

# Audit of Accounts Report – Swansea Bay University Local Health Board

Audit year: 2025-26

Date issued: June 2026

Document reference: 5375A2026



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We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

# Introduction

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**Adrian Crompton**

Auditor General for  
Wales

I am pleased to share my Audit of Accounts Report. The Report summarises the main findings from my audit of your 2025-26 annual report and accounts. My team have already discussed these findings with the Interim Director of Finance.

My team have substantially completed the audit work as set out in my Audit Plan dated February 2026, with the review of the final version of the accounts, along with completion of our audit closing procedures.

Since my Audit Plan, I have updated materiality to reflect the 2025-26 accounts. I

have not identified any new audit risks. My response to previously identified risks is set out in **Appendix 1**.

I am required to provide an opinion on whether the accounts have been properly prepared, give a true and fair view, in all material aspects and whether income and expenditure have been applied to the purposes intended. My proposed audit opinion and basis for it is outlined on page 24.

It is the responsibility of the those charged with governance, ie Board/Audit Committee to address any matters raised in my report and provide me with a Letter of Representation.

I would like to extend my gratitude to the officers and staff of Swansea Bay University Local Health Board (the Health Board) for their cooperation throughout the audit process which has been invaluable in completing this audit effectively.

# Your audit at a glance



We intend to issue an **unqualified opinion** but a **qualified regularity opinion** on the accounts. We are also proposing to issue a **substantive report**.

See [Appendix 3](#)



There is **one significant matter** and **two other issues** to report.

See [Audit findings](#)



There are no **uncorrected misstatements** in the accounts.

See [Audit findings](#)



We have raised **three recommendations** as a result of our work.

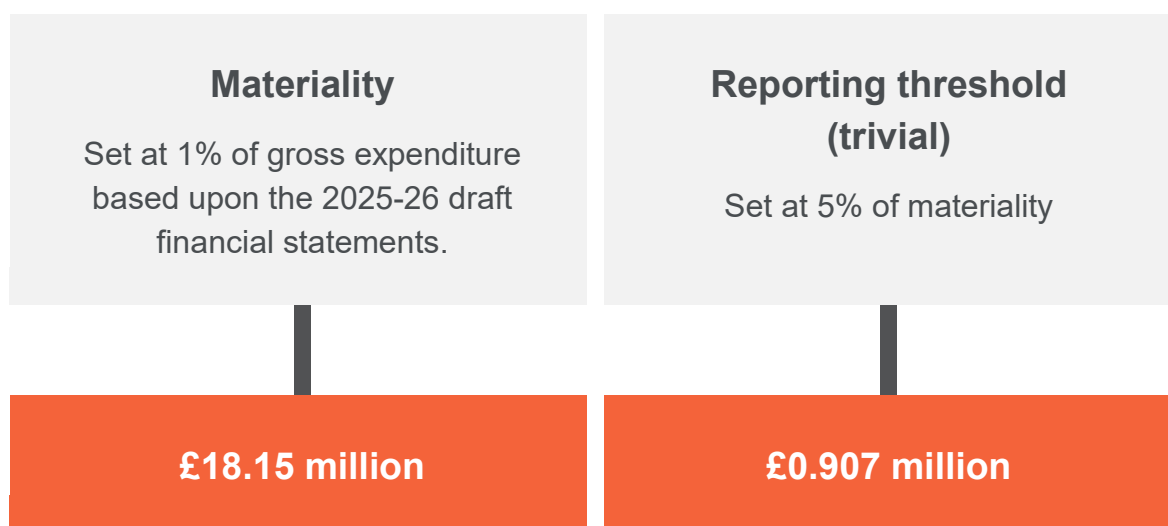
See [Appendix 5](#)



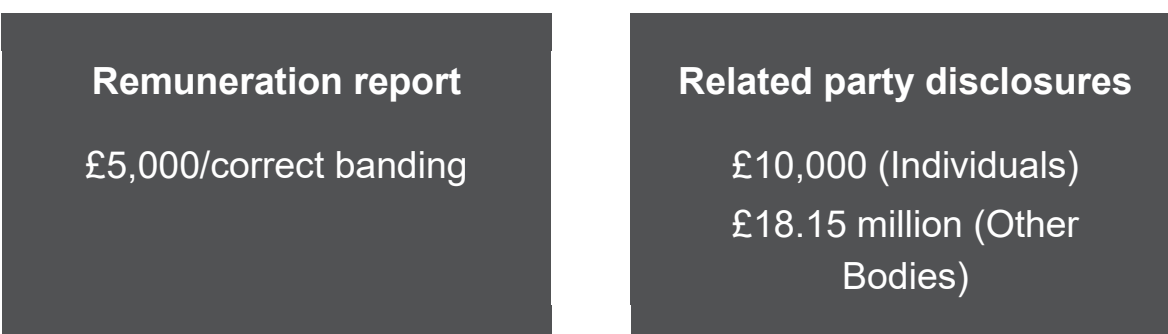
We are aiming to certify your accounts on **26 June 2026**, which is ahead of the deadline of **30 June 2026**.

