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Annual Audit Report 2010

Cwm Taf Health Board

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Summary

1. I issued an interim annual audit letter to Cwm Taf Health Board (the Health Board) in June 2010. That report, which the Health Board's Audit Committee considered in July 2010, related to my audit work in the final six month period to 30 September 2009 of the Health Board's predecessor bodies.
2. This report summarises the findings from audit work I have undertaken at the Health Board during the latter part of 2009 and throughout 2010. It does not include a commentary on my legacy report on local audit work across the Health Board's predecessor bodies. That report was summarised in my interim annual audit letter.
3. The work I have done at the Health Board allows me to discharge my responsibilities under the Public Audit (Wales) Act 2004 in respect of the audit of accounts and the Health Board's arrangements to secure efficiency, effectiveness and economy in its use of resources.
4. I have adopted a risk-based approach to planning the audit, and my audit work has focused on 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 agreed with officers and presented to the Audit Committee. The reports I have issued are shown in Appendix 1.
5. The findings I have set out in this report need to be taken in the context of the major structural re-organisation which has occurred in the NHS in Wales over the last 18 months, and the programme of nationally driven work that is underway to address health inequalities, mixed performance and financial sustainability. Collectively this represents a significant and extremely challenging change agenda for the Health Board and its staff.
6. This report identifies a number of areas where arrangements and services need to be further developed. Given the scale of the change agenda within the NHS, it is inevitable that many corporate arrangements and service delivery areas within the Health Board are going to be either under review, or in the process of change.
7. It is important that that the key messages from my audit work, which are summarised in this report, are used as a stimulus and focus for management attention to ensure that where improvements are necessary, they are implemented as quickly as possible.

Audit of accounts

I have issued an unqualified opinion on the Health Board's Financial Statements, although in doing so I have brought several issues to the attention of officers and the Audit Committee

8. In giving this unqualified opinion, I concluded that:
   - the Health Board's accounts were properly prepared and materially accurate; and
   - the Health Board had an effective internal control environment to reduce the risks of material misstatements to the financial statements although some systems require further management action.
9. While giving an unqualified opinion, I have drawn the Health Board's attention to a number of issues. These issues relate to:
   - inadequate systems in place to comply fully with International Accounting Standard 16 (IAS 16) requirements to identify the value of replaced property, plant and equipment (as in other Health Boards);
   - the processes in place to identify which staff costs should be capitalised – these processes need to improve to ensure full compliance with the requirements of IAS 16; and
   - further consideration will need to be given to International Financial Reporting Standard (IFRS) 8 segmental reporting requirements for 2010-11.
10. And, while the Health Board achieved financial balance at the end of 2009-10, this was only as a result of additional, non recurring funding from the Welsh Government.

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

11. While the Health Board has made progress in establishing arrangements to support the efficient, effective and economical use of resources, their overall effectiveness is still in question and a substantial amount of development work is ongoing. Performance audit reviews have highlighted specific challenges for the Health Board as well as positive developments and performance.

The Health Board's governance arrangements are still developing and need further work to ensure they provide a framework that drives improvement and within which key risks are managed effectively

12. I have identified through my audit work that:
    - the Service, Workforce and Financial Framework provides a broad strategic direction for the next five years and the next step is for the Health Board to make clear what this means for patient care and for its staff;
    - the organisational structure is still bedding in and, while it includes a number of positive features, the division of certain responsibilities also presents risks that the Health Board needs to manage;

- the Board and its supporting committees are getting to grips with their agendas and non-executives and managers still need better information to help them improve organisational performance;
- internal controls are in place but could be strengthened, for example by ensuring adequate coverage of risks and issues in primary care; and
- the Health Board has established arrangements for risk management and internal reporting and further work is being undertaken to check that key issues are being identified and addressed consistently.

The Health Board's general financial management arrangements are satisfactory but issues of financial sustainability remain a significant concern

13. I have arrived at this conclusion about the Health Board's financial management arrangements on the basis that:
    - the Health Board has identified its savings requirements but needs to address urgently the areas for improvement highlighted in Internal Audit's financial sustainability review;
    - budgetary control arrangements are generally sound although some additional controls introduced over recent months may have had both positive and negative consequences; and
    - the Health Board is on track to meet its key financial targets for 2010-11 although a forecast breakeven position is only possible due to additional Welsh Government funding of £18.2 million.

