

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

Audit year: 2024-25

Date issued: June 2025



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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 2024-25 annual report and accounts. My team have already discussed these findings with the Director of Finance.

My team have substantially completed the audit work as set out in my Audit Plan dated March 2025.

Since my Audit Plan, I have updated materiality to reflect the 2024-25 accounts. I have also identified 1 new audit risk which needs to be brought to your attention. This along with my response to previously

identified audit 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 27.

It is the responsibility of 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

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

See [Appendix 4](#)



There is **one other significant matter** to report.

See [Audit findings](#)



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

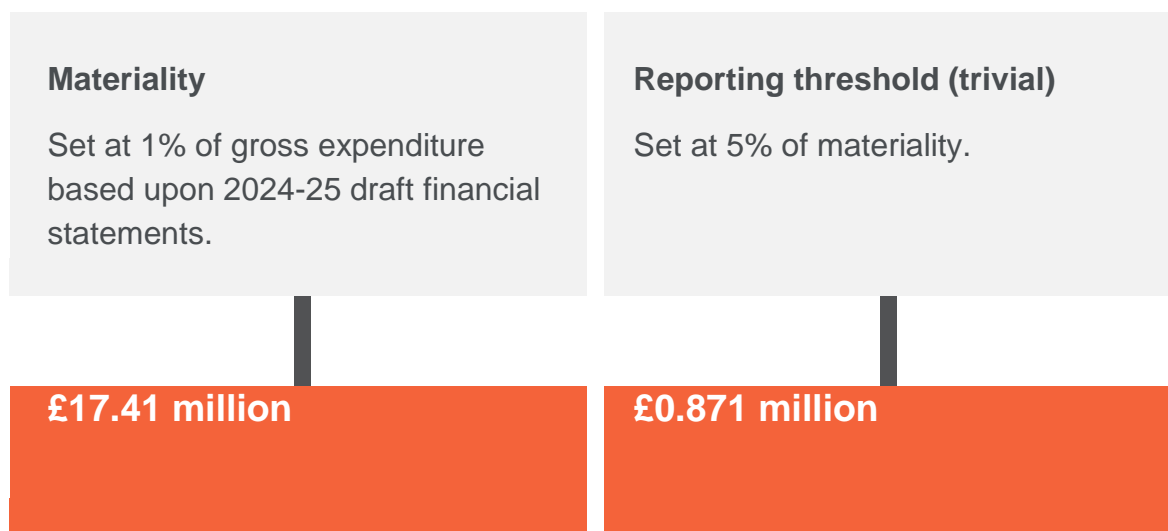
See [Audit findings](#)



We are aiming to certify your accounts on **26 June 2025**, which is ahead of the deadline of **30 June 2025**.

# 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

## Misstatements

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 issue was identified during the audit.

### **Governance arrangements in relation to Interim 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 an Interim Executive Director could be strengthened.

In March 2023 an Interim Executive Director was appointed initially for a period of 4 months though remained in post until the position was substantively filled in February 2025. Audit work identified the following issues:

- The Remuneration and Terms of Service Committee (RATS) approved the interim appointment in March 2023 and subsequent extensions of the interim role. However, there is no evidence that

these decisions were ratified by the Board as required by Standing Orders and Standing Financial Instructions;

- There is no evidence of Welsh Government being informed of the interim appointment until approval of the final extension in October 2024. A letter from Welsh Government to Health Boards in June 2021 set out that “if an interim arrangement for an Executive Director or Board level appointment is required, these arrangements should be discussed with the relevant Head of Profession, before these interim arrangements are progressed”. There is no evidence that this took place.
- There is no evidence that timesheets submitted by the interim Director were approved as required by the line manager or designated other.
- A failing in internal controls meant that for one week the interim Executive Director was overpaid by approximately £2.5k. This was due to a Health Board error. This is now being recovered.

## 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 2024-25.

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 2024-25 and 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**.

# 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**                      Derwyn Owen  
[derwyn.owen@audit.wales](mailto:derwyn.owen@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

Since the issue of my Audit Plan in March 2025, my team identified an additional risk of material misstatement or regularity that should be brought to your attention as listed below.