# Materiality

I use professional judgement to set a materiality threshold to identify and correct misstatements that could affect users' decisions, considering both financial errors and disclosure requirements according to the applicable accounting framework and laws. My team updates materiality throughout the audit and I include in this report matters that exceed my reporting threshold, as set out below:



There are some areas of the accounts that may be of more importance to the user of the accounts. We confirm lower materiality levels for these:



# Audit Findings

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## Misstatements

A misstatement arises where information in the accounts is not in accordance with accounting standards.

There were some misstatements identified in the accounts.

### Uncorrected misstatements

There are no misstatements identified in the accounts, which remain uncorrected.

### Corrected misstatements

During our audit, we identified misstatements that have been corrected by management, but which we consider should be drawn to your attention.

These are set out in **Appendix 2**.

## Other significant issues

International Standard on Auditing 260 requires us to communicate with those charged with governance. We must tell you significant findings from the audit and other matters if they are significant to your oversight of the Health Board's financial reporting process.

The following significant issues were identified during the audit.

### **Governance arrangements in relation to Executive Director appointments need to be strengthened**

My review of the Remuneration Report identified areas where the governance arrangements in relation to the appointment of Interim Executive Directors could be strengthened.

Our testing found that for one Interim Executive Director and one substantive Executive Director appointed during the year, Welsh Government approval had been received, pay was at the correct banding and the Remuneration and Terms of Service Committee (RATS) had approved the appointments. However, there is no evidence that the RATS

decision/approval was ratified by the Board as required by Standing Orders. We reported a similar issue in 2024-25.

In addition, our testing found that two interim Executive Director appointments had been extended beyond the initial contract term and whilst Welsh Government approval was provided for the extension, the extension had not been reported or approved by RATS or the Board. Standing Orders are silent on whether this is required. Given that extending an interim contract is essentially re-appointing that person for a further period of time, we recommend that for good governance, any extensions to interim contracts for Executive Directors are approved by RATS and ratified by the Board.

See **Recommendation 1** in **Appendix 5**.

## Other issues

There are two other issue that we would like to bring to your attention.

### **Audit of Property, Plant & Equipment**

The Health Board officer's engagement with auditors throughout the audit process has been helpful and constructive and allowed us to resolve any audit queries efficiently and effectively. In particular, the working papers provided by and the engagement with the central finance team have been excellent. This is very much appreciated and allows for an efficient audit process.

We did however experience issues during our audit of Property, Plant and Equipment (PPE) which has led to inefficiencies in the audit of this area. These meant the audit of this area took longer than it should have. This could result in us charging additional audit fees in future years and/or deadlines being missed if this is not addressed (particularly in the quinquennial valuation year). Once escalated to the Director of Finance, the delays were addressed.

We reported similar issues in 2022-23 and whilst this improved slightly in 2023-24 and 2024-25, these issues have re-appeared. The issues are summarised as follows:

- **Supporting evidence/working papers** – during the audit, we experienced difficulties with the quality of and/or obtaining the working papers/supporting evidence for some elements of PPE we

were testing. Good quality working papers should be in place at the start of the audit.

- **Engagement with audit** – we experienced delays in obtaining responses to some of our queries and obtaining supporting evidence for the samples that we selected for testing (sometimes significant). This meant that audit work took longer to complete.

See **Recommendation 2** in **Appendix 5**. We will work in collaboration with officers to improve this area for 2026-27 and future audits.

### **Capitalised Salaries**

The financial statements include £959,000 of Capitalised Salaries within the Additions balance in Note 11.1 Property, Plant and Equipment. These relate to costs of staff working on Capital Projects. Under accounting standards, only costs directly attributable to capital schemes can be capitalised.

The costs charged are based on the staff member, the nature of their role and how much time they will be needed on the project(s). As such, different percentages of staff costs will be charged.

