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Annual Audit Report 2017 – **Aneurin Bevan University Health Board**

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The team who helped me prepare this report comprised John Herniman, Dave Thomas, Terry Lewis, Gareth Lucey and Dave Wilson.

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Summary report

Summary

- 1 This report summarises my findings from the audit work I have undertaken at Aneurin Bevan University Health Board (the Health Board) during 2017. I did that work 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.
- 2 My audit work focused on strategic priorities and the significant financial and operational risks facing the Health Board, and which are relevant to my audit responsibilities. The separate reports I have produced during the year have more detail on the specific aspects of my audit. We discuss these reports and agree their factual accuracy with officers before presenting them to the Audit Committee. My reports are shown in [Appendix 1](#).
- 3 The Chief Executive and the Director of Finance have agreed the factual accuracy of this report, which we presented to the Audit Committee on 8 February 2018. The Board will receive the report at a subsequent Board meeting and every member will receive a copy. We strongly encourage the Health Board to arrange wider publication of this report. Following Board consideration, we will make the report available to the public on the [Wales Audit Office website](#).
- 4 My audit work can be summarised under the following headings.

Section 1: audit of accounts

- 5 I have issued an unqualified opinion on the 2016-17 financial statements of the Health Board, concluding that the accounts were properly prepared and materially accurate.
- 6 My work did not identify any material weaknesses in the Health Board's internal controls relevant to my audit of the accounts.
- 7 The Health Board achieved financial balance for the three-year period ending 2016-17, therefore it met one of its two statutory duties under the 2014 NHS (Wales) Finance Act. Section 2 of this report has more detail about the financial position and financial management arrangements.

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

- 8 I have examined the Health Board's financial planning and management arrangements, its governance and assurance arrangements, and its progress on the improvement issues identified in last year's Structured Assessment. I did this to satisfy myself that the Health Board has made proper arrangements for securing efficiency, effectiveness and economy in the use of its resources. I have also

undertaken Performance Audit reviews on specific areas of service delivery. My conclusions based on this work are set out below.

The Health Board's savings approaches are helping it to improve the overall financial position, however there are increasing financial challenges ahead

- 9 Key findings from my review of the Health Board's arrangements for planning and delivery of financial savings are as follows:
- the Health Board has a track record of delivering a significant percentage of its target savings, although ongoing cost pressures and a shortfall in savings achievement present financial challenges to the Health Board's ability to maintain a break-even position each year;
 - the Health Board has implemented a more systematic framework for the identification and development of its financial savings plans but this is not yet fully effective; and
 - the Health Board has good arrangements in place to monitor, report and scrutinise savings schedules.

The Health Board has a clear vision and long-standing governance arrangements that with some improvement will help it deliver improved health services in South East Wales

- 10 Key findings from my review of the Health Board's governance and assurance arrangements are as follows:
- the Health Board has ambitious aims to reshape healthcare across South East Wales, underpinned by its Integrated Medium Term Plan and Clinical Futures Strategy; it is working hard to develop detailed plans around community and existing hospital services.
 - the current IMTP sets out the Health Board's vision, values and ways of working, key service sustainability and service change priorities for the three years up to March 2020. It received ministerial approval in accordance with the requirements of the NHS Wales Planning Framework and the duties set out by section 175(2) of the National Health Service (Wales) Act 2006 by Welsh Government on 16 June 2017.
 - the Health Board's management structure has served it well to date, although it may need to review this further as it implements its Clinical Futures Strategy.
 - board and committee structures are sound and well administered.
 - committees maintain an overview of key risks but could be better supported by the information they receive.
 - the Health Board recognises that its corporate risk management is not fully effective and has started to review its arrangements.

- internal controls are generally effective in meeting current assurance requirements but some aspects, including the use of clinical audit, need further improvement.
- the Health Board has the foundations of good information governance, although as it prepares for the new General Data Protection Regulations, this will be challenging within current available resources.
- the Health Board actively manages performance and can demonstrate positive performance in some areas although further improvement will be needed to achieve some national and local targets.