The Health Board is strengthening other functions that support efficient, effective and economical use of resources although these arrangements need to evolve quickly to underpin future service development

14. Sound management of key resources such as people and assets is an essential feature in achieving good value for money. Through my audit work I have identified that:
    - workforce planning is improving, although it does not yet fully support the achievement of overall strategic objectives and the Health Board still faces a number of other workforce challenges;
    - procurement practices are generally sound and there is a track record of financial savings, although more work is needed to emphasise sustainability and extend the influence of the procurement function;
    - while yet to consolidate its own estate strategy, the Health Board is receiving significant central capital investment to help rationalise and modernise its facilities;
    - the Health Board's informatics arrangements have been struggling to keep pace with often unmanaged demand although it has committed additional resources to address urgent pressures;

- despite ongoing challenges, local partnership arrangements have remained relatively strong and the localities model should support enhanced partnership working; and
- the Health Board inherited some well-established arrangements for engaging with service users and is now looking to consolidate a centrally coordinated and consistent approach.

Performance audit reviews have highlighted specific challenges for the Health Board as well as positive developments and performance, for example in terms of aspects of hospital catering

15. My performance audit work at the Health Board has included reviews of a number of specific service areas. Collectively these have demonstrated that the Health Board faces some specific challenges in a number of areas of service delivery. However, they have also highlighted areas where good progress has been made.
16. My conclusions are drawn from detailed audit work on:
    - ward staffing;
    - implementation of the Myrddin patient administration system;
    - waiting list data accuracy;
    - adult mental health services;
    - hospital catering;
    - the consultant contract; and
    - hosting of the new Welsh Health Specialised Services Committee.

Agreeing my findings with the Executive Team

17. This report has been agreed with the Chief Executive and the Director of Finance. It was presented to the Audit Committee on 11 April 2011. It will then be presented to a subsequent Board meeting and a copy provided to every member of the Health Board.
18. The assistance and co-operation of the Health Board's staff and members during the audit is gratefully acknowledged.

About this report

19. This Annual Audit Report to the board members of the Health Board sets out the key findings from audit work undertaken between October 2009 and November 2010.

20. My work at the Health Board is undertaken in response to the requirements set out in the Public Audit (Wales) Act 2004. The Act requires me to:
    a) examine and certify the accounts submitted to me by the Health Board;
    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.

21. 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 structured assessment of the Health Board, examining the arrangements for financial management, governance and accountability, and management of resources;
    - performance audit examinations 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.

22. I have issued a number of reports to the Health Board this year. The messages contained in this Annual Report represent a summary of the issues presented in these more detailed reports, a list of which is included in Appendix 1.

23. 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.

24. Finally, Appendix 2 presents the latest estimate on the audit fee that I will need to charge to undertake my work at the Health Board, alongside the fee that was set out in the Audit Strategy.

Section 1: Audit of accounts

25. This section of the report summarises the findings from my audit of the Health Board's financial statements for 2009-10. These statements are the means by which the organisation demonstrates its financial performance and sets out its net operating costs/surplus or deficit, recognised gains and losses, and cash flows. Examination of an organisation's financial statements is an essential element in demonstrating appropriate stewardship of public money.

My responsibilities

26. In examining the Health Board's financial statements, auditors are 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 – caused by fraud or other irregularity or 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.
27. In giving this opinion, auditors are required to comply with International Standards of Auditing (ISAs).
28. In undertaking this work, auditors have also examined the adequacy of the:
    - the Health Board's internal control environment; and
    - financial systems for producing the Financial Statements.

I have issued an unqualified opinion on the Health Board's Financial Statements, although in doing so I have brought several issues to the attention of officers and the Audit Committee

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

29. The Health Board's draft accounts were prepared in accordance with the requirements of the NHS Manual for Accounts and were submitted to the Welsh Government by the extended deadline of 14 May 2010. The accounts were supported by comprehensive working papers which assisted in the completion of the audit.
30. The deadline for the submission of the audited (unsigned) accounts by 30 June 2010 was also met. The audited accounts (including an unqualified audit report) were signed by the Auditor General on 13 July 2010 and laid before the National Assembly on 14 July 2010.

31. 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 Partner reported these issues to the Health Board's Audit Committee on 28 June 2010. Exhibit 1 summarises the key issues set out in that report.

Exhibit 1: Issues identified in the ISA 260 Report

Issue	Auditors comments
Unadjusted misstatements	The Health Board was requested to make corrections for five identified uncorrected misstatements but decided not to correct these misstatements. Although none of these misstatements impacted on my proposed audit opinion, the net effect of the corrections would have increased the Health Board's revenue under-spend in 2009-10 from £18,000 to £140,000.
Compliance with IAS 16 *Property, Plant and Equipment*	There are inadequate systems in place to identify the value of replaced elements of property, plant and equipment, and account for them in accordance with accounting standards. However, this is not unique to the Health Board and the Welsh Government accepts that the revaluation methodology used by the District Valuer for specialised assets does not enable the proper application of IAS16.

The Health Board achieved financial balance at the end of 2009-10

32. The Health Board reported an under-spend against its revenue resource limit of £18,000. A summary of performance against the Board's key statutory and non-statutory financial targets is shown in Exhibit 2.

