



WALES **AUDIT** OFFICE  
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# Annual Audit Report 2012

## **Aneurin Bevan Health Board**

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# Status of report

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This report has been prepared on behalf of the Auditor General for Wales by:  
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# Summary report

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1. This report summarises my findings from the audit work I have undertaken at Aneurin Bevan Health Board (the Health Board) during 2012.
2. The work I have done at the Health Board allows me to discharge my responsibilities under the Public Audit (Wales) Act 2004 (the 2004 Act) in respect of the audit of accounts and the Health Board's arrangements to secure efficiency, effectiveness and economy in its use of resources.
3. My audit work has focused on strategic priorities as well as the significant financial and operational risks facing the Health Board, and which are relevant to my audit responsibilities. More detail on the specific aspects of my audit can be found in the separate reports I have issued during the year. These reports are discussed and their factual accuracy agreed with officers and presented to the Audit Committee. The reports I have issued are shown in [Appendix 1](#).
4. The key messages from my audit work are summarised under the following headings.

## Audit of accounts

5. I have issued an unqualified opinion on the 2011-12 financial statements of the Health Board, although in doing so I have brought several issues to the attention of officers and the Audit Committee. These include an uncorrected misstatement relating to an increase in Monmouthshire County Council's contributions to the Monnow Vale PFI Scheme, the need to ensure adherence to the public sector payment reporting requirements, and the need to ensure compliance with guidelines for the new 'Hutton' pay disclosures.
6. In addition I placed a substantive report on the Health Board's financial statements alongside my audit opinion. My report draws attention to the additional funding received by the Health Board primarily to enable it to meet its financial targets. The Health Board achieved financial balance at the end of 2011-12, as a result of additional financial support from the Welsh Government of £4.5 million received in March. The additional funding received was a draw forward of funding from 2012-13 and will be returned by reducing the funding allocated to 2012-13 by an equal amount.
7. I have also concluded that:
  - the Health Board's accounts were properly prepared and materially accurate;
  - the Health Board had an adequate internal control environment to reduce the risks of material misstatements to the financial statements; and
  - the Health Board's significant financial and accounting systems were appropriately controlled and operating as intended, although there are a number of system weaknesses which require management action.

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

8. I have reviewed the Health Board's arrangements for securing economy, efficiency and effectiveness in the use of its resources. My Structured Assessment work has examined the robustness of the Health Board's financial management arrangements and the adequacy of its Board assurance framework and internal control environment. Performance audit reviews have also been undertaken on specific areas of service delivery. This work has led me to draw the following conclusions:

There is evidence of a successful and sustainable approach to financial management being developed; success for the year will depend on achieving significant savings by the year-end

9. Key findings from my review of the Health Board's financial management arrangements are as follows:
- the Health Board continues to face significant financial pressures and the out-turn for the first seven months of 2012-13 is a deficit of £6.1 million, however, although there are risks still to be managed the Board is predicting it will achieve its break-even target by the year-end; and
  - the Health Board is reporting financial progress consistently and transparently, however action is needed to produce a medium-term integrated plan that identifies the service, financial and workforce requirements underpinning delivery of the Health Board's strategic objectives.

The Health Board has arrangements in place which should ensure it delivers effective governance and board assurance although these arrangements can be improved still further

10. My review of the Health Board's governance arrangements found that:
- most areas identified in last year's structured assessment have shown improvement, although there is still scope to improve some of these arrangements as part of the Board's stated goal of being 'best in class';
  - the Health Board has an internal control environment that supports effective board assurance and the identification and management of risk;
  - the Health Board has a clear process in place for producing its Annual Governance Statement;
  - the Board and its sub-committees are provided with relevant management information and the challenge going forward is to focus and prioritise this information on the issues that support effective scrutiny and decision making;
  - while processes are in place to support data quality and comply with data confidentiality requirements, the Health Board needs to strengthen arrangements to ensure they are fully effective; and
  - data matching as part of the National Fraud Initiative (NFI) has helped prevent and detect a number of cases of fraud.

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My performance audit work has identified opportunities to secure better use of resources in a number of key areas

11. My review of the Health Board's use of resources found that:
- The Health Board has introduced numerous improvements to its unscheduled care and chronic conditions management services and is taking a genuinely whole systems approach to service transformation. Although this is having an impact, performance needs to improve further and acute services are still experiencing significant pressures.
  - There have been noticeable improvements in the Health Board's workforce planning, and this represents a step change since last year.
  - The Health Board is adopting a proactive, comprehensive and timely approach to engaging with stakeholders as an integral part of modernising services.
  - The Health Board has made progress in implementing recommendations from previous audit work, although important actions still remain to be addressed.