Our testing identified that these percentages are determined through discussions at the start of the year and there is no supporting audit trail to evidence these discussions, what the agreed percentages are or the rationale for the specific percentages agreed.

Whilst the risk of a material error is low, the audit trail should be strengthened to ensure that there is a clear rationale and sign off of the percentages for capitalised salaries at the start of each financial year (and any changes in year).

See **Recommendation 3** in **Appendix 5**.

## Proposed audit opinion

### Audit opinion

We intend to issue an unqualified true and fair opinion but a qualified regularity audit opinion on this year's accounts once you have provided us with a Letter of Representation (see below).

In line with prior years, the regularity opinion is qualified because the Health Board did not meet its revenue resource allocation over the three-year period ending 2025-26.

We are also proposing to issue a substantive report because, in line with prior years, the Health Board did not meet its first and second financial duties to operate within its revenue resource allocation over the three-year period ending 2025-26 or have an approved three-year integrated medium-term plan.

Our proposed audit report is set out in **Appendix 3**.

### Letter of representation

A Letter of Representation is a formal letter in which you confirm to us the accuracy and completeness of information provided to us during the audit. Some of this information is required by auditing standards; other information may relate specifically to your audit.

The letter we are requesting you to sign is included in **Appendix 4**.

## Recommendations

We have made three recommendations to strengthen arrangements. These are set out in **Appendix 5** along with management's responses to the recommendations.

We will monitor progress against the recommendations during next year's audit.

# Audit team and ethical compliance

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The main members of my team who carried out the audit work, together with their contact details, are summarised in **Exhibit 1**.

## Exhibit 1: My local audit team

**Engagement Lead**                      Kate Havard  
[kate.havard@audit.wales](mailto:kate.havard@audit.wales)

**Audit Manager**                         Jason Blewitt  
[jason.blewitt@audit.wales](mailto:jason.blewitt@audit.wales)

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**Audit Lead**                                Leanne Malough  
[leanne.malough@audit.wales](mailto:leanne.malough@audit.wales)

## Compliance with ethical standards

We confirm that:

- we have complied with the ethical standards we are required to follow in carrying out our work;
- we have remained independent of yourselves;
- our objectivity has not been comprised; and
- we have no relationships that could undermine our independence or objectivity.

## Staff secondment

As disclosed in our Audit Plan, one member of staff employed by the Wales Audit Office has been seconded to the Health Board. The staff member is a trainee accountant seconded as part of an initiative funded by

the Welsh Consolidated Fund designed to allow trainee accountants to broaden their skills and to gain experience of working across different parts of the Welsh public sector. The staff member was seconded to the Health Board for the period January to June 2024.

To safeguard against any potential threats to auditor independence and objectivity, the following restrictions apply in line with the FRC's Revised Ethical Standard 2024:

- the secondee has not undertaken any management responsibilities;  
and
- the secondment was for a maximum of 12 months.

# Appendix 1 – Audit risks and outcomes

**Exhibit 2** lists the audit risks included within my Audit Plan and sets out how they were addressed as part of the audit.

My Audit Plan set out the risks of material misstatement and/or irregularity for the audit of the Health Board’s accounts. **Exhibit 2** lists these audit risks and sets out how they were addressed as part of the audit. No additional audit risks have been identified since that need to be brought to your attention.

## Exhibit 2: Audit risks reported previously, work done and outcome

Audit risk	Work done	Outcome
<b>Risk of management override</b> 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].	The audit team: <ul style="list-style-type: none"><li>• tested the appropriateness of journal entries and other adjustments made in preparing the financial statements;</li><li>• reviewed accounting estimates for bias; and</li><li>• evaluated the rationale for any significant transactions outside the normal course of business.</li></ul>	My audit work did not identify any instances of management override of controls.

**Failure of financial duties**

Local Health Boards (LHBs) are required to meet two statutory financial duties – known as the first and second financial duties.

There is a significant risk that you will fail to meet your first financial duty to break even over a three-year period.

The revenue position at month 10 shows a year-to-date deficit of £57.3 million and a forecast year-end deficit of £58.7 million.

This, combined with the outturns for 2023-24 and 2024-25, predicts a three-year deficit of £118 million.

The Health Board is also required to break even against its Capital Resource Limit over a three-year period. Whilst the Health Board has met this in previous years, performance against the duty has been tight.

Your current financial pressures increase the risk that management judgements and estimates could be biased in an effort to achieve the financial

My audit team monitored the Health Board's financial position for 2025-26 and the cumulative three-year position to 31 March 2026 and considered achievement against the financial duties.

