WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Annual Audit Report 2011

Hywel Dda Health Board

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This report has been compiled by Richard Harries,
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Contents

Summary report

1. This report summarises my findings from the audit work I have undertaken at Hywel Dda Health Board (the Health Board) during 2011.
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 agreed with officers and presented to the relevant Board 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 2010-11 financial statements of the Health Board, although in doing so I have brought several issues to the attention of officers, the Audit Committee and Board. I have also concluded that:
   - the Health Board's financial statements were properly prepared and materially accurate;
   - the Health Board had an effective 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.
6. The Health Board met its statutory financial targets in 2010-11 through a range of cost containment and efficiency savings. The Health Board also received non-recurring resources of £43 million during the year which enabled it to break even.

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

7. I have reviewed the Health Board's arrangements for securing efficiency, effectiveness and economy in the use of its resources. My work has involved gauging progress that has been made in addressing the areas for further development identified as part of last year's Structured Assessment work. Performance audit reviews have also been undertaken on specific areas of service delivery. This work has led me to draw the following conclusions:
   - overall good progress has been made in addressing the areas for development identified in my 2010 Structured Assessment although specific challenges remain in particular in terms of the financial position and information management and technology;

- the Health Board recognises that its current approach to job plan reviews was not yet sufficiently robust, and while progress was being made some of the consultant contract benefits had not been fully realised;
- while improving theatre and day surgery performance is becoming a greater priority for the Board, concerted action is required to improve the quality of theatre information, address areas of poorer performance and respond to concerns raised by staff; and
- action has been taken to address the issues identified in a number of previous performance audit reviews although further progress is needed in several areas.

Agreeing my findings with the Executive Team

8. This report has been agreed with the Chief Executive and the Director of Finance. It will be presented to the Audit Committee and Board in January 2012 and a copy will be 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).

9. The assistance and co-operation of the Health Board's staff and members during the audit are gratefully acknowledged.

Detailed report

About this report

10. 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 2010 and October 2011. My work at the Health Board is undertaken in response to the requirements set out in the 2004 Act which require 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.

11. 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 management of resources;
- the Health Board's self-assessment against the Governance and Accountability module of the Standards for Health Services in Wales;
- 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.

12. 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.

13. 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.

14. 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, alongside the original fee that was set out in the Audit Outline.

Audit of accounts

15. This section of the report summarises the findings from my audit of the Health Board's financial statements for 2010-11. 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

16. 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.

17. In giving this opinion, I have complied with my Code of Audit Practice and the International Standards on Auditing (ISAs).

18. 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 2010-11 financial statements of the Health Board, although in doing so I have brought several issues to the attention of officers, the Audit Committee and Board

The Health Board's accounts were properly prepared and materially accurate although there were some £3 million of uncorrected mistatements

19. The draft financial statements were submitted on a timely basis to meet the 5 May 2011 deadline. The financial statements were prepared to a good standard and were generally supported by good-quality working papers. This was a significant achievement as the timetable set by the Welsh Government reduced the time available

for the compilation and audit of the accounts, placing considerable extra pressure on the finance team.

20. 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 Manager reported these issues to the Health Board's Audit Committee and Board on 7 June 2011.

21. Our audit identified a number of immaterial errors which were correct in the final version of the financial statements. There were, however, some £3 million of misstatements which we suggested should be amended but management and the Audit Committee determined they should not be amended given that they reduced net expenditure against the resource limit and had no material impact on the financial statements. These uncorrected misstatements are set out in Exhibit 1.

Exhibit 1: uncorrected misstatements reported in the Audit of the Financial Statements Report

Issue	Auditor's comments
Continuing Healthcare Ombudsman Provision	Expenditure included a CHC Ombudsman cases provision of some £7.1 million. Our testing suggested that the £7.1 million provision was overstated by some £0.5 million. This misstatement arose as the CHC Ombudsman cases database was not up to date and as a result of this the provision included CHC claims against the Health Board which had been withdrawn in the year, along with claims which had been determined or rejected by the Panel hearing the cases.
Continuing Healthcare accruals	The £6.2 million accrual was overstated by some £1.3 million. The majority of this misstatement arose as some cases were accrued for to the year-end when funding had previously ceased or was significantly reduced. In addition, the accrual was overstated by a further £1 million as 'exit costs' have been accrued but there is no evidence of a legal obligation at the year-end.
Other accruals	Our testing identified the following accruals were overstated: • Chronic conditions management – £0.7 million; and • General Medical Services – £0.25 million.
Fixed assets	Fixed asset additions included £0.5 million of revenue expenditure. In addition, a £1 million accrual for an MRI scanner was made at the year-end but ownership had not transferred to the Health Board so it should not have been accrued.