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

11 Key findings from my performance audit reviews that have been reported to the Health Board during the 2017 audit year are as follows:

- the Health Board has established arrangements to manage its resources such as assets, workforce and information technology but these will need further development to support delivery of corporate objectives.
- **Radiology** - the Health Board faces risks in meeting current and future demand for radiology services due to staffing challenges, increasing waiting time backlogs and inconsistent engagement with staff and stakeholders.
- **GP Out-of-Hours Services** – my work found that the Health Board is in the early stages of a long-term plan to improve the sustainability and leadership of GP out-of-hours services. Scope remains to improve performance against several targets and consistency of GP practice sign posting information about the out-of-hours service.
- **Discharge Planning** - the Health Board has well-developed plans for improving discharge planning, however, performance fluctuates and there is scope to improve the discharge policy, pathways and training.
- **Information and Communication Technology** – I have tracked progress made by the Health Board in addressing the recommendations made in the 2015 combined follow up of Information and Communications Technology Audits. This work found that the Health Board has made progress in some areas but needs to make further improvements such as in obtaining Board approval and funding for the Informatics Strategic Outline Programme 2016-21, improving the accuracy of information and testing divisional business continuity plans.
- **Follow-up Outpatients** – I found that, with regard to Outpatient Follow-up appointments, the Health Board has made some progress in addressing the recommendations made in our 2015 report, but it still needs to improve the way it identifies clinical risks, quicken the pace of service improvement and manage emerging issues in specific services.

- **Workforce Planning** - I concluded that there are gaps in the Health Board's approach to workforce planning. The Health Board has recognised that it needs to improve its workforce planning, and has started to do so, but this work needs to move with pace to ensure that the organisation is well placed to meet current and future workforce challenges.
- **Emergency Ambulance Services commissioning arrangements** have helped drive some important changes for emergency ambulance services in Wales; however, the maturing arrangements require greater commitment from some partners.
- **Collaborative arrangements for managing local public health resources** do not work as effectively as they should do.

12 I would like to thank the Health Board's staff and members for their assistance and co-operation during the audit.

Detailed report

About this report

- 13 This Annual Audit Report 2017 to the board members of the Health Board sets out the findings from the audit work that I have undertaken between January and December 2017.
- 14 I undertake my work at the Health Board in response to the requirements set out in the 2004 Act¹. That Act requires me to:
- a) examine and certify the accounts submitted to me by the Health Board, and to lay them before the National Assembly;
 - b) satisfy myself that the expenditure and income to which the accounts relate have been applied to the purposes intended and 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.
- 15 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 assurance;
 - 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 as part of the National Fraud Initiative (NFI).
- 16 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](#).
- 17 The findings from my work are considered under the following headings:
- section 1: audit of accounts
 - section 2: arrangements for securing economy, efficiency and effectiveness in the use of resources
- 18 [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 2017 Audit Plan.
- 19 Finally, [Appendix 3](#) sets out the significant financial audit risks highlighted in my 2017 Audit Plan and how they were addressed through the audit.

¹ [Public Audit \(Wales\) Act 2004](#)

Section 1: audit of accounts

- 20 This section of the report summarises the findings from my audit of the Health Board's financial statements for 2016-17. 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.
- 21 In examining the Health Board's financial statements, I am required to give an opinion on:
- whether they give a true and fair view of the financial position of the Health Board and of its income and expenditure for the period in question;
 - whether they are prepared in accordance with statutory and other requirements, and comply with relevant requirements for accounting presentation and disclosure;
 - whether that part of the remuneration report to be audited is properly prepared;
 - whether the other information provided with the financial statements (usually the annual report) is consistent with them; and
 - the regularity of the expenditure and income in the financial statements.
- 22 In giving this opinion, I have complied with my Code of Audit Practice and the International Standards on Auditing (ISAs).