## Exhibit 1: audit risks identified following issue of my Audit Plan

Audit risk	Work done	Outcome
<p><b>Failure to achieve Capital Resource Limit</b></p> <p>Local Health Boards (LHBs) are required to meet two statutory financial duties – known as the first and second financial duties.</p> <p>The first financial duty covers meeting the Revenue Resource Limit (covered in a separate risk below) and the Capital Resource Limit.</p> <p>Where you fail this financial duty, we will place a substantive report on the financial statements highlighting the failure and qualify your regularity opinion.</p> <p>Whilst the Health Board has achieved the Capital Resource Limit in recent</p>	<p>We will monitor the Health Board’s position against the CRL for 2024-25 and consider achievement against the financial duty.</p> <p>We will focus our testing on areas of the financial statements which could contain reporting bias.</p>	<p>Audit work did not identify any material issues/errors.</p>

years, your current financial pressures increase the risk that management judgements and estimates could be biased in an effort to achieve the financial duty.

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

**Exhibit 2: audit risks reported previously, work done and outcome**

<b>Audit risk</b>	<b>Work done</b>	<b>Outcome</b>
<p><b>Risk of management override</b></p> <p>The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.32-33].</p>	<p>The audit team:</p> <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>	<p>Audit work did not identify any instances of management override of controls.</p>

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<b>Audit risk</b>	<b>Work done</b>	<b>Outcome</b>
<p><b>Risk of fraud in expenditure recognition</b></p> <p>There is a risk of material misstatement due to fraud in expenditure recognition and as such is treated as a significant risk [PN 10].</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>• substantively test expenditure, and review it for completeness, to ensure that all expenditure is recorded; and</li><li>• test expenditure cut off to provide assurance that items are recorded in the correct year.</li></ul>	<p>Audit work did not identify any instances of material misstatement due to fraud in expenditure recognition.</p>

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<b>Audit risk</b>	<b>Work done</b>	<b>Outcome</b>
<p><b>Failure of financial duties</b></p> <p>Local Health Boards (LHBs) are required to meet two statutory financial duties – known as the first and second financial duties.</p> <p>There is a significant risk that you will fail to meet your first financial duty to break even over a three year period. The position at month 10 shows a year-to-date deficit of £47.66 million and a forecast year-end deficit of £43.7 million. This, combined with the outturns for 2022-23 and 2023-24, predicts a three-year deficit of £58.68 million.</p> <p>Where you fail this financial duty, we will place a substantive report on the financial statements highlighting the failure and qualify your regularity opinion.</p> <p>Your current financial pressures increase the risk that management judgements and estimates could be biased in an effort to achieve the financial duty.</p>	<p>We will continue to monitor the Health Board's financial position for 2024-25 and the cumulative three-year position to 31 March 2025 and consider achievement against the two financial duties.</p> <p>We will focus our testing on areas of the financial statements which could contain reporting bias.</p>	<p>We reviewed year-end transactions, in particular accruals and cut-off. No material matters arose from the work carried out.</p> <p>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.</p>

<b>Audit risk</b>	<b>Work done</b>	<b>Outcome</b>
<p>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.</p>		
<p><b>Remuneration Report disclosures</b></p> <p>There have been several new appointments to senior officer and board member posts during 2024-25 which need to be captured in the remuneration report.</p> <p>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.</p> <p>Therefore, there is a risk that even low value errors in the disclosure could result a material misstatement.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"><li>• understand the movements in the senior management team during 2024-25;</li><li>• ensure that remuneration disclosed is consistent with supporting evidence;</li><li>• ensure that amounts paid are consistent with those approved by the Board and are in accordance with Welsh Government pay rates; and</li><li>• ensure that disclosures are complete based on the team’s knowledge and are prepared in accordance with requirements.</li></ul>	<p>We reviewed the Remuneration Report disclosures.</p> <p>We identified some governance issues regarding the appointment of one interim Executive Director.</p>