Exhibit 2: Performance against financial targets 2009-10

Target	Target met	Achieved
Statutory financial duty		
Revenue Resource Limit The Health Board must contain expenditure within the annual revenue resource limit	Yes	The Board achieved an under-spend against its revenue resource limit of £18,000. However, this was due to the receipt, at year end, of additional funding from the Welsh Government.
Capital Resource Limit The Health Board is required to keep capital expenditure within its capital resource limit	Yes	The Board under-spent its capital resource limit by £185,000.

Target	Target met	Achieved
Non-statutory financial targets		
Financing limit The Health Board is required to remain within the annual cash allocation set by the Welsh Government.	Yes	The Board remained within the annual cash allocation.
Public Sector Payment Policy The Health Board is required to pay 95 per cent of non-NHS trade creditors within 30 days of receipt of goods or a valid invoice.	Yes	The Board paid 96.2 per cent of its non NHS creditors within the 30 day target.

The Health Board had an effective internal control environment to reduce the risks of material misstatements to the financial statements although some systems require further management action

33. Overall I was satisfied that the systems were operating effectively throughout the year and did not note any significant weaknesses that could cause a material error or omission in the Financial Statements. However the following areas were identified where improvements should be considered:
    - *Capitalisation of staff costs:* The Health Board should ensure that any capitalisation of staff costs is in line with the requirements of IAS 16 Property, Plant and Equipment. IAS 16 requires only staff costs that are separately identifiable and directly attributable to the construction of a specific asset are capitalised. During the audit, I identified £192,000 of capitalised staff costs not compliant with IAS 16.
    - *Fixed asset register:* An enhancement of the fixed asset register is needed to ensure it is IAS 16 compliant. During 2009-10, the fixed asset register did not correctly post all the adjustments required to account for asset revaluations in year. This led to a discrepancy of £33.8 million between the revaluation reserves figures in the fixed asset register and the Financial Statements which had to be manually reconciled. The Health Board has confirmed it will be obtaining a fix from the fixed asset register software suppliers to correct this problem for 2010-11.
    - *Segmental reporting:* The implementation of IFRS went well although further consideration of IFRS 8, Segmental Reporting, will be necessary in 2010-11. The Health Board will need to annually review and document its compliance with IFRS 8 to take into consideration any changes to its reporting process and its operations, notably the implications of hosting the Welsh Health Specialised Services Committee (WHSSC) from 1 April 2010.

The Health Board's significant financial and accounting systems were appropriately controlled and operating as intended

34. My review of the Health Board's financial systems involved documenting the significant financial systems and, where necessary, testing the operation of internal controls. I also considered the findings arising from the work of Internal Audit in during the year.

35. Overall, I have concluded effective controls were in place, providing a sound basis for the preparation of the financial statements.

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

36. I have a statutory requirement to satisfy myself that NHS bodies have proper arrangements in place to secure efficiency, effectiveness and economy in the use of their resources. To assist in meeting this requirement, auditors have undertaken a 'structured assessment' of the relevant corporate arrangements in the Health Board. The findings from this work have considered the arrangements for:
    - governance and accountability;
    - financial management; and
    - using other key 'enabling' functions to support the efficient, effective and economical use of resources.

37. This section of the report also summarises the findings from a number of specific performance audit reviews I have undertaken at the Health Board over the last 12 months.

38. While the Health Board has made progress in establishing arrangements to support the efficient, effective and economical use of resources, their overall effectiveness is still in question and a substantial amount of development work is ongoing. Performance audit reviews have highlighted specific challenges for the Health Board as well as positive developments and performance, for example in terms of aspects of hospital catering.

The Health Board's governance arrangements are still developing and need further work to ensure they provide a framework that drives improvement and within which key risks are managed effectively

39. High standards of governance and accountability are fundamental requirements in demonstrating effective stewardship of public money and the efficient, effective and economical use of resources. Boards of NHS bodies need to ensure that they have an effective 'assurance framework' in place to support decision making and to scrutinise performance.

The Service, Workforce and Financial Framework provides a broad strategic direction for the next five years and the next step is for the Health Board to make clear what this means for patient care and for its staff

40. In keeping with other NHS bodies, the Health Board has prepared a five year Service, Workforce and Financial Framework (SWaFF) document. The SWaFF sets out the strategic direction for the organisation within the context of the vision of 'Altogether Healthier Communities'.

41. The SWaFF document recognises that it does not provide a blueprint in terms of detailed plans for service and workforce transformation. In that respect the Health Board still has a lot of work to do, including further consultation and engagement with staff, patients and other stakeholders.

42. The organisation is still some way from taking full advantage of the integrated Health Board model. However, there are examples of progress in terms of embeddings consistent working practices, reducing duplication, improved engagement with primary care contractors and the movement of services out of hospital based settings.

