve to enable easier access to up to date information. The Health Board has maintained good governance arrangements, varying the frequency of Board and committee meetings as appropriate, whilst being sighted of pressure on senior staff. The Health Board is committed to reviewing Board effectiveness and has largely maintained continuity in independent members, although there is a need to reinstate the Health Professional Forum.
- 63 There is also scope to improve the quality of information provided to Board and committees, reducing the volume whilst increasing the focus on actions. The Health Board has maintained opportunities to ensure rapid decision making and increased the extent to which its Service Groups are engaged. There have been a

significant number of changes to the Executive Team over the last year, but this is now on a firmer footing with substantive appointments having been made to a number of roles which were previously interim in nature.

- 64 My work also found that the Health Board has well developed plans for continuing its response to COVID-19 and to plan and reset services, whilst looking to provide longer-term sustainability. There has been positive engagement on service changes and partnerships are working well. Progress reports to Board on delivery of plans are good. The Health Board has now made good progress in implementing a Board Assurance Framework, and corporate risk management arrangements continue to work well. However, service level risk management needs improving.
- 65 The Health Board continues to make a commitment to staff wellbeing. The quality and safety of services is a priority and responsive action to improve is taken when needed. However, our quality governance review has found that significant work is needed to strengthen operational quality governance arrangements (see **paragraph 68**). While arrangements for tracking audit recommendations are in place, a lack of routine information in relation to individual recommendations limits scrutiny, and implementation dates for a number of recommendations are now overdue.

## Managing financial resources

- 66 I considered the Health Board's financial performance, financial controls and arrangements for monitoring and reporting financial performance.
- 67 I found that while the Health Board continues to face significant financial challenges, it has maintained effective financial controls and reporting, and is working hard to strengthen its financial recovery. The Health Board was unable to meet its financial duties for 2020-21, as referred to in **paragraphs 29-30** and while the Health Board is on track with its financial plan for 2021-22, it will continue to fail its financial duties due to a planned year-end financial deficit of £24.4 million. The Health Board continues to maintain appropriate financial controls and is continuing to strengthen its financial management to support financial recovery. Timely oversight and scrutiny of the Health Board's financial position continues to be in place, supported by comprehensive reporting.

## Quality governance arrangements

- 68 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.
- 69 I found that the Health Board has articulated its annual quality and safety priorities and there are good corporate arrangements for monitoring risk. There are

dedicated resources for quality improvement and there is good use of local teams at an operational level to capture patient experience. The values and behaviours of the Health Board are well established, encouraging an open and learning culture, and a quality and safety framework sets out the processes for assurance. There is ownership of quality and safety at the executive and operational levels, and well-established committee arrangements are in place to provide scrutiny and assurance.

- 70 However, my work found that arrangements for monitoring quality priorities are yet to be finalised. Resources to support quality governance corporately are limited. Additional resources are embedded within the service groups, but these are working in isolation and have the risk of diluting ownership within the divisions. The visibility and frequency of clinical audit and mortality at a committee level needs to be increased, and there is a lack of a co-ordinated and strategic approach to capturing patient experience. Despite good corporate risk arrangements, there are issues with the operational risk registers and flows of information. Awareness of the values and behaviours is mixed, and an open and learning culture is not always recognised by staff, with concerns that the Health Board will not always act in response to concerns. Compliance with appraisal is low and more could be done to promote and embed learning across the organisation.
- 71 Delivery of the quality and safety agenda largely rests with the nursing leads and a number of changes in personnel at executive and operational level have presented challenges. Despite the development of the framework, it has not been implemented and weaknesses in approaches to quality governance at an operational level are resulting in quality concerns being missed, such as those highlighted in the recent report on cardiac surgery. A lack of data analytics support, clear quality dashboards and understanding of data is impacting on operational ownership and performance monitoring of quality of care. The Health Board is aware of the weaknesses in its arrangements and has recently concluded its own internal governance review.

## **Radiology Services: Update on Progress**

- 72 My work considered progress made by the Health Board to address my previous recommendations in relation to radiology services.
- 73 I found that the Health Board has improved the way it plans and delivers radiology services. The establishment of a single Radiology directorate in April 2019 has enabled the service to respond consistently to the challenges it faces. Systematic demand and capacity planning has provided a clear foundation on which to make the care for increasing capacity. Strong operational leadership has raised the profile of radiology, ensuring that it is integral to operational planning. However, there is little discussion of radiology services by the Board and its committees.



# 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
Audit of Charitable Funds Report	December 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	July 2021

Report	Date
Taking care of the carers? (Structured Assessment 2020 All-Wales themes, lessons and opportunities relating to NHS staff wellbeing during COVID-19)	October 2021
Structured Assessment 2021: Phase 2 Corporate Governance and Financial Management Arrangements	December 2021
Quality Governance Review	January 2022
Radiology Services: Update on Progress	January 2022
<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 2021 plan still to be confirmed.
Commissioning and contracting arrangements post Bridgend boundary change	February 2022
Orthopaedics	March 2022

# Appendix 2

## Audit fee

The 2021 Audit Plan set out the proposed audit fee of £391,807 (excluding VAT). My latest estimate of the actual fee, on the basis that some work remains in progress, is in keeping with the fee set out in the outline.