Audit risk	Work done	Outcome
<p><b>Valuation of property assets</b></p> <p>The value of property assets reflected in the balance sheet and notes to the accounts are material estimates.</p> <p>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.</p> <p>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.</p> <p>There is a risk that the carrying value of assets recognised in the accounts could be materially</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> <li>• review the indices used by management for reasonableness;</li> <li>• evaluate the competence, capabilities and objectivity of the professional valuer;</li> <li>• test a sample of assets revalued in the year to ensure the valuation basis, key data and assumptions used in the valuation process are reasonable, and the revaluations have been correctly reflected in the financial statements;</li> <li>• confirm that indexation has been appropriately applied and has been correctly reflected in the financial statements; and</li> <li>• test the reconciliation between the financial ledger and the asset register.</li> </ul>	<p>Audit work did not identify any material issues/errors.</p>

**Audit risk**

**Work done**

**Outcome**

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different to the current value of assets as at 31 March 2025.

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## 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
£68,000 (No overall effect on the primary statements)	<p><b>Note 3.1 Expenditure on Primary Healthcare Services</b></p> <p>Audit testing identified that £68,000 should have been classified as ‘Other primary care expenditure’ rather than ‘General Ophthalmic Services’.</p> <p>Note 3.1 was amended to correct these.</p> <p>There was no overall effect on the primary statements.</p>	To ensure accuracy of the financial statements.
£1,283,000 (No overall effect on the primary statements)	<p><b>Note 3.2 Expenditure on healthcare from other providers</b></p> <p>Note 3.2 was amended to move £1,283,000 from ‘Goods and Services from other NHS Wales Health Boards’ to ‘Goods and Services from other NHS Wales Trusts’.</p> <p>There was no overall effect on the primary statements.</p>	To ensure accuracy of the financial statements.

Value of correction	Accounts area	Explanation
<p>£592,000 (No overall effect on the primary statements)</p>	<p><b>Note 3.3 Expenditure on Hospital and Community Health Services and Note 3.4 Losses, special payments and irrecoverable debts: charges to operating expenses</b></p> <p>Audit testing identified an error within the working papers. The ‘income received/due from Welsh Risk Pool’ line within Note 3.4 was over stated by £592,000. There was a corresponding understatement in Note 3.3.</p> <p>Note 3.3 and Note 3.4 were amended to correct for this.</p> <p>There was no overall effect on the primary statements.</p>	<p>To ensure accuracy of the financial statements.</p>
<p>£638,000 (No overall effect on the primary statements)</p>	<p><b>Note 4 Miscellaneous Income</b></p> <p>The Health Board identified the following misclassifications within Note 4:-</p> <ul style="list-style-type: none"> <li>• Local Health Boards line – increase of £395,000</li> <li>• NHS Wales Trusts line – increase of £241,000</li> <li>• Welsh Government line – increase of £2,000</li> <li>• Other income from activities line – decrease of £638,000</li> </ul>	<p>To ensure accuracy of the financial statements.</p>

Value of correction	Accounts area	Explanation
	<p>Note 4 was amended to correct these.</p> <p>There was no overall effect on the primary statements.</p>	
<p>£3,395,635 (No overall effect on the primary statements)</p>	<p><b>Note 11.1 Property, Plant &amp; Equipment</b></p> <p>Audit testing identified £3,395,635 of assets (Nil Net Book Value) which had been incorrectly included as disposals in the financial statements. Note 11.1 was amended to correct for this.</p> <p>There was no overall effect on the primary statements.</p>	<p>To ensure accuracy of the financial statements.</p>
<p>Various (No overall effect on the primary statements)</p>	<p><b>Note 18 Trade and Other Payables</b></p> <p>Audit testing identified the following errors:</p> <ul style="list-style-type: none"> <li>• £2,113,076 included within the Non NHS Accruals line in Note 18 should have been included within the Other NHS line. Note 18 was amended to correctly reflect this. There was no overall effect on the primary statements.</li> <li>• £1,011,000 included within the 'Non NHS Accruals' line should have been included within 'Deferred Income' line.</li> </ul>	<p>To ensure accuracy of the financial statements.</p>