The organisational structure is still bedding in and, while it includes a number of positive features, the division of certain responsibilities also presents risks that the Health Board needs to manage effectively

43. As in other Health Boards, in operating in accordance with the NHS Wales Organisational Change Policy, it is still taking some time to establish fully the new organisational structure. The Health Board's executive team structure does not extend beyond the core director roles prescribed by the Welsh Government. However, leanness in the management structure needs to be balanced against having the necessary capacity to drive forward key service development work which could itself deliver financial savings. I have also highlighted areas where the division of certain strategic and operational responsibilities presents risks that the Health Board needs to manage. Examples include the different reporting lines that exist for strategic estates issues and capital projects and operational facilities management.

44. On a positive note, the triumvirate structure that the Health Board has applied to its clinical service divisions appears to be bedding in well. There are also a number of individuals who, coming new into post, are bringing with them a fresh impetus and vision for service change. Although still evolving, the development of the localities model within the organisational structure is another positive step forward.

The Board and its supporting committees are getting to grips with their agendas and non-executives and managers still need better information to help them improve organisational performance

45. The full Board and its supporting committees are chaired well, although I have encouraged the Health Board to reflect on whether the Committee structures established early in its life are functioning effectively and discharging its responsibilities appropriately. For example, I have indicated that the Health Board should reconsider establishing a separate Performance Committee.

46. There is evidence that the Board and its committees are challenging performance and progress and seeking information where appropriate. Nevertheless, I have highlighted the need for the Health Board to ensure that the full Board is able to focus its attention on matters of broader strategic importance. There is also scope to improve the presentation of information to the Board and to its sub-committees and the Health Board is working to address data quality concerns.

Internal controls are in place but could be strengthened, for example by ensuring adequate coverage of risks and issues in primary care

47. The Health Board has established an appropriate internal control framework which includes its: standing orders and standing financial instructions; codes of conduct and the monitoring of the standards contained within them; internal audit provision; clinical audit work; and counter-fraud work. There is, however, scope to strengthen aspects of these arrangements. In particular, I have highlighted concerns about the extent to which pro-active counter-fraud work includes coverage of fraud risks in primary care.

48. There is also scope to broaden the reach of the clinical audit and effectiveness programme to provide adequate coverage of and support for independent contractors. Also to ensure that the programme is better prioritised and centrally directed, to give the Health Board the assurance it needs.

The Health Board has established arrangements for risk management and internal reporting and further work is being undertaken to check that key issues are being identified and addressed consistently

49. Taking account of other recent and planned external review work, I have not examined arrangements for risk management and incident reporting in close detail. Core arrangements have been established although some staff have expressed to auditors concerns about whether key risks and issues, for example in terms of patient safety, are being escalated and addressed effectively.
The Welsh Risk Pool has also challenged the Health Board to demonstrate that is has a clear, documented and consistent approach to the way in which lessons from claims, complaints and incidents are identified, implemented and cascaded throughout the organisation.

50. I expect the impending governance review by Healthcare Inspectorate Wales to consider these issues in more detail. In the meantime, the Health Board has also been taking forward project work to extend its use of the DatixWeb system to support risk management and to ensure a consistent approach is taken.

The Health Board's general financial management arrangements are satisfactory but issues of financial sustainability remain a significant concern

51. In the current economic climate, high standards of financial management are more important than ever. This section of the report summarises my findings on the Health Board's financial management arrangements, and considers:
    - financial planning;
    - cost control and budget monitoring; and
    - progress against financial targets.

The Health Board has identified its savings requirements but needs to address urgently the areas for improvement highlighted in Internal Audit's financial sustainability review

52. The Health Board's 2010-11 SWaFF financial plan, approved by the Welsh Government in February 2010, identified a financial gap/savings requirement of £37.2 million. While the level of savings required has now changed following additional funding from the Welsh Government (paragraph 56), this cover simply aims to avoid a breach of the resource limit for 2010-11. The underlying challenge of achieving sustainable efficiencies and improving financial management effectiveness remains.
53. To help identify areas for improvement, the Health Board commissioned an Internal Audit review of its Financial Sustainability Programme. That work has recently identified there is significant scope to improve and strengthen the savings plans underpinning the programme by: broadening the project portfolio; improving project and programme management; making clear links between project delivery and savings delivery; and ensuring clear leadership and accountability across the programme.

Budgetary control arrangements are generally sound although some additional controls introduced over recent months may have had both positive and negative consequences

54. Budgetary control arrangements across service areas are generally sound. Budget holders receive meaningful and timely reports from the finance team and new budget holders are given training to support them in their new roles. Reports to the full Board on the financial position are accurate and sufficiently detailed.