We focused our testing on areas of the financial statements which could contain reporting bias.

We reviewed year-end transactions, in particular accruals and cut-off. No material matters arose from the work carried out. We qualified the regularity opinion and a substantive report was placed on the financial statements explaining the failure to break even over a three period and the circumstances under which it arose and the failure to have an approved three-year plan in place.

duty for capital, revenue or both.

Where you fail this financial duty for either capital or revenue, we will place a substantive report on the financial statements highlighting the failure and qualify your regularity opinion.

The second financial duty requires LHBs to prepare and have approved by Welsh Ministers a rolling three-year integrated medium-term plan. Should you fail this financial duty, we will place a substantive report on the financial statements highlighting this.

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### **Remuneration report disclosures**

There have been several new permanent and interim appointments to senior officer and board member posts during 2025-26 which need to be captured in the remuneration report.

There is a risk that these are not appropriately disclosed in the remuneration report, as remuneration paid to senior officers and board members continues to be of high interest and is material by nature. We have also previously identified issues with these disclosures.

Therefore, there is a risk that even low value errors in the disclosure could result a material misstatement.

My audit team:

- reviewed the movements in the senior management team during 2025-26;
- ensured that remuneration disclosed was consistent with supporting evidence;
- ensured that amounts paid were consistent with those approved by the Board and in accordance with Welsh Government pay rates; and
- ensured that disclosures were complete based on the team's knowledge and that they were prepared in accordance with requirements.

We reviewed the Remuneration Report disclosures. No material errors were identified regarding the disclosures.

We did identify some governance issues regarding the appointment of Executive Directors (see 'Other Significant Issue' section and **Recommendation 1 in Appendix 5**).

### **Valuation of property assets**

The value of property assets reflected in the balance sheet and notes to the accounts are material estimates.

Property assets are required to be held on a valuation basis which is dependent on the nature and use of the assets. This estimate is subject to a high degree of subjectivity, depending on the specialist and management assumptions, and changes in these can result in material changes to valuations.

Assets are required to be formally revalued every five years as a minimum, with indexation applied in interim years, but values may also change year on year, particularly where there are ongoing refurbishment projects resulting in subsequent expenditure being capitalised.

There is a risk that the carrying value of assets recognised in the accounts could be materially different to the current

My audit team:

- reviewed the indices used by management for reasonableness;
- evaluated the competence, capabilities and objectivity of the professional valuer who provided indices to management and undertook valuations as necessary;
- tested a sample of assets revalued in the year to ensure the valuation basis, key data and assumptions used in the valuation process were reasonable, and the revaluations had been correctly reflected in the financial statements;
- confirmed that indexation had been appropriately applied and had been correctly reflected in the financial statements; and
- tested the reconciliation between the financial ledger and the asset register.

Audit work did not identify any material issues/errors. We did experience delays in the provision of working papers, supporting evidence and responses to queries and also a lack of audit trail in relation to Capitalised Salaries as reported in the 'Other Issues' section of this report and **Recommendations 2 and 3 in Appendix 5.**

value of assets as at 31  
March 2026.

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**Related party disclosures**

The financial statements must disclose any related party relationships along with the transactions and balances between the Health Board and the other body/party.

The Health Board has many relationships that could be considered a related party. Many are well known for example, the Welsh Government as funder.

However, where related party relationships arise via individual officer or member relationships, there is likely to be less transparency regarding these relationships. These transactions are of high interest and are considered to be material by their nature.

There is a risk of material misstatement due to incomplete or inaccurate disclosures, even where these are of relatively low value.

My audit team:

- reviewed management’s process for identifying related party relationships and associated transactions and balances;
- undertook procedures to confirm the completeness of related party relationships; and
- ensured disclosures were complete, accurate, consistent with evidence and in accordance with requirements.

Audit work did not identify any material issues/errors. The Related Party note was amended to ensure that it agreed to supporting working papers.

## Provisions

The financial statements include provisions for legal obligations, particularly in relation to clinical negligence.

There is a significant degree of subjectivity and uncertainty in the measurement and valuation of these provisions.

There is also a transfer to a new legal and risk system for recording claims from 2025-26.

This subjectivity and uncertainty increase the risk of material misstatement.