The factual accuracy of this report has been agreed with the Executive Team

12. This report has been agreed for factual accuracy with the Chief Executive and the Director of Finance. It will be presented to the Audit Committee on 20 December 2012. It will then be presented to a subsequent Board meeting and a copy provided to every member of the Health Board. We strongly encourage wider publication of this report by the Health Board. Following Board consideration, the report will also be made available to the public on the Wales Audit Office's own website ([www.wao.gov.uk](http://www.wao.gov.uk)).
13. The assistance and co-operation of the Health Board's staff and members during the audit is gratefully acknowledged.

# Detailed report

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## About this report

14. This Annual Audit Report to the Board members of the Health Board sets out the key findings from the audit work that I have undertaken between December 2011 and November 2012.
15. My work at the Health Board is undertaken in response to the requirements set out in the 2004 Act. That Act requires me to:
  - a. examine and certify the accounts submitted to me by the Health Board, and to lay them before the National Assembly;
  - b. satisfy myself that the expenditure to which the accounts relate has been incurred lawfully and is in accordance with the authorities which govern it; and
  - c. satisfy myself that the Health Board has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
16. In relation to (c), I have drawn assurances or otherwise from the following sources of evidence:
  - the results of audit work on the Health Board's financial statements;
  - work undertaken as part of my latest Structured Assessment of the Health Board, which examined the arrangements for financial management, governance and accountability, and use of resources;
  - the Health Board's self-assessment against the Governance and Accountability module of the Standards for Health Services in Wales;
  - performance audit work undertaken at the Health Board;
  - the results of the work of other external review bodies, where they are relevant to my responsibilities; and
  - other work, such as data matching exercises and certification of claims and returns.
17. I have issued a number of reports to the Health Board this year. The messages contained in this Annual Audit Report represent a summary of the issues presented in these more detailed reports, a list of which is included in [Appendix 1](#).
18. The findings from my work are considered under the following headings:
  - audit of accounts; and
  - arrangements for securing economy, efficiency and effectiveness in the use of resources.
19. Finally, [Appendix 2](#) presents the latest estimate on the audit fee that I will need to charge to cover the actual costs of undertaking my work at the Health Board and shows that it is expected to be in accordance with the original fee that was set out in the Audit Outline.

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## Section 1: Audit of accounts

**20.** This section of the report summarises the findings from my audit of the Health Board's financial statements for 2011-12. These statements are the means by which the organisation demonstrates its financial performance and sets out its net operating costs, recognised gains and losses, and cash flows. Preparation of an organisation's financial statements is an essential element in demonstrating appropriate stewardship of public money.

### My responsibilities

- 21.** In examining the Health Board's financial statements, I am required to give an opinion on:
- whether they give a true and fair view of the financial position of the Health Board and of its income and expenditure for the period in question;
  - whether they are free from material misstatement – whether caused by fraud or by error;
  - whether they are prepared in accordance with statutory and other applicable requirements and comply with all relevant requirements for accounting presentation and disclosure;
  - whether that part of the Remuneration Report to be audited is properly prepared; and
  - the regularity of the expenditure and income.
- 22.** In giving this opinion, I have complied with my Code of Audit Practice and the International Standards on Auditing (ISAs).
- 23.** In undertaking this work, auditors have also examined the adequacy of the:
- Health Board's internal control environment; and
  - financial systems for producing the financial statements.



I have issued an unqualified opinion on the 2011-12 financial statements of the Health Board, although in doing so I have brought several issues to the attention of officers and the Audit Committee and placed a substantive report alongside my audit opinion

The Health Board's accounts were properly prepared and materially accurate

24. The draft financial statements were received in line with 4 May 2012 deadline and were reviewed by the Audit Committee on 15 May. The financial statements were prepared to an acceptable standard and were largely supported by working papers. As with the prior year, this is a significant achievement given the challenge of the Welsh Government's timetable for the compilation of the draft financial statements which places considerable pressure on the Board's Finance team.
25. We continue to work closely with Health Board finance staff to ensure we can further develop and strengthen year-end financial reporting procedures. We have held a joint Post Project Learning meeting and have used the results to inform our joint planning for 2012-13. The Post Project Learning details were reported to the Audit Committee in October 2012.
26. I am required by ISA 260 to report issues arising from my work to those charged with governance before I issue my audit opinion on the accounts. My Financial Audit Engagement Lead reported these issues to the Health Board's Audit Committee on 1 June 2012 and to the Board on 6 June 2012. **Exhibit 1** summarises the key issues set out in that report.