55. Some of the action taken by the Health Board to control expenditure has carried its own risk. For example, the Health Board had, for a time, reduced financial limits so that only the executive team could approve non-pay requisitions via the Oracle Financial Management System. While there were signs that this action had a positive effect on expenditure, it was also been a source of frustration to some managers who have felt disempowered when, at the same time, they were being relied on to identify ways of delivering financial savings. This measure also placed an increased administrative burden on the executive team and, in some cases, led to delays in the approval of expenditure which risked creating other problems. The recruitment freeze that the Health Board imposed has also contributed to capacity problems in some areas, such as in the case of the informatics programme (paragraph 65).

The Health Board is on track to meet its key financial targets for 2010-11, although a forecast breakeven position is only possible due to additional Welsh Government funding of £18.2 million

56. As in 2009-10 (Exhibit 2), the Health Board is on track to meet its four key financial targets. However, the forecast breakeven position is only possible due to Welsh Government funding of £18.2 million. That funding was made available in December 2010 to cover what had been, at 30 November 2010, a forecast year-end deficit of the same amount. Up to 30 November 2010, the Health Board had reported a deficit in every month of the financial year, although the monthly rate of growth in the cumulative deficit had shown signs of improvement.

The Health Board is strengthening other functions that support efficient, effective and economical use of resources although these arrangements need to evolve quickly to underpin future service development

57. Sound management of key resources such as people and assets is an essential feature in achieving good value for money. Plans for service development and cost savings need to be underpinned by effective workforce planning, partnership working and engagement with the community. This section of the report summarises my findings in the following areas:
   - workforce planning and development;
   - procurement;
   - estate management;
   - informatics;
   - partnership working; and
   - engagement with service users.

Workforce planning is improving, although it does not yet fully support the achievement of overall strategic objectives and the Health Board still faces a number of other workforce challenges

58. In reviewing the workforce plan submitted by the Health Board at the end of 2009-10, the National Leadership and Innovation Agency for Healthcare (NLIAH) pointed to clear evidence of how the Health Board's workforce planning had improved during the previous year. The Health Board is now working to develop a new integrated workforce plan by 31 March 2011.

59. Beyond general workforce planning, the Health Board still faces other workforce challenges. These include:

- *Delivering further reductions in sickness absence:* In the first two quarters of 2010-11, the Health Board reported a rate of 5.4 per cent compared with the target of 5.21 per cent for the year set by the Welsh Government. The Health Board is confident that a new 'Worksure' initiative will contribute to a further reduction in sickness absence.
- *Sustaining compliance with the European Working Time Directive for junior doctors*: The Health Board is benefiting from derogation from the Directive in a number of specialties but compliance is putting a financial and operational strain on services.
- *Resolving Agenda for Change pay band anomalies*: These issues have been carried forward from the previous Trust merger and/or the more recent NHS reorganisation.
- *Knowledge and Skills Framework (KSF) personal development review arrangements*: Changes in line management as a result of the NHS reorganisation have impacted on these arrangements. Despite some improvement and the introduction of a simplified process, as at December 2010 only 12 per cent of staff had a current personal development review recorded on the e-KSF system.
- *Making best use of the Electronic Staff Record*: Problems with data quality (at an all-Wales level) have continued and rollout of line manager self-service functionality has not progressed significantly. The Health Board is also taking forward work to ensure the system is built around fixed posts rather than people, in the context of an agreed and budgeted for staff establishment.

Procurement practices are generally sound and there is a track record of financial savings, although more work is needed to emphasise sustainability and extend the influence of the procurement function

60. The Health Board has revised and updated the procurement strategy it inherited from Cwm Taf NHS Trust and the procurement team is adequately staffed. The Health Board has achieved almost full rollout of the Oracle FMS system with some 98 per cent of all purchase orders now completed through the system.

61. The Heath Board is taking action to address concerns that emerged about stock control arrangements at ward level. It has also recognised that there is scope to extend the influence of the procurement function to former Local Health Board expenditure, for example in terms of the General Medical Services contract and continuing healthcare.

62. The procurement team has a track record of delivering financial savings. And, while the team's target of £2 million of procurement savings this year is unlikely to be met in full, as at the end of October 2010 a year end outturn of £1.78 million was predicted, with savings of £784,000 already reported. The Health Board is already taking advantage of a range of collaborative contracts provided through Welsh Health Supplies and/or Value Wales. The Health Board has also drafted a sustainable procurement policy to address what is recognised as one the weaker aspects of its procurement practice.

While yet to consolidate its own estate strategy, the Health Board is receiving significant central investment to help rationalise and modernise its facilities

63. The Health Board is yet to produce its own estate strategy, bringing together strategies related to the former Trust estate and primary care estate. The Health Board has, nonetheless, inherited a significant programme of capital investment in the estate, including several new primary care facilities. These new primary care developments provide firmer foundations in terms of being able to support the movement of services out of hospital based settings.