I have issued an unqualified opinion on the 2016-17 financial statements of the Health Board

- 23 I issued an unqualified opinion on the Health Board's 2016-17 financial statements, concluding that they were properly prepared and materially accurate. My work did not identify any material weaknesses in the Health Board's internal controls relevant to my audit of the accounts.
- 24 We did not encounter any difficulties during the audit. We received information in a timely and helpful manner and were not restricted in our work. The Finance Team prepared a detailed 'close down' plan which incorporated our audit requirements and details of the supporting papers. This approach continued to strengthen the financial statements production process and helped meet the tight clearance timetable. We will continue to work closely with the Health Board to review the process and refine the procedures and our audit approach to ensure that there is continued improvement and efficiency.
- 25 I am required to report issues arising from my work to those charged with governance before I issue my audit opinion on the accounts. My Financial Audit Engagement Lead reported these issues to the Health Board's Audit Committee on 30 May 2017. [Exhibit 1](#) summarises the key issues set out in that report.

Exhibit 1: issues identified in the Audit of Financial Statements Report

The following table summarises and provides comments on the key issues identified.

Issue	Auditors' comments
Uncorrected misstatements	<p>There were no uncorrected misstatements in the financial statements as, where they were identified, they were corrected by management.</p> <p>The Health Board shares financial risks relating to the Welsh Health Specialised Services Committee with all Welsh health boards. The audit of the financial information did not identify that any amendments were required to the Health Board's financial statements.</p>
Accounting Practices and Financial Reporting	<p>Note 7 to the accounts states that the Health Board met the Welsh Government Public Sector Payment Policy target for paying 95% of non-NHS creditors within 30 days. 96.4% of bills were paid within this target.</p> <p>As was the case last year, the Health Board's performance is potentially misstated due to the way invoices 'in dispute' are reported. All such invoices are considered as paid within 30 days, regardless of whether they are or not. As such, performance could be overstated. If all 'in dispute' invoices were not paid within 30 days, reported performance would have reduced to 91.5% (down 4.9%). It was explained that once disputes are resolved, bills are paid in the next available payment run, so it seems likely that the majority of such invoices will be paid within 30 days.</p>
Other Matters	<p>There were no significant matters discussed and corresponded upon with management that needed to be reported.</p> <p>There were no matters significant to the oversight of the financial reporting process that needed to be reported.</p> <p>There were no other matters specifically required by auditing standards that we needed to communicate.</p>

- 26 As part of my financial audit, I also undertook a review of the 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 2017 and the return was prepared in accordance with the Treasury's instructions.
- 27 My separate audit of the charitable funds held on trust financial statements was completed during September/October 2017 and I issued an unqualified audit opinion on 6 December 2017. I am required to report issues arising from my work to those charged with governance before I issue my audit opinion and my report was considered by the Health Board on 22 November 2017. There are no significant issues to report.

My work did not identify any material weaknesses in the Health Board's internal controls

28 I reviewed the Health Board's internal controls that I considered to be relevant to the audit to help me identify, assess and respond to the risks of material misstatement in the accounts. I did not, however, consider them for the purposes of expressing an opinion on the operating effectiveness of internal control. My review did not identify any significant deficiencies in the Health Board's internal controls.

Section 2: 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 planning and delivery of financial savings and their contribution to achieving financial balance;
- assessing the effectiveness of the Health Board's governance and assurance arrangements through my structured assessment work, including a review of the progress made in addressing structured assessment recommendations made last year;
- assessing the application of data-matching as part of the National Fraud Initiative (NFI);
- specific use of resources work on radiology services, GP out-of-hours services, discharge planning and a local diagnostic overview of workforce planning; and
- assessing the progress the Health Board has made in addressing the recommendations raised by previous audit work on the management of follow-up outpatients, the review of Information and Communication Technology and reviewing the Health Board's arrangements for tracking progress against external audit recommendations.

30 I have also undertaken performance audit work that has examined the governance arrangements within the Emergency Ambulance Services Committee, and also the collaborative working arrangements between local public health teams and Public Health Wales NHS Trust.