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

Issue	Auditors' comments
Uncorrected misstatements	Property, Plant and Equipment and Non-Current Payables were overstated by £198,376 and £199,114 respectively. This misstatement related to an increase in Monmouthshire County Borough Council's contribution to the Monnow Vale PFI scheme. The overall impact on the income and expenditure position was that the surplus was understated by £738.
Corrected misstatements	A number of misstatements were corrected by management, and there were a number of other changes to disclosures to improve presentation and correct inaccuracies. The net impact of these amendments was to reduce the reported surplus from £58,000 to £14,000.
Continuing Healthcare claims	Limited progress has been made across Wales in assessing outstanding claims for continuing healthcare, consequently, the related provision is a key area of estimation. We reviewed the basis of the estimates for provisions and contingent liabilities for these costs and are content that they were reasonable.

Issue	Auditors' comments
Public sector payment policy	Although the Board reported that 96.4 per cent of non-NHS creditors were paid within 30 days, the treatment of invoices may result in this performance being misstated. The Health Board currently 'starts the clock' on invoice payment performance based on the date of the invoice or the date that the goods are received if this is later. However, Welsh Government guidance states that the time should start when the invoice is received by the Health Board. In addition, for disputed invoices, the Health Board 'stops the clock' as soon as a dispute is identified and this is not restarted once the dispute has been settled, which is contrary to Welsh Government guidance. This issue is being taken forward by the NHS Shared Services Partnership and further improvements are expected for 2012-13.
'Hutton' disclosures	There was a new requirement in 2011-12 for Health Boards to disclose the median salary of their staff. Detailed guidance from Welsh Government on the required disclosures was issued in late May. The Board's 2011-12 disclosures relate to basic salary only, and incorrectly exclude other elements of pay and also exclude agency and other temporary employees. Therefore, as noted in the financial statements, further refinement to the disclosures will be made in the 2012-13 financial statements.
Annual Governance Statement	The new Annual Governance Statement was prepared on a timely basis, with a first draft considered by the Audit Committee in April 2012. While acknowledging that the Annual Governance Statement accompanying the final draft accounts is a comprehensive document, the Board should consider starting the process of assessing the assurance framework and evidencing achievements at an earlier stage to allow the first draft accompanying the draft accounts to be more complete.

- 27.** As part of my financial audit I also under took the following reviews:
- a. Whole of Government Accounts return – I concluded that the counterparty consolidation information was consistent with the financial position of the Health Board at 31 March 2012 and the return was prepared to a good standard, in line with the required timescales and in accordance with the Treasury's instructions.
  - b. Summary Financial Statements and Annual Report – I concluded that the summary statements were consistent with the full statements and that the Annual Report was largely compliant with Welsh Government guidance. The process followed by the Health Board for compiling both these documents improved this year.
- 28.** My separate audit of the Funds Held on Trust financial statements is being finalised and I issued my report to the Trustee in October 2012 and the Board in November 2012. I expect to issue an unqualified audit opinion on the accounts in early December.

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The Health Board has an adequate internal control environment to reduce the risk of material misstatements to the financial statements

29. My work focuses primarily on the accuracy of the financial statements, reviewing the internal control environment to assess whether it provides assurance that the financial statements are free from material misstatement whether caused by error or fraud. I did not identify any material weaknesses in the Health Board's internal control environment. Furthermore, Internal Audit's 'Assurance Statement and Annual Report' for the year ended 31 March 2012 provided 'adequate' assurances to the Health Board. This reflects a generally sound system of internal controls and broad operational compliance. Our review of the IT elements of the control environment identified that local business continuity plans were not in place for the Oracle FMS system and such plans should be prepared and tested regularly.