22. As part of my financial audit I also undertook the following reviews:

- 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 2011, and the return was prepared in accordance with the Treasury's instructions; and
- Summary Financial Statements and Annual Report – I concluded that the summary statements were consistent with the full financial statements.

23. My separate audit of the Charitable Fund financial statements has also been completed. On 29 November 2011, I issued an unqualified opinion on the financial statements although more needs to be done to further improve the Charity's income systems and reduce the level of reserves.

The Health Board had an effective internal control environment to reduce the risks of material misstatements to the financial statements

24. I did not identify any material weaknesses in your internal control environment. Furthermore, Internal Audit's 'Assurance Statement and Annual Report' for the year ended 31 March 2011 provided adequate assurance to the Health Board. This opinion reflects a generally sound system of internal control with broad operational compliance, but with some weaknesses in the design of controls and their application, which could put the achievement of particular system objectives at risk.

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

25. 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 and Board in June 2011. These include matters referred to in Exhibit 1 above and a number of other issues, as set out in Exhibit 2.

Exhibit 2: Other issues relating to significant financial and accounting systems reported in the Audit of the Financial Statements Report

System	Auditor's comments
Budgetary control	Budget monitoring – arrangements at a county level have improved during the year. Monitoring below this remains informal and needs to be strengthened to ensure budget holders are more accountable. Cost improvement programmes – the Health Board has made good progress identifying cost savings but further work is needed to ensure cost improvement programmes deliver the required savings.
Fixed assets	Asset verification – the Health Board needs to undertake a full asset verification exercise of all assets and ensure that legal title is held. Disposals – the Health Board's procedures to ensure that all disposals are recorded on the asset register are not operating effectively. It is clear from physical verification work that disposals are not being properly recorded. Derecognition – when parts of assets are replaced, any outstanding value of the replaced asset needs to be taken out of the asset register (de-recognised) and any gain or loss recognised as income or expenditure. The Health Board does not have a formalised system to routinely identify such values. Additional testing gives us reasonable assurance that there are no material misstatements in the 2010-11 financial statements.
Continuing Healthcare	As set out in Exhibit 1, we have concerns over the way the Health Board manages its Continuing Healthcare expenditure and year-end accruals/provisions. The Health Board needs to do more to confirm the accuracy of the database and communication with partner organisations needs to improve.

26. Internal Audit also reported on a number of system weaknesses which require ongoing management action. Management action plans have been developed to strengthen the control weaknesses identified in these reports, and progress is scrutinised by the Audit Committee.

27. We have also reviewed the actions taken by the Health Board to follow up the findings of the National Fraud Initiative (NFI). The Health Board has agreed a clear plan and good progress has been made in investigating potential matches.

The Health Board achieved financial balance at the end of 2010-11, as a result of additional non-recurring funding from the Welsh Government and robust financial management arrangements which delivered cash releasing savings

28. The Health Board has a good understanding of its income and expenditure and the underlying shortfall in resource allocation. The Health Board met its statutory financial targets in 2010-11 through a range of cost containment and efficiency savings. In addition, non-recurring resources of £43 million were received from the Welsh Government during the year which enabled the Health Board to break even.

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

29. 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. 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 progress the Health Board has made in addressing the 'areas for development' we identified in last year's Structured Assessment work;
- assessing the extent to which the Health Board has arrangements in place to ensure that the benefits of the consultant contract are being delivered;
- assessing the extent to which the Health Board has arrangements in place to make the most efficient and effective use of its operating theatres; and
- assessing the progress the Health Board has made in addressing the issues identified by previous audit work on the European Working Time Directive for Junior Doctors and Maternity Services.

30. The main findings from this work are summarised under the following headings.

Overall, good progress has been made in addressing the areas for development identified in our 2010 Structured Assessment audit although specific challenges remain, particularly in terms of the financial position and information management and technology

31. I have assessed the progress the Health Board has made in addressing the areas for development identified in last year's Structured Assessment work. This work has included an overview of the Health Board's financial management arrangements. The key findings are set out below.