## My audit team:

- reviewed management's estimation process for the valuation of provisions;
- considered the competence, capability and objectivity of the management experts who prepare the estimates;
- reviewed the transfer of data to the new legal and risk system; and
- ensured that disclosures were in accordance with the FReM and Welsh Government's Manual for Accounts.

The Provisions note was amended to move £140 million of provisions from current to non current (no overall effect to the total provisions value) – see **Appendix 2**.

## Appendix 2 – Summary of corrections made

During our audit, we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention.

Value of correction	Accounts area	Explanation
£1,504,000 (No overall effect on the financial statements)	<p><b>Note 3.2 Expenditure on healthcare from other providers</b></p> <p>Note 3.2 was amended to reclassify £1,504,000 from ‘Goods and Services from other NHS Wales Health Boards’ to ‘Goods and Services from NHSW JCC’.</p> <p>There was no overall effect on the financial statements.</p>	To ensure accuracy of the financial statements.
£6,302,000 (No overall effect on the financial statements)	<p><b>Note 8 Future Charges to Statement of Comprehensive Net Expenditure (SoCNE)</b></p> <p>Note 8 was updated to remove £6,302,000 from the total future minimum lease payables which had been incorrectly included (as the Health Board is the tenant and not the landlord).</p> <p>As this is a disclosure note, there was no overall effect on the financial statements.</p>	To ensure accuracy of the financial statements.

<p>Various (No overall effect on the financial statements)</p>	<p><b>Note 9.1 Employee Costs</b></p> <p>Testing of Note 9.1 identified the following:</p> <ul style="list-style-type: none"> <li>• Specialist Trainee (SLE) – Social security costs of £5,707,000 are overstated by £745,000 and should be disclosed as £4,962,000; and</li> <li>• Specialist Trainee (SLE) – Employer contributions to NHS Pension Scheme costs of £5,514,000 are understated by £193,000 and should be disclosed as £5,707,000.</li> </ul> <p>Note 9.1 was updated to reflect these amendments. There was no overall effect on the financial statements.</p>	<p>To ensure accuracy of the financial statements.</p>
<p>£2,610,000 (No overall effect on the financial statements)</p>	<p><b>Note 18 Trade and Other Payables</b></p> <p>Note 18 was amended to re-classify £2,610,000 from ‘Non NHS Accruals’ to ‘Local Authorities’ to ensure the balances agreed to supporting documentation.</p> <p>There was no overall effect on the financial statements.</p>	<p>To ensure accuracy of the financial statements.</p>
<p>£1,150,000 (No overall effect on the financial statements)</p>	<p><b>Note 18 Trade and Other Payables and Note 20 Provisions</b></p> <p>Note 18 and Note 20 were amended to re-classify £1,150,000 from Trade and</p>	<p>To ensure accuracy of the financial statements.</p>

	<p>Other Payables to Provisions to ensure the amount was classified correctly in line with accounting standards.</p> <p>There was no overall effect on the financial statements.</p>	
<p>£140,862,000 (No overall effect on the financial statements)</p>	<p><b>Note 20 Provisions</b></p> <p>Note 20 was amended to re-classify £140,862,000 from Current Provisions to Non-Current Provisions as a result of amended information provided by the Legal and Risk team.</p> <p>There was no overall effect on the financial statements.</p>	<p>To ensure accuracy of the financial statements.</p>
<p>Various (No overall effect on the financial statements)</p>	<p><b>Note 30 Related Parties</b></p> <p>Note 30 was amended to ensure that disclosures agreed to supporting working papers and declarations of interest.</p> <p>As this is a disclosure note, there was no overall effect on the financial statements.</p>	<p>To ensure accuracy of the financial statements.</p>
<p>Various (No overall effect on the financial statements)</p>	<p><b>Note 32 Pooled Budgets</b></p> <p>Note 32 was amended to include an additional Pooled Budget that had been omitted from the draft financial statements.</p>	<p>To ensure accuracy of the financial statements.</p>
<p>Various (No overall effect on the financial statements)</p>	<p><b>Remuneration Report</b></p> <p>Audit testing identified that the Interim Director of Workforce had been omitted in error. The</p>	<p>To ensure accuracy of the Remuneration Report.</p>

Remuneration Report was updated to include the relevant disclosures.

A number of other minor amendments were made to the Remuneration Report relating to either revisions to disclosures of information or narrative changes.

There was no overall effect on the financial statements.

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Various  
(No overall effect on the primary statements)

A number of other minor amendments were made to the financial statements relating to either revisions to disclosures of information, narrative changes or typing errors.