<b>Value of correction</b>	<b>Accounts area</b>	<b>Explanation</b>
		<p>There was no overall effect on the primary statements.</p> <ul style="list-style-type: none"><li>• £8,543,000 included within “Non NHS payables – revenue” line which should have been included within the “Capital Payables – Tangible” line. Note 18 was amended to correctly reflect this. There was no overall effect on the primary statements.</li><li>• £381,000 included in Non NHS Accruals line within Current Trade and Other Payables should have been included within Non Current Trade and Other Payables. Note 18 was amended to reflect this. There was no overall effect on the primary statements.</li><li>• The “amounts falling due more than one year” table incorrectly excluded the RoU Liability of £32,165,000. The table was amended to include this. In addition, the amounts on the “between two and five years” and “in five years or more” lines were amended to correctly reflect the underlying working paper. There was no overall effect on the primary statements.</li></ul>

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<b>Value of correction</b>	<b>Accounts area</b>	<b>Explanation</b>
<p>£11,918,000 (No overall effect on the primary statements)</p>	<p><b>Note 20 Provisions</b> Note 20 was amended to separately disclose structured settlement balances totalling £11,918,000 (these were included within the “Reversed/Unused” column in the draft financial statements. There was no overall effect on the primary statements.</p>	<p>To ensure accuracy of the financial statements.</p>
<p>Various (No overall effect on the primary statements)</p>	<p><b>Note 24 Right of Use Assets</b> The Health Board provided a revised note to reflect the underlying working paper. As this is a disclosure note, there was no overall effect on the primary statements.</p>	<p>To ensure accuracy of the financial statements.</p>
<p>£4,900,000 (No overall effect on the primary statements)</p>	<p><b>Note 25.2 PFI Schemes on-Statement of Financial Position</b> The total present value of obligations for on-SoFP PFI Contracts line incorrectly omitted the IFRS16 Finance Charge impact and so was understated by £4,900,000. The note was updated to reflect this. 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>

<b>Value of correction</b>	<b>Accounts area</b>	<b>Explanation</b>
Various (No overall effect on the Remuneration Report or financial statements)	<b>Remuneration Report</b> Audit testing identified that the “Real increase in CETV” figure for S. Jenkins should be £185,000 and not £262,000. The Remuneration Report was updated to reflect this. A number of other minor amendments were made to the Remuneration Report relating to either revisions to disclosures of information, narrative changes or typing errors. There was no overall effect on the Remuneration Report or financial statements.	To ensure accuracy of the Remuneration Report.
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.

# 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 2025 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 2025 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 £57.429 million over the £3,806 million that it was authorised to spend in the three-year period 2022-2023 to 2024-2025. This spend 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 twelve 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 32.

Adrian Crompton  
Auditor General for Wales  
26 June 2025

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 2025 to draw attention to key matters for my audit, as follows:

- qualification of my regularity opinion due to failure of the Health Board to achieve the first financial duty; 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 2024-25, 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 2022-2023 to 2024-2025.

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 £3,806 million by £57.429 million.

Where an LHB does not balance its books over a rolling three-year period, any expenditure over the resource allocation (i.e. 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 spend.

### **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 2024-25 if it submitted a 2024-25 to 2026-27 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 2024-25 to 2026-27.

**Adrian Crompton**

**Auditor General for Wales**

**26 June 2025**

# 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 2025

### Representations regarding the 2024-25 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 2025 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 company 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 2025.

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:

# Audit quality

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

We use a three lines of assurance model to demonstrate how we achieve this. We have established an Audit Quality Committee to co-ordinate and oversee those arrangements. We subject our work to independent scrutiny by the Institute of Chartered Accountants in England and Wales and our Chair of the Board, acts as a link to our Board on audit quality. For more information see our [Audit Quality Report 2024](#).



## 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

# Supporting you

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Audit Wales has a range of resources to support the scrutiny of Welsh public bodies, and to support them in continuing to improve the services they provide to the people of Wales.

Visit our website to find:



Our publications which cover our audit work at public bodies.



Information on our upcoming work and forward work programme for performance audit.



Data tools to help you better understand public spending trends.



Details of our Good Practice work and events including the sharing of emerging practice and insights from our audit work.



Our newsletter which provides you with regular updates on our public service audit work, good practice, and events.



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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.