The Health Board's significant financial and accounting systems were appropriately controlled and operating as intended, although there are a number of system weaknesses which require management action

30. I did not identify any material weaknesses in the Health Board's significant financial and accounting systems which would impact on my opinion. There were a number of detailed issues arising from my financial audit work and these were reported to the Audit Committee in June 2012. These include matters referred to in [Exhibit 1](#) above. More detailed financial and accounting system observations were included in the Financial Statements Report which was reported to the Audit Committee in October 2012.
31. Internal audit identified some weaknesses in the design of controls and their application in the Health Board which could put the achievement of particular system objectives at risk. The specific weaknesses identified by Internal Audit financial system reviews affected payroll, procurement and community medical payments. Their reviews also identified scope for further improvements in a number of operational areas. Internal Audit's findings require ongoing management action. Health Board action plans have been developed to strengthen the control weaknesses identified and progress is scrutinised by the Audit Committee.

The Health Board achieved financial balance at the end of 2011-12, but only as a result of additional funding from the Welsh Government of £4.5 million; given this, I placed a substantive report alongside my audit report

32. The financial regime within which each local health board (LHB) is required to operate, prescribes a formal annual 'resource limit'. This is a statutory net expenditure limit, requiring each LHB to function strictly within the resource limit that is set for it by the Welsh Government for that financial year.

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- 33.** Where an LHB's net expenditure exceeds the resource limit, that expenditure is deemed to be unauthorised and is therefore irregular. In such circumstances, I am required to qualify my regularity opinion, irrespective of the value of the excess spend. Conversely, where reported annual net expenditure does not exceed the resource limit, no qualification of the regularity opinion (on these grounds) is required.
- 34.** For the 2011-12 financial year, the Health Board incurred net expenditure of £1,030.557 million. Its final resource limit was £1,030.571 million, which included an additional £4.5 million (0.4 per cent of its final resource limit) agreed in March 2012. This meant that the Health Board would have exceeded its resource limit had it not received the additional resource of £4.5 million from the Welsh Government in order to prevent such a breach occurring. In short, the Welsh Government increased the resource limit in March 2012 to match the forecast net annual expenditure of the Health Board.
- 35.** Both my 'true and fair view' and 'regularity' opinions on the financial statements of the Health Board for the year ended 31 March 2012 were therefore unqualified.
- 36.** The additional funding received was a draw forward of funding from 2012-13 and will be returned by reducing the funding allocated to 2012-13 by an equal amount. The 2012-13 allocation is therefore £4.5 million lower than it would otherwise have been and, consequently, the Health Board will need to generate additional savings to bridge the gap between its resource allocation and its underlying expenditure pattern. I have issued a narrative report alongside my audit report on the 2011-12 financial statements to draw attention to this matter and to provide further details about the financial position of the Health Board.
- 37.** The Health Board continues to face a significant financial challenge with cost pressures amounting to some £48 million in 2012-13. I will continue to monitor the financial position of all health boards in Wales as part of my 2012-13 programme of work.

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## Section 2: Arrangements for securing economy, efficiency and effectiveness in the use of resources

- 38.** I have a statutory requirement to satisfy myself that NHS bodies have proper arrangements in place to secure economy, efficiency and effectiveness in the use of their resources. I have undertaken a range of performance audit work at the Health Board over the last 12 months to help me discharge that responsibility. This work has involved:
- reviewing the Health Board's financial management arrangements, including the progress being made in delivering cost saving plans and their contribution to achieving financial balance;
  - assessing the effectiveness of the Health Board's governance arrangements through my Structured Assessment work with a particular emphasis on the robustness of the overall Board assurance framework and internal control environment;
  - specific use of resources work on unscheduled care, chronic conditions management, workforce planning and stakeholder engagement; and
  - assessing the progress the Health Board has made in addressing the issues identified by previous audit work on data quality, the consultant contract and maternity services.
- 39.** The main findings from this work are summarised below.

**There is evidence of a successful and sustainable approach to financial management being developed; success for the year will depend on achieving significant savings by the year-end**

**The Health Board continues to face significant financial pressures and the out-turn for the first seven months of 2012-13 is a deficit of £6.1 million, however, although there are risks still to be managed the Board is planning to achieve its break-even target by the year-end**

- 40.** An Annual Plan for 2012-13 was prepared and approved by the Board in June 2012, and this provided a balanced financial plan for the year including cost avoidance and savings targets. The plan quantified the financial challenge at £48 million including the repayment of £4.5 million brokerage received at the end of 2011-12. The savings plans and cost avoidance target for the first seven months of 2012-13 was £28 million, and required the delivery of savings of approximately £4 million per month. However, it was noted that not all of the schemes planned to result in financial balance by the year-end would be delivered evenly through the year. In contrast with last year, the financial plan for 2012-13 has sought to avoid unsustainable cost reduction measures such as stopping overtime, and ceasing to fill vacancies. The financial plan has instead sought to build in over achievement in some areas to provide contingency for slippage or non-delivery in others.