To ensure accuracy of the financial statements.

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# Appendix 3 – Proposed audit report

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## Proposed audit report

### The Certificate and report of the Auditor General for Wales to the Senedd

#### Opinion on financial statements

I certify that I have audited the financial statements of Swansea Bay University Local Health Board for the year ended 31 March 2026 under Section 61 of the Public Audit (Wales) Act 2004.

These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Cash Flow Statement and Statement of Changes in Taxpayers' Equity and related notes, including a summary of material accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards as interpreted and adapted by HM Treasury's Financial Reporting Manual.

In my opinion, in all material respects, the financial statements:

- give a true and fair view of the state of affairs of Swansea Bay University Local Health Board as at 31 March 2026 and of its net operating costs for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards as interpreted and adapted by HM Treasury's Financial Reporting Manual; and
- have been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by Welsh Ministers.

## **Opinion on regularity**

In my opinion, except for the matters described in the Basis for Qualified Regularity Opinion section of my report, in all material respects, the expenditure and income in the financial statements have been applied to the purposes intended by the Senedd and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## **Basis for Qualified Opinion on regularity**

I have qualified my opinion on the regularity of Swansea Bay University Local Health Board's financial statements because the Health Board has breached its resource limit by spending £112.428 million over the £4,055 million that it was authorised to spend in the three-year period 2023-24 to 2025-26. This spending constitutes irregular expenditure. Further detail is set out in my attached Report.

## **Basis for opinions**

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my certificate.

My staff and I are independent of the Board in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

## **Conclusions relating to going concern**

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the body's ability to continue to

adopt the going concern basis of accounting for a period of at least 12 months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for Swansea Bay University Local Health Board is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

## **Other information**

The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. The Chief Executive is responsible for the other information contained within the annual report. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon. My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

## **Opinion on other matters**

In my opinion, the part of the remuneration report to be audited has been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by Welsh Ministers.

In my opinion, based on the work undertaken in the course of my audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by Welsh Ministers' directions; and;

- the information given in the Foreword, Accountability Report and Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with Welsh Ministers' guidance.

### **Matters on which I report by exception**

In the light of the knowledge and understanding of the Board and its environment obtained in the course of the audit, I have not identified material misstatements in the Foreword and Accountability Report or the Governance Statement.

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- I have not received all the information and explanations I require for my audit;
- adequate accounting records have not been kept, or returns adequate for my audit have not been received from branches not visited by my team;
- the financial statements and the audited part of the Accountability Report are not in agreement with the accounting records and returns;
- information specified by HM Treasury or Welsh Ministers regarding remuneration and other transactions is not disclosed;
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual are not made or parts of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

### **Responsibilities of Directors and the Chief Executive for the financial statements**

As explained more fully in the Statements of Directors' and Chief Executive's Responsibilities, the Directors and the Chief Executive are responsible for:

- maintaining adequate accounting records
- the preparation of financial statements and annual report in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;

- ensuring that the annual report and financial statements as a whole are fair, balanced and understandable;
- ensuring the regularity of financial transactions;
- internal controls as the Directors and Chief Executive determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- assessing the Board’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors and Chief Executive anticipate that the services provided by the Board will not continue to be provided in the future.

## **Auditor’s responsibilities for the audit of the financial statements**

My responsibility is to audit, certify and report on the financial statements in accordance with the National Health Service (Wales) Act 2006.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- Enquiring of management, the audited entity’s head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to Swansea Bay University Local Health Board policies and procedures concerned with:

- identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- Considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: expenditure recognition, posting of unusual journals and biases in accounting estimates;
  - Obtaining an understanding of Swansea Bay University Local Health Board's framework of authority as well as other legal and regulatory frameworks that the Swansea Bay University Local Health Board operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of Swansea Bay University Local Health Board;
  - Obtaining an understanding of related party relationships.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, those charged with governance and legal advisors about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the Swansea Bay University Local Health Board controls, and the nature, timing and extent of the audit procedures performed.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

### **Other auditor's responsibilities**

I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Senedd and the financial transactions recorded in the financial statements conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

### **Report**

Please see my Report on page 30.

Adrian Crompton  
Auditor General for Wales  
26 June 2026

1 Capital Quarter  
Tyndall Street  
Cardiff  
CF10 4BZ

## Report of the Auditor General to the Senedd

### Introduction

Under the Public Audit Wales Act 2004, I am responsible for auditing, certifying and reporting on Swansea Bay University Local Health Board's (the LHB's) financial statements.