# 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>My 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>My audit team:</p> <ul style="list-style-type: none"> <li>• tested journal entries;</li> <li>• reviewed accounting estimates, particular primary care payments; and</li> <li>• did not identify any transactions outside of the normal course of business.</li> </ul> <p>No matters arose from the work carried out.</p>
<p>There is a significant risk that the Board will fail to meet its first financial duty to break even over a three-year period. The position at month 10 shows a year-to-date deficit of £20.6m and a forecast year-end deficit of £24.5m. This combined with the outturns for 2018-19 and 2019-20, predicts a three-year deficit position. Where the Board fails this financial duty, I will qualify</p>	<p>My audit team will focus its testing on areas of the financial statements which could contain reporting bias.</p> <p>I may choose to place a substantive report on the financial statements explaining the failure and the circumstances under which it arose.</p>	<p>My audit team reviewed year-end transactions, in particular accruals and cut-off. No matters arose from the work carried out.</p> <p>I chose to place a substantive report on the financial statements explaining the failure and the circumstances under which it arose.</p>

Audit risk	Proposed audit response	Work done and outcome
<p>my regularity opinion and will place a substantive report on the financial statements highlighting the failure.</p> <p>The current financial pressures on the Board 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>My audit team considered the Health Board's closedown process and quality monitoring arrangements as part of the audit. No issues were identified.</p>
<p>The increased funding streams and expenditure in 2020-21 to deal with the COVID-19 pandemic will have a significant impact on the risks of material misstatement and the shape and approach to our audit. Examples of issues include accounting for field hospitals and their associated costs; fraud,</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>My audit team considered and liaised with the Health Board to ensure the correct accounting treatment and audit implications.</p>

Audit risk	Proposed audit response	Work done and outcome
<p>error, and regularity risks of additional spend; valuation of year-end inventory including PPE; and estimation of annual leave balances.</p>		
<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>My audit team considered the accounting treatment and audit implications. A Contingent Liability was included for this in the financial statements and an Emphasis of Matter included in our audit opinion.</p>
<p>The Bay Studios and Llandarcy field hospitals will be cumulatively material to the financial statements. The Llandarcy hospital was decommissioned late in 2020 with the Bay Studios hospital expected to be decommissioned in the summer of 2021. The novel and complex nature of this project, together with its high value, does give rise to an inherent risk of misstatement in the financial misstatements.</p>	<p>We have regularly engaged with the Health Board to keep abreast of the field hospital projects and the proposed accounting treatment. The hospitals will form a key part of my testing of the financial statements and the annual governance statement.</p>	<p>My audit team considered and liaised with the Health Board to ensure the correct accounting treatment and audit implications.</p>

Audit risk	Proposed audit response	Work done and outcome
<p>If the Health Board's inventory balances in the financial statements are material and we are unable to attend parts of the Health Board's count of its inventories, it is likely that we would issue a qualified limitation of scope opinion. This qualification would be necessary because we would have been unable to obtain sufficient appropriate audit evidence to support a material balance in the financial statements. It is important to emphasise to you that qualification would not be due to shortcomings in the Health Board's systems or actions, but because of the impact of COVID-19 on one of our key audit procedures.</p>	<p>I will continue to assess the impact of the COVID-19, and lockdown arrangements, on my audit of the Health Board's year-end inventory.</p>	<p>My audit team considered the year-end inventory balance. This was not material.</p>
<p>Introduction of IFRS 16 Leases has been deferred until 1 April 2022 and may pose implementation risks. There is considerable work required to identify leases and the COVID-19 national emergency may pose implementation risks.</p>	<p>We will undertake some early work to review preparedness for the introduction of IFRS 16 Leases.</p>	<p>My audit team reviewed the preparedness for the introduction of IFRS 16 Leases. No matters arose from the work carried out.</p>
<p>Certain disclosures in the Remuneration Report, such as the remuneration of senior officers and independent members, are subject to audit with a lower level of materiality applied. The disclosures are</p>	<p>We will audit the Remuneration Report to verify that the Health Board has reflected all known changes to senior positions, and that the disclosures are complete and accurate.</p>	<p>My audit team reviewed the Remuneration Report. No significant matters arose from the work carried out.</p>



<b>Audit risk</b>	<b>Proposed audit response</b>	<b>Work done and outcome</b>
therefore inherently more prone to material misstatement and therefore a key area of audit attention.		



Audit Wales  
24 Cathedral Road  
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: [info@audit.wales](mailto:info@audit.wales)

Website: [www.audit.wales](http://www.audit.wales)

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