The Health Board continues to develop robust budgetary control and financial planning arrangements

32. The Health Board has successfully consolidated an overall budget based on that of the four predecessor bodies. The Health Board has been working to 'expenditure control totals' across services to help ensure its stays within its resource limit.

33. The Health Board is managing its budget based on 'control totals' across the organisation, which reflect the tapering Wales Government Strategic Assistance in each year. A Service, Workforce and Financial Plan has been agreed and Board members are signed up to the longer-term funding available in the budgets.

34. Non-Finance staff are now more involved in budget setting but there was no formal agreement of budgets from counties.

35. The Finance team is very well regarded by departments. The finance team support to departments is well rated particularly in terms of the 'learning sets workshops' which help budget holders better understand income and expenditure.

36. Budget monitoring and reporting processes are robust and reporting has improved. Budget monitoring is seen as part of performance management linking in with performance and quality targets.

The Health Board still faces significant financial challenges in the current and future years

37. In previous years, the Health Board met its financial targets. In the current financial year, Cost Improvement Plans (CIPs) totalling some £43 million are in place – although some savings plans are being achieved such as Continuing Healthcare and procurement, other targets such as Medicines Management and Workforce Modernisation are not being achieved. Even if the CIPs are fully achieved, there remains a £4 million residual challenge at the year-end which presents a significant risk to the Health Board and one that is being continually reviewed both internally and with the Welsh Government.

38. The Health Board is clear that action is required to address the ongoing financial position and that future budgets will be aligned with the Clinical Services Strategy. The Health Board recognises that this will take a number of years to achieve and the level of potential savings in the financial plans are ambitious.

The Health Board continues to strengthen its governance arrangements and further improvements are planned. However, IM&T capacity and infrastructure remain a significant corporate and operational risk

39. My review of the progress made by the HB to strengthen its governance arrangements has found that:

Through strong clinical and external stakeholder engagement the Health Board has developed a well considered Clinical Services Strategy

40. The Health Board sees strategic change as a critical enabler in addressing challenging service configuration issues and ensuring future sustainability. As a result, it has invested a significant amount of time and effort in developing and agreeing the clinical service strategy. Clinical engagement has been a key plank in informing and agreeing the strategy and there has been strong local engagement with key external stakeholders including the Community Health Councils.

41. In taking forward the strategic vision, the Health Board recognises that the next few months will be critical and to support this it has developed mechanisms for engagement and managing the service change, developed a clear consultation plan and established a Transitional Board.

Changes are being made to strengthen corporate clinical leadership and reduce silo working

42. There have been clear benefits to working on a locality basis particularly in terms of partnership working. However, the Health Board acknowledged that the organisational structure weakened corporate clinical leadership and has already made changes to address this.

43. While there is now greater clarity over roles and responsibilities there remain a number of areas that need further clarification. The Health Board recognises that going forward clear accountability and responsibility will be critical if the benefits of the planned changes to corporate clinical leadership are to be achieved.

44. There is evidence that the corporate centre is supporting counties and directorates to get the required results. The Health Board has identified that middle managers require more support and development and as a result has invested in leadership development to help these managers successfully meet service needs. The proposed 'internal delivery support unit' should help further strengthen arrangements.

The Board is effective and has an established governance framework but there remain opportunities to strengthen how the Audit Committee provides assurances to the Board

45. Delegated responsibilities are clearly mapped and the Board is effective at using the skills of its executives and independent members. The views of Board members have been formally gathered and collated through a questionnaire, and are being used to inform Board development.

46. The committee structure has matured in the past year. Committees are increasingly focusing on the right issues and have a good balance between cost, quality and safety. The Health Board is currently mapping all of its committees to review their effectiveness.

47. The Audit Committee needs to review its terms of reference and work programme and how it provides internal control assurances to the Board particularly in areas such as clinical audit and risk management.

Internal control mechanisms have been strengthened and are broadly sound although more could be done to improve clinical audit and embed healthcare standards

48. Internal control mechanisms have been strengthened and are broadly sound. The Health Board recognises that more work is needed to embed the 'Health Care Standards' into its operational activities.