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41. At month seven the Board reported achievement of £22.1 million in savings and cost avoidance across its five key strategic change programmes, including making best use of medicines, reducing the need for hospital stays and reconfiguring services in line with the Clinical Futures Strategy. An Executive Lead has been appointed to each of these change programmes to strengthen oversight arrangements. Reported savings are behind the approved plan for total savings for the year because they have been profiled on a straight line basis rather than reflecting the profile of underlying savings plans. The savings achieved to date are, however, in accordance with the profile of the underlying savings plans because it is expected that these plans will generally deliver a higher value in the second half of the financial year. However, there continues to be risk associated with the continued achievement of savings through the year. Detailed progress monitoring, as well as seeking to identify further opportunities for savings, or bringing forward later plans where necessary, is important and the Health Board will need to ensure that all potential savings identified are progressed and realised as soon as possible.
42. If the Board is able to deliver its savings plans and cost avoidance targets, combined with the additional funding of £10 million announced in early December 2012, it will meet its statutory break-even target. However, at month seven with a reported out-turn of £6.1 million deficit, the risk remains high of not fully recovering the current financial position to one of financial balance by the year-end. The Health Board needs to ensure that the savings and cost avoidance plans are fully delivered over the remainder of the financial year and where there is evidence that this is not the case, prompt and decisive remedial action needs to be taken.

The Health Board is reporting financial progress consistently and transparently, however, action is needed to produce a medium-term integrated plan that identifies the service, financial and workforce requirements underpinning delivery of the Health Board's strategic objectives

43. The Board has been consistent and transparent in the level of financial detail and the progress and conclusions it has reported both internally at board meetings and also to the Welsh Government. Over the period June to September 2012, the out-turn reported has been in line with the annual financial plan, and this has increased the level of confidence in the accuracy and clarity of the planning and reporting process.
44. The annual financial plan included in the Annual Plan for 2012-13 is expected to be the last prepared by the Health Board. In 2012-13 the Board is seeking to produce a rolling detailed financial plan, integrating both revenue and capital elements consistent with its longer term strategy. However, such a plan has not yet been prepared and this should now be a high priority for the Health Board. The plan needs to set out the medium-term financial approach underpinning delivery of the Health Board's wider strategic objectives and should include service and workforce, as well as financial aspects. This approach will be vital to ensuring that the longer term strategy is achievable.

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**The Health Board has arrangements in place which should ensure it delivers effective governance and board assurance although these arrangements can be improved still further**

45. Following the 2009 NHS reorganisation in Wales, the newly formed Aneurin Bevan Health Board was required to undertake a considerable amount of work to develop the necessary governance frameworks. In October 2010, the Board set out its five year plan which my auditors identified as a good platform for ensuring clarity on the actions required. This five year plan identified the need for sound clinical engagement and leadership and the importance the Health Board was placing on the clinical lead roles.
46. At the same time, my 2010 structured assessment work identified a range of actions required to embed the Health Board arrangements. This included developing robust workforce and financial plans, a local planning framework and developing targets and outcome measures.
47. In 2011 my audit and structured assessment work identified the good progress that the Health Board was making strengthening its governance arrangements which included positively engaging with external stakeholders, and increasing focus on developing outcome measures and an evolving approach to risk management. My work also identified the need to improve performance reporting to the Board and ensure the new sub-committee structure delivered improved scrutiny. In particular, my work identified the importance of the new Finance, Performance and Sustainability Committee had in delivering these improvements.
48. Since 2010, a consistent theme has been the Health Board's positive approach to addressing the issues identified in my reports, the developing maturity of its governance arrangements and the importance placed on engaging clinicians and the public. The Health Board has set itself the clear objective of being 'best in class' and the focus of my audit and structured assessment work has been to identify the necessary improvements required to meet this aspiration.

**Most areas identified in last year's structured assessment have shown improvement although there is still scope to improve some of these arrangements as part of the Board's stated goal of being 'best in class'**

49. The Health Board has made good progress in addressing the recommendations from last year's structured assessment and has developed the work of its new Finance, Performance and Sustainability Committee. This group is examining and balancing the trade-off between achieving service performance and financial targets.
50. Performance reporting arrangements have improved and while the focus of the reports is mainly on performance against national targets, there is more that could be done to capture the impact of management actions and develop indicators to track progress against local priorities and the effect of mitigating actions to address risks.