I am reporting on these financial statements for the year ended 31 March 2026 to draw attention to key matters for my audit, as follows:

- failure against the first financial duty and consequential qualification of my 'regularity' opinion; and
- the failure of the Health Board to achieve the second financial duty.

I have not qualified my 'true and fair' opinion in respect of any of these matters.

### Financial duties

Local Health Boards (LHBs) are required to meet two statutory financial duties – known as the first and second financial duties.

For 2025-26, the LHB failed to meet both the first and the second financial duty.

### Failure of the first financial duty

The **first financial duty** gives additional flexibility to LHBs by allowing them to balance their income with their expenditure over a three-year rolling period. The three-year period being measured under this duty this year is 2023-24 to 2025-26.

As shown in Note 2.1 to the Financial Statements, the LHB did not manage its revenue expenditure within its resource allocation over this three-year period, exceeding its cumulative revenue resource limit of £4,055 million by £112.428 million.

Where an LHB does not balance its books over a rolling three-year period, any expenditure over the resource allocation (ie spending limit) for those three years exceeds the LHB's authority to spend and is therefore 'irregular'. In such circumstances, I am required to qualify my 'regularity opinion' irrespective of the value of the excess spending.

## **Failure of the second financial duty**

The **second financial duty** requires LHBs to prepare and have approved by the Welsh Ministers a rolling three-year integrated medium-term plan. This duty is an essential foundation to the delivery of sustainable quality health services. An LHB will be deemed to have met this duty for 2025-26 if it submitted a 2025-26 to 2027-28 plan approved by its Board to the Welsh Ministers, who were required to review and consider approval of the plan.

As shown in Note 2.3 to the Financial Statements, the LHB did not meet its second financial duty to have an approved three-year integrated medium-term plan in place for the period 2025-26 to 2027-28.

**Adrian Crompton**

**Auditor General for Wales**

**26 June 2026**

# Appendix 4 – Letter of representation

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## Final letter of representation

[Audited body's letterhead]

Auditor General for Wales  
Wales Audit Office  
1 Capital Quarter  
Tyndall Street  
Cardiff  
CF10 4BZ

25 June 2026

### Representations regarding the 2025-26 financial statements

This letter is provided in connection with your audit of the financial statements (including that part of the Remuneration Report that is subject to audit) of Swansea Bay University Local Health Board (the Health Board) for the year ended 31 March 2026 for the purpose of expressing an opinion on their truth and fairness, their proper preparation and the regularity of income and expenditure.

We confirm that, to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

## Management representations

### Responsibilities

As Chief Executive and Accountable Officer I have fulfilled my responsibility for:

- preparing the financial statements in accordance with legislative requirements and the Treasury's Financial Reporting Manual. In preparing the financial statements, I am required to:
  - observe the accounts directions issued by Welsh Ministers/HM Treasury, including the relevant accounting and disclosure requirements, and apply appropriate accounting policies on a consistent basis;
  - make judgements and estimates on a reasonable basis;
  - state whether applicable accounting standards have been followed and disclosed and explain any material departures from them; and
  - prepare them on a going concern basis on the presumption that the services of the Health Board will continue in operation;
- ensuring the regularity of any expenditure and other transactions incurred;
- the design, implementation and maintenance of internal control to prevent and detect error.

### Information provided

We have provided you with:

- full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
  - additional information that you have requested from us for the purpose of the audit; and
  - unrestricted access to staff from whom you determined it necessary to obtain audit evidence;
- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- our knowledge of fraud or suspected fraud that we are aware of and that affects the Health Board and involves:
  - management;

- employees who have significant roles in internal control; or
- others where the fraud could have a material effect on the financial statements;
- our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others;
- our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements;
- the identity of all related parties and all the related party relationships and transactions of which we are aware;
- our knowledge of all possible and actual instances of irregular transactions.

## **Financial statement representations**

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

The methods, the data, and the significant assumptions used in making accounting estimates, and their related disclosures, are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor, accounted for, and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. There are no uncorrected misstatements in the financial statements.

## **Representations by those charged with governance**

We acknowledge that the above representations made by management have been discussed with us.

We acknowledge our responsibility for ensuring that the Health Board maintains adequate accounting records.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Health Board on 25 June 2026.

We confirm that we have taken all necessary steps to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

Chief Executive as Accountable  
Officer

Date:

Signed by:

Chair of Board

Date:

# Appendix 5 – Recommendations

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We set out below recommendations from our audit along with your management's response to them.