49. Internal and Capital Audit are now more risk focused. Clinical Audit has also been strengthened and is becoming an integral part of the assurance framework but needs to be further embedded.

Risk management is developing and is becoming more sophisticated but more needs to be done to embed processes and become more outcome focused

50. The Health Board has put in considerable effort to strengthen risk management through training, support and challenge and has set down good foundations for learning from events and strengthening risk management. There is also evidence that committees are becoming more effective at owning corporate risks.

51. While the corporate risk register is becoming more focused on the key corporate high risks, the maturity of risk management processes at an operational level is variable and can be process rather than outcome focused.

Although the information governance framework has been strengthened, the underpinning IM&T capacity and infrastructure present significant corporate and operational risk

52. The supporting structures for information governance, information security and wider IM&T functions are largely in place. Engagement with risk management at senior levels has improved with issues and risks increasingly discussed at a senior level.

53. However, the pace of change for formalising the informatics strategy, policies, procedures and performance measures has been slow. Governance arrangements for compliance with legislation and data protection have been largely addressed, but there remains a lack of clarity about responsibility for information security.

54. IM&T local and national funding constraints including capital underinvestment within the Health Board and staffing resources both locally and nationally represent a risk to the Health Board with tensions between local versus national delivery and responsiveness.

55. We recognise the many challenges faced by the Health Board but in modernising the service the information management agenda now needs to be prioritised and strengthened to ensure that it effectively supports the change process.

Overall, there is evidence of sustained performance improvement although there needs to be a stronger focus on primary care and ensuring good data quality

56. The Health Board has further strengthened its performance management framework but it recognises that more needs to be done to strengthen primary and community care performance management. Although performance reporting has been strengthened and is now more inclusive and integrated, further work is needed to ensure there is sufficient focus on primary and community care performance.

57. Over the past four to six months, there has been sustained improved performance in a number of areas with performance often the best in Wales but recognition that there remains room for improvement. The plans to strengthen clinical leadership should improve performance further.

58. Recent Wales Audit Office work on operating theatres identified data quality concerns and we will be examining data quality arrangements as part of a separate review.

The Health Board has further progressed a number of its 'enabler' functions which assist in the delivery of efficient, effective and economical use of resources

59. My review of progress in the areas where our 2010 work highlighted scope for improvement in relation to factors which enable efficient, effective and economical use of resources has found that:

The Health Board has strengthened its approach to workforce planning and organisational development

60. The workforce plan defines the current configuration of services and workforce and how the Health Board will modernise, re-develop and rebalance front line hospital and community services. The Health Board acknowledges that the workforce plan will need to be revisited once the Clinical Services Strategy and service change plan detail has been agreed.

61. The Health Board is doing a lot in terms of organisational development including establishing the Cultural Steering Group which provides a mechanism for achieving cultural change. There are a number of good examples of workforce training and development with some innovative approaches evident.

62. The workforce dashboard provides good performance information and is starting to become embedded at corporate, county and directorate levels. There is clear evidence of improved workforce performance including sickness levels and medical recruitment.

The Health Board has further developed its approach to managing its asset base, although further action is needed in a number of areas

63. An estates strategy is in place but this will need to be revisited in light of the agreed Clinical Services Strategy. An estates rationalisation review has been undertaken identifying both capital receipts and revenue savings.

64. High risk backlog maintenance issues are being addressed although the Health Board recognises that further work is required to benchmark the performance of the Health Board's estate.

65. An energy efficiency review has identified the potential to secure £1 million of recurring revenue savings but £13 million of capital investment is required to secure this, and a business case is currently with the Welsh Government.

Procurement arrangements are strong although the Health Board recognises further improvements are required

66. Work is underway to further raise the profile and ensure greater use of the procurement department and promote greater use of effective procurement practices.

67. Procurement savings plans are in place and are regularly being exceeded. The Health Board needs to consider how additional clinical support could be used to secure even more procurement efficiencies.

68. The procurement department works well with other organisations to achieve efficiencies through collaborative procurement but more could be done with primary care.

69. Work to introduce greater consideration of sustainability and environmental factors into the Health Board's procurement arrangements has commenced but further work is required.

Partnership working is a clear priority and significant progress has been made in establishing working partnerships to support the delivery of services within communities

70. There is much evidence of partnership working in practice and in development with a number of good practice achievements which include the setting up of Section 33 agreements with Carmarthenshire.