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51. There is a more mature approach to risk management with a better organisational understanding of the Board's risk tolerance, so that decisions are taken in a more informed way with the knowledge of likely impacts. There is better challenge and coverage of risk in the Board and its sub-committee meetings. However, there is still scope to improve these arrangements further by more clearly setting out how corporate risks align with strategic objectives, ensuring Board reports capture and monitor the movement of the risk over time, as well as the impact of mitigating actions and embedding the arrangements more consistently throughout the sub-committee structure.
  52. Last year's structured assessment identified that the Health Board had made good progress with its clinical audit arrangements. However, there are still benefits in more clearly identifying how clinical audit is improving services, its role in the assurance framework and how it is supporting the Health Board's Quality Assurance Statement.

**The Health Board has an internal control environment that supports effective board assurance and the identification and management of risk**

53. My structured assessment work identified that the Board adequately identifies the principle risks and barriers to achieving its strategic objectives. However, there still remains a risk of some of the Board's sub-committees getting overly involved in operational risks at the expense of governance arrangements. This risk is recognised by the Board and is being addressed at different rates across the Board's sub-committee structure.
54. While the arrangements in place should ensure that the Board can deliver effective governance and board assurance, the Board's assurance framework could be strengthened by using information from a number of different sources to help build a more complete picture of performance. This would help inform the Board's and its sub-committees' scrutiny role, provide more evidence for decision-making and more systematically test the outcomes of actions and decisions.
55. The Board actively uses information from its Independent Members through their champion and lead roles to provide assurance. While this approach is effective, with its goal of seeking to become the 'best in class', there is scope to increase the level of assurance by more regularly inviting reports on the outcome of Independent Members' work at Board meetings.
56. Probity and propriety arrangements could be developed by ensuring staff confirm compliance with the Board's guidance which has been issued on business conduct. This would provide confirmation by staff of their awareness of the requirements and values of the organisation, and their commitment to undertake their work in accordance with them, and thereby strengthen the control environment.



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The Health Board has a clear process in place for producing its Annual Governance statement

57. My structured assessment work found the Health Board's 2011-12 Annual Governance Statement was subject to general scrutiny and formal process for clearance and approval. These arrangements could be improved for 2012-13 by earlier consideration of what to include and more frequent reviews of evidence to support the description of arrangements reflected in the Statement.
58. The Health Board also has the opportunity to build on the existing arrangements by developing divisional and departmental annual assurance statements that are provided to the Board secretary as part of a process of embedding and improving the evidence reflected Annual Governance Statement.
59. The Audit Committee has a key role in providing the Board with assurance on its governance, risk management and control arrangements. I have identified that the routine assessment of corporate risks at the Audit Committee would help to strengthen the Health Board's preparation of the Annual Governance Statement, by ensuring a greater level of awareness of the veracity of evidence to support the statement.

The Board and its sub-committees are provided with relevant management information and the challenge going forward is to focus and prioritise this information on the issues that support effective scrutiny and decision making

60. My Structured Assessment work focused on whether the Board and its sub-committees have access to relevant information to plan, make decisions and underpin effective scrutiny and board assurance. I found the Board and its sub-committees are provided with relevant information but at times the amount provided can be overwhelming and runs the risk of obscuring key messages. Also, some independent members found there was often insufficient time to adequately examine complex papers before meetings. I came to this conclusion because:
  - the information provided to the Board and its sub-committees supports the assurance and decision-making processes and the Board and Committee members have the appropriate skills to make the best use of the management information;
  - there is good evidence of scrutiny and challenge by Board and Committee members;
  - with an increasing emphasis on electronic sources of information, the majority of independent members still do not have access to NHS computers;
  - regular performance and finance reports to the Board and its sub-committees are presented in the same format irrespective of changing priorities or performance;
  - some reports contained excessive amounts of data, with little interpretation this meant at times there was a risk of obscuring key messages;
  - the Board and its committee members identified that the quality of some data is compromised by out of date coding; and

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- the balance of information continues to be biased towards secondary care and there needs to be greater attention given to patient outcomes and primary and community care.