64. This capital investment should, over time, improve estate performance against the six key all-Wales indicators. For four of these indicators (physical condition, statutory and safety compliance, fire safety compliance and functional suitability) the Health Board is still some way short of 2008 targets. The Health Board is now meeting the 2008 targets for space utilisation and energy performance.

The Health Board's informatics arrangements have been struggling to keep pace with often unmanaged demand although it has committed additional resources to address urgent pressures

65. The Health Board is dealing with a challenging informatics programme, both in terms of its involvement in national projects and locally defined projects. There has been some important progress over the past 12 months, for example in terms of moving to the use of a single patient administration system (paragraphs 74 and 75). However, the Health Board inherited a legacy of other duplicate systems and, in places, ICT infrastructure that is no longer fit for purpose. There are also gaps in terms of accessibility to certain systems across different sites.

66. A recent review identified a shortfall equivalent to 11 whole-time staff between September 2010 and September 2011, assuming national and local projects were to proceed as intended. The Health Board is taking action to address at least some of this shortfall and to ensure appropriate prioritisation of resources. But resources for three other key projects are also yet to be determined and it remains to be seen whether the action the Health Board is taking keeps the informatics programme on track.

Despite ongoing challenges, local partnership arrangements have remained relatively strong and the localities model should support enhanced partnership working

67. I have not found any evidence that the process of NHS reorganisation has had a detrimental impact on continuity of the Health Board's input to local partnership arrangements. Overall, relationships appear to have remained relatively strong. This has been helped by the fact that the partnerships team operating across the two former Local Health Boards has remained largely intact within the new organisational structure. Representation at board level from local councillors and/or officers from the two local councils is also supporting relationship management.

68. There are ongoing challenges, for example proposals for a joint partnership support team operating across the Cwm Taf area has not been progressed and a recent partnership review failed to reach common agreement on structures. However, there are already a range of positive initiatives taking place in partnership, including the piloting of integrated family support service arrangements. Health Board staff have recognised the need to do more to mainstream joint-working and proposals for the rollout of the locality model across health and social care should help to drive this change.

The Health Board inherited some well-established arrangements for engaging with service users and is now looking to consolidate a centrally coordinated and consistent approach

69. Effective citizen engagement will be particularly critical as the Health Board moves towards making public detailed plans for service reconfiguration. The Health Board's predecessor bodies had each demonstrated a commitment to public/patient involvement work. However, the Health Board has indicated a desire to improve coordination of this work and to develop a consistent approach, including coverage of primary care. A new patient experience/citizen involvement steering group has been formed to sit alongside a rebranded patient experience forum.

70. The Health Board has indicated that it intends to bring together a new citizen strategy. That strategy is intended to bring together issues including: wider citizen engagement; patient experience work; spirituality; dignity; and volunteering.

Performance audit reviews have highlighted specific challenges for the Health Board as well as positive developments and performance, for example in terms of aspects of hospital catering

The Board inherited clear inconsistencies in ward staffing resources and practices, both between the main hospital sites and across individual wards

71. In 2009, the Wales Audit Office worked with Audit Commission on an England and Wales-wide ward staffing benchmarking exercise. Drawing on the results from this work, and comparing the Prince Charles and Royal Glamorgan Hospitals, I identified a clear difference in ward staffing levels and the local skill mix. Staffing levels at community hospitals were about average, but for occupational therapists and physiotherapists were relatively low.
72. Staffing levels were comparatively high at Prince Charles but comparatively low at the Royal Glamorgan. The skill mix at the Royal Glamorgan was better than average and lower than average at Prince Charles. However, the overall ratio of staff per bed still meant that there were more higher grade nurses per available bed at Prince Charles. Overall, ward staffing costs were close to the average but there were differences across the Health Board due to the local skill mix and staff numbers and all wards overspent their budgets.
73. This work highlighted possible inconsistencies in the way staff were deployed and managed. There were also differences in work between the funded staffing levels (as assumed by the finance department) and the staffing levels to which wards were working in practice.

While there were still some key risks and uncertainties, and work which was not able to be completed before go-live, the Health Board was well-placed to achieve a successful transition to the new Myrddin patient administration system

74. In early 2010, auditors examined the Health Board's preparation for implementation of the Myrddin patient administration system. This system was already in use in the area covered by the former Pontypridd and Rhondda NHS Trust.
75. The Health Board put in place well-structured project management arrangements to support implementation of the system. Good progress had been made towards achieving the anticipated go-live date in early April 2010, and particularly so during a period of significant organisational change. While some data migration and functionality issues still required attention up to and beyond the go-live date, the Health Board had a good grasp of key risks and had put in place appropriate contingency arrangements.