71. The Health Board has developed a platform for working in partnership with the voluntary sector through its document *A Co-design Future: The Third Sector Role in Health and Social Care in Hywel Dda of Services Strategy*.

The Health Board has continued to improve and strengthen its approach to public and stakeholder engagement although its effectiveness has not yet been fully tested.

72. A Communications and Engagement plan has been developed to support the consultation on the Clinical Services Strategy.

73. The Health Board launched Siarad Iechyd/Talking Health in June 2011 – an engagement strategy and operational plan based on a tried and tested membership model of user engagement.

74. There are various approaches to patient engagement in place or being considered and there is a clear commitment to ensure that patients, carers and the third sector inform the development of patient pathways.

75. Clinical and staff engagement arrangements have been strengthened but this was acknowledged to be work in progress.

76. Although much thought and planning have been invested, engaging with the community about service change over the coming months will be challenging.

The Health Board recognises that its current approach to job plan reviews is not yet sufficiently robust, and while progress is being made some of the intended benefits of the consultant contract have not been fully realised

77. As part of my work to determine scope for the Health Board to achieve greater efficiencies in the use of its resources, I have examined whether the Health Board has the necessary arrangements in place to ensure that the intended benefits of the consultant contract are being delivered. Our fieldwork followed a period of unprecedented and protracted organisational change and it was in this context that we reported our findings.

78. This work showed that the approach to job planning had not been sufficiently robust with a number of inconsistencies. The Health Board had drafted a planning framework that had been welcomed by most consultants. If successfully implemented the framework should address the identified weaknesses but as the plan was still in draft it was unlikely that any benefits would be realised before 2011-12. Specifically the audit findings found that:

79. Many consultants had not had a job plan in the past year:

- there was no standard documentation to support job planning and consequently the quality of the job plan and review meetings varied considerably;
- activity data was not routinely used as part of the job plan review meeting;
- although job planning and appraisal had historically been linked this link was less clear for 2010-11;
- the Health Board could not evidence that it gets value for money from consultants' Supporting Professional Activity sessions; and
- only a quarter of job plans had identifiable outcomes.

80. The Health Board was not realising the intended benefits expected from the consultant contract. It was not using job planning to support delivery of its strategic and financial objectives and was not yet routinely using job planning to support the delivery of service modernisation plans. A number of barriers were identified which were preventing the Health Board from using job planning to best effect, which included:

- continuing difficulties with consultant recruitment in some specialties;
- although the new medical leadership arrangements were in place, in several areas they were not yet mature; and
- the absence of a clinical service strategy was acting as a barrier to more effective job planning in the short term.

While improving theatre and day surgery performance is becoming a greater priority for the Health Board, concerted action is required to improve the quality of theatre information, address areas of poorer performance and respond to concerns raised by staff

81. As part of my work to determine scope for the Health Board to achieve greater efficiency I have examined whether the Health Board is effectively planning and using its operating theatres.

82. This work highlighted opportunities to improve operating theatre and day surgery efficiency. While there were early indications that arrangements were being strengthened, the audit pointed to the need to address the following issues:

- there were a number of factors that adversely affect main and day surgery theatre performance – for example, problems with the flow of patients within and external to theatres, theatre lists not being flexed to meet the needs of all staff and mismatches between consultant job plans;
- until recently theatres were not a strategic priority for the Health Board and planning arrangements lacked cohesion;
- staff were confident about safety but raised concerns about leadership, communication and morale and were not positive about access to mandatory training and appraisals;
- theatre performance data is analysed and reported at various levels but these arrangements are not yet consistently driving improvement and there are concerns about data quality; and
- while our benchmark data suggests that main theatres and some day theatres are relatively well utilised, some of these results may not accurately reflect performance given the concerns over data quality that have been identified.

Action has been taken to address the issues identified in previous performance audit reviews relating to EWTD and maternity services, although further progress is needed in several areas

83. During the last 12 months, I have undertaken follow-up audit 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 the follow-up work are summarised in Exhibit 3.