While processes are in place to support data quality and comply with data confidentiality requirements, the Health Board needs to strengthen arrangements to ensure they are fully effective

**61.** I have undertaken a high level examination of the Health Board's arrangements for ensuring the data that it produces is reliable and accurate. Whilst this work has not sought to validate the quality of specific NHS data sets or performance indicators, it has reviewed basic patient demographic data to determine the extent of duplicate and missing information on Patient Administrative and Radiology systems. My work found, overall, the Health Board demonstrates a good standard of data quality, however, complex governance arrangements present a potential barrier to improvement. I came to this conclusion because:

- data quality governance structures are currently too complex and resource intensive, with large operational sub-committees that include a large number of members already on the Information Governance Committee;
- data quality programmes and processes are appropriate but the Health Board needs to strengthen these by extending these to cover primary-care information, which the Health Board increasingly relies upon and ensuring training programmes are consistently applied throughout the organisation; and
- our review of data in-patient administration systems found a relatively low number of duplicate records and that the Health Board is meeting data-validity targets for key data sets.

**62.** In addition to work on data quality, I have also examined the Health Board's arrangements for implementing Caldicott guidance on confidentiality of patient data. My work found the Health Board appears to have appropriate management and planning arrangements to underpin Caldicott governance requirements and has approached their planning on a good understanding of information confidentiality responsibilities. However, the current arrangements for informing patients about the use of their information need to be updated, the number of information governance stewards should be reviewed, and the use of data encryption should be extended.

Data matching as part of the NFI has helped prevent and detect a number of cases of fraud

**63.** The National Fraud Initiative (NFI) matches data across organisations and systems to help public bodies identify potentially fraudulent or erroneous claims and transactions. I found overall that the Health Board's approach to investigating the NFI matches was well managed. However, in future exercises the Health Board should record the outcomes of all of their investigations into NFI matches on the NFI web application. The NFI has helped the Health Board to identify two cases of fraud and error worth a total of £16,000 in overpayments.

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## My performance audit work had identified opportunities to secure better use of resources in a number of key areas

- 64.** During the course of this year I undertook a specific review of the Health Board's unscheduled care services and the management of chronic conditions. In addition to this work my Structured Assessment this year included a review of the Health Board's approach to workforce planning and its approach to engaging with key stakeholders in the change process. The findings of my work is summarised under the following headings:

The Health Board has introduced numerous improvements to its unscheduled care and chronic conditions management services and is taking a genuinely whole systems approach to service transformation, although this is having an impact, performance needs to improve further and acute services are still experiencing significant pressures

- 65.** I came to this conclusion because:

- The Health Board has introduced an extensive range of service improvements for managing chronic conditions and unscheduled care which are having an impact, although, they have not yet delivered the expected step change in performance or reduced demand. This is because:
  - acute services continue to experience considerable pressure and performance of these services remains below the expected level;
  - there has been good progress in reshaping out-of-hospital services, but there has not yet been the step change required in drawing activity away from acute services; and
  - the Health Board has had limited success in changing the way that the public uses services.
- The Health Board has a clear vision and sound structures for delivering transformational change, which is supported by good clinical engagement and partnership working that should now help it more quickly change the way clinicians work and the public use services. In reaching this conclusion I found that:
  - the Health Board's clear and ambitious vision for service change is now supported by new and improved workforce planning arrangements; and
  - the Health Board's investment in establishing sound governance structures and management arrangements for its chronic conditions and unscheduled care programmes suggests it is well-placed to deliver transformational change.

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There have been noticeable improvements in the Health Board's workforce planning, and this represents a step change since last year

- 66.** The Health Board's workforce plans are robust and are based on good quality information. My work has identified some opportunities to improve the present approach, namely:
- identifying key milestones in the delivery of the workforce plan to enable the Board to monitor progress towards success;
  - establishing links with other health organisations that are successfully implementing workforce planning changes which could provide additional assurance and generate new ideas;
  - ensuring the service embeds ownership of the workforce plans through continual engagement with the service leads; and
  - integrating the workforce plans alongside finance and service plans within the Board's future Medium Term Plan.

The Health board is adopting a proactive comprehensive and timely approach to engaging with stakeholders as an integral part of its approach to modernising services

- 67.** The Health Board's sound approach to clinical and public engagement provides a solid platform for delivering the fundamental changes to services which are necessary. The Health Board has good arrangements in place for working with external stakeholders and has made real and sustained progress engaging with clinicians and placing them at the centre of decision-making processes. However, it still faces some important challenges in changing the way clinicians work and the public use services.
- 68.** A wide range of communication methods are used by the Health Board, although more needs to be done seeking out and using the patient experience and increasing the ways to involve the public in the work of the Health Board.