## 1. Governance arrangements for Executive Director appointments

Our testing found that for one Interim Executive Director appointed during the year, Welsh Government approval had been received, pay was at the correct banding and the Remuneration and Terms of Service Committee (RATS) had approved the interim appointment. However, there is no evidence that the RATS decision was ratified by the Board as required by Standing Orders. We reported a similar issue in 2024-25.

In addition, our testing found that one interim Executive Director appointment had been extended beyond the initial contract term and whilst Welsh Government approval was provided for the extension, the extension had not been reported or approved by RATS or the Board. Standing Orders are silent on whether this is required. Given that extending an interim contract is essentially re-appointing that person for a further period of time, we recommend that for good governance, any extensions to interim contracts for Executive Directors are approved by RATS and ratified by the Board.

Therefore, we recommend that:

- (i) all Interim Executive Director appointments are ratified by the Board in line with Standing Orders;
- (ii) extensions to interim contracts for Executive Directors are approved by RATS and ratified by the Board.

### Priority:

High

### Accepted in full by management:

Yes

### Management response:

We will formally ask the Board to endorse all decisions and this will take effect from the July Board on 30 July. We will also report a schedule of all Interim positions and a log of when they have been extended, approval form RATS and the Welsh Government and dates, and report these in to Board as well and again this will happen from July Board.

**Implementation date:**

31 July 2026

## **2. Audit of Property, Plant and Equipment**

We experienced issues during our audit of Property, Plant and Equipment (PPE) which has led to inefficiencies in the audit of this area. These meant the audit of this area took longer than it should have. This could result in us charging additional audit fees in future years and/or deadlines being missed if this is not addressed (particularly in the quinquennial valuation year). Once escalated to the Director of Finance, the delays were addressed.

We reported similar issues in 2022-23 and whilst this improved slightly in 2023-24 and 2024-25, these issues have re-appeared. The issues are summarised as follows:

- **Supporting evidence/working papers** – during the audit, we experienced difficulties with the quality of and/or obtaining the working papers/supporting evidence for some elements of PPE we were testing. Good quality working papers should be in place at the start of the audit.
- **Engagement with audit** – we experienced delays in obtaining responses to some of our queries and obtaining supporting evidence for the samples that we selected for testing (sometimes significant). This meant that audit work took longer to complete.

We recommend that all Capital working papers are provided alongside the draft financial statements and that supporting evidence and responses to queries are provided in a prompt manner.

**Priority:**

High

**Accepted in full by management:**

Yes

**Management response:**

The majority of the 92 audit questions raised were responded to within three working days (85%). It is accepted that some took longer to respond to during very busy periods of normal operations and leave commitments for the Capital Finance Team. There was also one request that came via email on 8 April that was missed by the Capital Finance team as they were focussed on meeting the non-cash deadline and production of the draft financial statements.

The working papers provided alongside the draft financial statements were the same suite of papers provided in 2024-25. As in previous years, we will work in collaboration with the Audit Wales team to improve this area for 2026-27 by reviewing audit comments where those working papers would benefit from enhancement and also where additional working papers were requested during the audit of the draft financial statements, these will be provided alongside the draft financial statements.

**Implementation date:**

30 September 2026

### **3. Capitalised Salaries**

The financial statements include £959,000 of Capitalised Salaries within the Additions balance in Note 11.1 Property, Plant and Equipment. These relate to costs of staff working on Capital Projects. Under accounting standards, only costs directly attributable to capital schemes can be capitalised.

The costs charged are based on the staff member, the nature of their role and how much time they will be needed on the project(s). As such, different percentages of staff costs will be charged.

Our testing identified that these percentages are determined through discussions at the start of the year and there is no supporting audit trail to evidence these discussions, what the agreed percentages are or the rationale for the specific percentages agreed.

We recommend that the audit trail is strengthened to ensure that there is a clear rationale and sign-off of the percentages for capitalised salaries at the start of the financial year (and any changes in year).

**Priority:**

High

**Accepted in full by management:**

Yes

**Management response:**

The process of allocation to capital scheme was unchanged from previous years. The percentage sign-off at the start of the year will be formally recorded and included as part of the working papers provided alongside the draft financial statements.

**Implementation date:**

31 July 2026

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## Our People

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



## Arrangements for achieving audit quality

### Selection of right team

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



## Independent assurance

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

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We welcome correspondence and telephone calls in Welsh and English.

Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.