I identified some concerns regarding the accuracy of waiting list data and the amount of work still required to embed consistent arrangements for recording and reporting this data, although most of the accuracy issues identified would have resulted in an understating of overall waiting list performance

76. In late 2009, auditors assessed whether, based on the practices inherited from its predecessor bodies, the Health Board had the necessary arrangements in place to produce robust waiting list data. This work was in the context of all Health Boards in Wales being required, from April 2009, to measure referral to treatment time[1].

77. I identified some concerns about the accuracy of the Health Board's waiting list data. I did not identify any inconsistencies between GP referral information and the Health Board's records. But it had, on several occasions, taken longer than desirable for GP referral letters to be provided to the Health Board. And I did find a substantial number of inconsistencies when cross-checking what were, at the time, the two patient administration systems used by the former Cwm Taf NHS Trust, case notes and referral to treatment guidance. However, most of the issues identified would have resulted in an understating of the Health Board's overall waiting list performance.

78. I also identified some concerns regarding the adequacy of arrangements for recording and reporting waiting list data, centred mainly on the work still required to embed a consistent understanding of the referral to treatment rules and common working practices. Rollout of the Myrddin patient administration system should have helped address some of these issues.

NHS bodies and local authorities have made some important improvements but the Cwm Taf health community is still a long way from providing a mental health service that meets national standards

79. In 2009, auditors undertook a Wales-wide follow-up review of adult mental health services (having previously reported the results from a national baseline review in 2005). As in the original baseline review, this follow-up work looked across NHS bodies and local authorities in the Cwm Taf area.

80. NHS expenditure on adult mental health has been comparatively high. However, weaknesses in planning and monitoring arrangements had hindered the development of comprehensive and equitable services, in the context of an agreed service model. The Health Board has since published, for discussion, an outline strategy for mental health services for adults of working age. Proposals for older people and children and adolescents with mental health problems are due to follow.

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[1] The time taken from the point at which GP referrals are received by the Health Board through to initiation of definitive treatment.

81. Despite some improvements, mental health services in primary care were still falling short of meeting users' needs and were not consistently meeting national targets. Community services had expanded and the reliance on inpatient beds had reduced but community service provision across the health community was still variable. Some key services were either not in place, notably early intervention in psychosis, operated very differently or did not fully meet national guidelines. Action has been taken to increase access to psychological therapies with a move towards a stepped model of care, but waiting times were still long.

82. Housing policies and practices were still not supporting people with mental health problems effectively. And service providers were not adequately supporting and enabling service users in planning and managing their care.

Arrangements for catering services are generally sound, although the cost of catering services is considerably higher than average, and while patient satisfaction is high, aspects of the patient experience and nutritional screening need to improve

83. In 2010, auditors examined whether hospitals in Wales are providing efficient catering services that meet recognised good practice. Locally, the work focused on hospital catering arrangements at Prince Charles and Royal Glamorgan hospitals.

84. I found that the redesign of catering services was progressing well. The Health Board was planning to expand production capacity at the central production unit in Treorchy to support rollout of the cook-freeze system across the whole of Prince Charles Hospital and, in time, to the new Cynon Valley Hospital.

85. The arrangements for food production and cost control were generally robust. However, poor recovery of non-patient catering costs in 2008-09 resulted in higher than average net costs, with those for the Royal Glamorgan Hospital the highest in Wales. Despite a differential pricing policy for non-patient catering services, the Health Board recovered only 41 per cent of the total cost of these services in 2008-09.

86. The arrangements for delivery of food to wards and patients were generally effective, but there were opportunities to provide simple guidance on basic food hygiene. There was also scope to improve certain aspects of patients' experience at mealtimes, for example by ensuring compliance with the protected mealtime policy.

87. The Health Board's catering service was flexible and innovative to ensure most patients received the nutrition that they required. However, nutritional screening on admission and the use of care plans to manage nutritional risks were not comprehensive. As part of this work, auditors sought the views of patients across Wales, receiving 694 responses, of which 139 were from patients treated by the Health Board. Generally, and in relation to the Wales-wide trend, survey responses from patients treated by the Health Board indicated that they were satisfied with the catering service they received.

While there is a job planning process in place it needs to improve and neither the Health Board nor consultants are yet getting all the possible benefits from the consultant contract

88. In the second half of 2010, auditors undertook work to consider whether the intended benefits of the amended consultant contract were being delivered. The amended contract came into effect on 1 December 2003 and was introduced explicitly to facilitate three main outcomes: an improved consultant working environment; improved consultant recruitment and retention; and better working relationships between health service managers and consultants, to provide a better service for patients.

89. I found that, while there was a job planning process in place, not all consultants undertake an annual review and better use is needed to be made of performance data and the setting of smart outcomes. Some weaknesses in job planning had also meant that not all of the intended benefits of the consultant contract had been realised, specifically:
    - service modernisation was taking place but more use could be made of job planning to facilitate change;
    - many consultants believed that their workloads were not fully recognised by the Health Board within the job planning process.