The Health Board has made progress in addressing recommendations from previous audit work although important actions still remain to be addressed

- 69.** In addition to the Structured Assessment follow-up work, during the last 12 months I have undertaken work to assess the progress that the Health Board has made in addressing concerns and recommendations arising from previous audit work in specific areas of service delivery. The findings from my follow-up work are summarised in [Exhibit 2](#).

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## Exhibit 2: Progress in implementing audit recommendations

Area of follow-up work	Conclusions and key audit findings
The Consultant Contract	<p>Whilst good progress has been made in delivering some aspects of the Health Board's action plan, important monitoring arrangements have not been developed and more needs to be done to ensure job planning guidance is effectively implemented. I came to this conclusion because:</p> <ul style="list-style-type: none"><li>• comprehensive job planning guidance has been issued but more needs to be done to support its consistent delivery across the Health Board;</li><li>• no baseline review has been undertaken of completed job plans;</li><li>• a new consultant induction programme has been developed;</li><li>• the Health Board has strengthened its approach to clinical leadership and skills development which is supported by access to national and local training programmes; and</li><li>• the Board has yet to be provided with the assurance that improvements identified in the consultant contract action plan are being delivered.</li></ul>
Disaster Recovery and Business Continuity	<p>Although not all the recommendations we made in our previous report in 2009 have been acted upon, the Health Board has made some progress in strengthening its ICT disaster recovery and business continuity arrangements. I came to this conclusion because:</p> <ul style="list-style-type: none"><li>• the creation of a second remote computer room at Ysbyty Aneurin Bevan has reduced the risk of ICT service loss, and back-up and storage arrangements have been improved;</li><li>• environmental controls within the main computer have been strengthened, although there are still some unresolved problems with the existing location; and</li><li>• ICT disaster recovery arrangements are in place, although they need to be properly tested, but business continuity planning within individual departments is still in the early stages of development.</li></ul>

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Area of follow-up work	Conclusions and key audit findings
Maternity Services	<p>There is clear evidence that necessary improvements in maternity services are being made, although momentum needs to be maintained and further work is needed to ensure that services are being delivered in line with national and local strategic plans. I came to this conclusion because:</p> <ul style="list-style-type: none"><li>• there has been a discernable focus on improving maternity services, supported by a clear management framework and greater emphasis on multi-disciplinary team working;</li><li>• service reconfiguration plans are being taken forward;</li><li>• improved staffing levels and approaches to risk management are assisting in the delivery of safe and effective services, however, further action is needed on midwife training and appraisal; and</li><li>• the services offered across the maternity care pathway are improving with reducing interventions and increased support for breastfeeding, although variations in community midwifery arrangements need to be addressed.</li></ul>

# Appendix 1

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## Reports issued since my last Annual Audit Report

Report	Date
<b>Financial audit reports</b>	
Audit of Financial Statements Report	June 2012
Opinion on the Financial Statements	June 2012
Verification on the Whole of Government Accounts Return	July 2012
Opinion on the Summary Financial Statements in Annual Report	August 2012
Financial Statements Report to Management	September 2012
Audit of Financial Statements Report on Charitable Funds Accounts	October 2012
Opinion on the Charitable Funds Accounts	planned for December 2012
<b>Performance audit reports</b>	
Consultant Contract Follow Up	January 2012
ICT Disaster Recovery and Business Continuity – Follow-up report	January 2012
Maternity: follow up	February 2012
Data Quality	March 2012
Transforming unscheduled care and chronic conditions management	May 2012
2012 Structured Assessment	December 2012
<b>Other reports</b>	
Outline of Audit Work 2012	January 2012
Outline of Audit Work 2012 – Charitable Funds	July 2012

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

Report	Estimated completion date
Gwent Frailty Programme	December 2012
Primary Care Prescribing	March 2013
Orthopaedic Services	June 2013

# Appendix 2

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## Audit fee

The Outline of Audit Work for 2012 set out the proposed audit fee of £455,486 (excluding VAT). My latest estimate of the actual fee is in line with the estimate, on the basis that some work remains in progress.

Within the fee set out above, the audit work undertaken in respect of the shared services provided to the Health Board by the Business Services Centre was £11,867.







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