Exhibit 3: Progress in implementing audit recommendations

Area of follow-up work	Conclusions and key audit findings
European Working Time Directive for Junior Doctors	The Health Board has maintained junior doctors' rotas that, in principle, comply with European Working Time Directive (EWTD) requirements, although concerns about the related impact on patient care need to be addressed appropriately through its risk management arrangements and in delivering a new clinical services strategy. Specifically the audit found that: • all of the Health Board's junior doctor rotas have, in principle, been EWTD compliant since August 2009; • the Health Board has continued to develop alternative ways of working to support EWTD compliance, although there are concerns about the impact on patient care and progress is partly dependent on a new clinical services strategy; • well-developed rota monitoring arrangements are in place although junior doctors do not always participate fully in the process; and • overall responsibilities and accountabilities for EWTD compliance are clear although the Health Board needs to ensure that risks associated with junior doctors' working hours are being appropriately identified.

Area of follow-up work	Conclusions and key audit findings
Maternity Services Review Follow-up	The Health Board is making good progress in improving its maternity services; however, meeting operational and strategic challenges requires stronger leadership and engagement by obstetricians. The reasons for reaching this conclusion are set out below: • maternity services are a high priority, backed up by greater executive team engagement and clear midwifery leadership, although engagement of obstetricians needs to be strengthened; • the Health Board is improving the evidence base to support service planning and performance management, but still lacks an effective organisation-wide maternity information system; • the Health Board faces a number of challenges in deciding the future of its maternity services and although planning is well advanced, the strategic direction of maternity services is not yet clear; • safe and effective care is prioritised with staffing standards largely met, in terms of the numbers and skills of staff, with improved training and appropriate risk management, although there are particular concerns about neonatal capacity and facilities at Bronglais Hospital; and • the Health Board is improving the maternity care pathway, including better information provision and breast feeding management, although inconsistent practices and high Caesarean Section rates remain an issue.

Appendix 1

Reports issued since my last Annual Audit Report

Report	Date
Financial audit reports	
Audit of the Financial Statements Report – Health Board	June 2011
Opinion on the Health Board's Financial Statements	June 2011
Opinion on the Whole of Government Accounts return	August 2011
Opinion on the Summary Financial Statements	September 2011
Audit of the Financial Statements Report – Charitable Funds	November 2011
Opinion on the Charitable Funds Financial Statements	November 2011
Performance audit reports (year of audit outline)	
Pay Modernisation: NHS Consultant Contract (2009)	February 2011
Maternity Services Review Follow-up	July 2011
EWTD Follow-up (2010)	July 2011
Operating Theatres and Day Case Surgery (2010)	November 2011
Unscheduled Care Preliminary Follow-up (2010)	November 2011
Structured Assessment – Corporate Arrangements Follow-up (presentation) (2011)	November 2011
Other reports	
Outline of Audit Work 2011	June 2011

There are a number of 2011 performance audits still underway at the Health Board. These are shown below, with estimated dates for completion.

Report	Estimated completion date
Business Continuity/Disaster Recovery	January 2012
Data Quality	January 2012
Chronic Conditions Management	January 2012
Unscheduled Care – Detailed Follow-up	January 2012
Clinical Engagement	January 2012
Information Assurance Follow-up Review	January 2012

Appendix 2

Audit fee

The Outline of Audit Work for 2011 set out the proposed audit fee of £418,225 (excluding VAT). My latest estimate of the actual fee is in accordance with the fee set out in the Outline.

In addition to 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 £15,871.

During the year, I reviewed the performance audit work in the 2010 Audit Strategy that was still outstanding. This resulted in a refund from the pre-2010 and 2010 audit fee of £42,420 (excluding VAT). The performance audit projects affected are shown below.

Topic	Status
Continuing Health Care	This work now forms part of my programme of national value-for-money examinations for 2011-12. The proportion of the 2010 audit fee has been included in the refund to the Health Board.
Unspecified local audit	Agreement was reached with the Health Board to cancel this work due to the volume of other performance work underway.
Follow-up of previous audit findings – Child and Adolescent Mental Health Services	This work now forms part of my programme of national value-for-money examinations for 2011-12. The proportion of the 2010 audit fee has been included in the refund to the Health Board.
ICT Disaster Recovery/ Business Continuity	This work has continued but has now been funded from the 2011 fee, and the proportion of 2010 performance fee that relates to this work has been refunded. To accommodate this in the 2011 programme, work on the implementation of Caldicott requirements, as outlined in our 2011 plan, will now be considered for inclusion in our 2012 programme.

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