The Health Board has recently taken on responsibility for hosting the new Welsh Health Specialised Services Committee, and is ensuring the governance and oversight arrangements evolve to keep pace with the development of the WHSSC's operations

90. On 1 April 2010, the Board took on responsibility for hosting the Welsh Health Specialised Services Committee (WHSSC), a newly-created joint committee of the seven health boards which is responsible for the commissioning of over £500 million of specialised and tertiary healthcare services on an all-Wales basis.

91. The WHSSC management team transferred to the Board's employment from the former Health Commission Wales, on its demise at 31 March 2010, and the Board provides all corporate support functions for the WHSSC including payments processing, human resources, payroll, procurement and ICT, in accordance with its Hosting Agreement. The Chief Executive of the Board is the Accountable Officer for the management and operation of the WHSSC, although accountability for its performance rests jointly with all seven Health Board chief executives, in line with the WHSSC Standing Orders. The transactions and balances of the WHSSC are to be consolidated into the annual accounts of the Board.

92. The Board has established governance and oversight arrangements for the WHSSC, in line with its status as a hosted function. The WHSSC and its management team are also required to comply with the Standing Financial Instructions of the Board, as modified to suit the operations of the WHSSC. For example, a bespoke set of delegated financial limits is in place for payment authorisation by staff of the WHSSC management team, as individual WHSSC transactions are often for significantly larger sums than is the case for the Board itself.

93. It is important that the Board, working in partnership with the other WHSSC member organisations, continues to ensure that the governance and oversight arrangements for the WHSSC remain fit for purpose as the joint committee gradually beds in. The Board also needs to consider carefully, in conjunction with both Welsh Government officials and the WHSSC management team, how best to present the financial results of the WHSSC within the Board's annual accounts for 2010-11 and future years.

Appendix 1

Other reports issued since my interim annual audit letter

Report	Date
Financial audit reports	
Audit of financial statement – report to those charged with governance	July 2010
Financial statements audit report	October 2010
Performance audit reports	
Waiting list data quality	September 2010
Adult mental health services – follow up	November 2010
Hospital catering	December 2010
Consultant contract	February 2011
Structured assessment	March 2011

Note: I also issued, in March 2010, letters to the then Chief Executive summarising the results of audit work on implementation of the Myrddin patient administration system and hosting of the Welsh Health Specialised Services Committee. And, in April 2010, I issued in presentation format the results from work on ward staffing. The Health Board's Audit Committee considered these three outputs in April 2010 and the results are summarised in this annual audit report.

Appendix 2

Audit fee and work in progress

I presented my audit strategy for 2009-10 to the Health Board's Audit Committee in April 2010. In that strategy I set out the proposed audit fee of £435,456 (excluding VAT). The table below sets out my latest estimate of the actual fee, on the basis that some performance audit work remains in progress.

The actual fee shown for the audit of accounts and performance audit work is £8,422 less than planned. This is as a consequence of a reduction of £2,500 on the audit of accounts because of undertaking an independent examination of the charitable fund accounts rather than a full audit. In addition, the performance audit fee has reduced by £5,922. This reflects the fact that I am no longer undertaking my own follow work on compliance with the European Working Time Directive, in light of the work being undertaken by the Health Board's internal auditors. Wales Audit Office staff have shared information with the internal auditors to inform their review.

Analysis of proposed and actual audit fee 2009-10

Code area	Planned fee (£)	Estimated actual fee (£)
Audit of accounts	253,316	250,816
Performance audit	182,140	176,218
Total	**435,456**	**427,034**

Note: In addition to the fee shown above, the audit work undertaken in respect of the shared services provided to the Health Board by the Business Services Centre was £14,966. Auditors also undertook a National Duplicate Registration Initiative of GP lists during 2009-10. This exercise compared GP data across Wales and included a comparison with other records such as the Department of Work and Pensions. The supplementary cost of this work was £4,000.

Performance audit work in progress

Topic	Status
Operating theatres and short-stay surgery	Report being drafted
European Working Time Directive for junior doctors – follow up	Cancelled
Welsh Health Specialised Service Committee governance arrangements	Ongoing
Information and communication technology resilience - disaster recovery and business continuity	Yet to start
Maternity services follow up	Fieldwork underway
Continuing healthcare follow-up	Substituted out of the local audit programme
Unscheduled care follow-up	Substituted into the local audit programme – fieldwork underway
Child and adolescent mental health services follow-up	Substituted into the local audit programme – yet to start

Note: I am still committed to a national level review of continuing healthcare. That work will involve some local fieldwork but the primary purpose of that work will be to inform a national report. I do not therefore intend to fund that work through local fees and have brought forward instead the follow up work on unscheduled care and child and adolescent mental health services.

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