31 The main findings from the work referenced above are summarised under the following headings.

The Health Board's savings approaches are helping it to improve the overall financial position, however there are increasing financial challenges ahead

32 In addition to commenting on the Health Board's overall financial position, my structured assessment work in 2017 has considered the actions that the Health Board is taking to achieve financial balance and create longer-term financial sustainability. I have assessed the corporate arrangements for planning and delivering financial savings in the context of the overall financial position of the organisation. My findings are summarised below.

The Health Board has a track record of delivering a significant percentage of its target savings although ongoing cost pressures and a shortfall in savings achievement presents a financial challenge to the Health Board's ability to maintain a break-even position each year

33 While the Health Board has a track record of achieving a significant percentage of its overall planned savings, it is reliant on additional non-recurring funding from the Welsh Government to achieve its statutory break-even requirement and to help meet increased demand such as 'winter pressures'.

34 The level of savings has not been sufficient to address growth in costs and this is resulting in a worsening underlying deficit position. In 2016-17 the Health Board achieved savings of £15.2 million and accountancy gains of £2 million against a target of £21.5 million. This created a shortfall of £4.3 million which then has impacted on the 2017-18 financial year. This shortfall, along with additional cost pressures has increased the underlying deficit for 2017-18 from £12.8 million (as reported in the 2016-19 IMTP) to £22.75 million (as reported in the 2017-20 IMTP).

35 The Health Board broke even in 2016-17 and is forecasting to do so again in 2017-18. But, the worsening deficit position provides a major financial challenge to the Health Board in meeting its financial duty to break-even in a rolling three-year period. While the Welsh Government is providing some annual funding uplift, the Health Board is under pressure to identify higher levels of recurring savings in future years.

The Health Board has implemented a more systematic framework for the identification and development of its financial savings plans but this is not yet fully effective

36 The Health Board has improved the way it identifies savings opportunities and engages across departments. Towards the end of 2016-17, the Health Board acknowledged that the process would benefit from more corporate involvement. In response, the 2017-18 planning process was corporately led and established a register of potential savings areas. The register was based on corporate analysis of performance data including benchmarking, variation analysis and horizon scanning

work. This has made the process more efficient, providing budget holders with a framework within which to work and develop individual savings schemes.

- 37 The Health Board has tried to focus on savings schemes that produce recurring savings, with 91% of its schemes for 2016-17 yielding such savings. However, we note that the proportion of recurring savings schemes for 2017-18 has dropped to 55%. With the backdrop of a potential worsening deficit, the Health Board is not achieving sufficient levels of recurring savings and is not yet identifying larger transformational changes. Its financial plan focus is on releasing savings to reinvest in out-of-hospital care and avoid future cost growth. The Health Board is in the process of building the new Grange University Hospital which it sees as delivering much needed transformational changes but this hospital is not expected to be operational and start making savings until early 2021.

The Health Board has good arrangements in place to monitor, report and scrutinise savings schedules.

- 38 The Health Board has a good structure in place to monitor savings schemes at all levels of the organisation but the level of detail available to operational managers, Executives members and Independent members varies.
- 39 At an operational level the Health Board has well-established meetings in place, including the Medicines Management Board and Divisional Assurance meetings. At these meetings, detailed discussions take place based on reports for each division's savings schemes. This provides a sound forum for scrutinising the performance of each scheme and identifying at an early stage any schemes that are under-delivering and need corrective action.
- 40 At a corporate level, Finance Reports are provided to the Finance and Performance Committee and the Board which include a section on savings performance and an analysis of savings scheme performance with risk ratings. The level of detail provided to Executives and Independent Members at these meetings is at a strategic overview level, often showing divisional or cross-cutting headlines. This level of information is sufficient to discharge a general duty to oversee the impact of financial savings but is not sufficient to enable Members to further scrutinise or recommend action to address underperformance of individual savings schemes.

The Health Board has a clear vision and long-standing governance arrangements that, with some improvement, will help it deliver improved health services in South East Wales

- 41 My structured assessment work has assessed the Health Board's governance and assurance arrangements. This included the effectiveness of the board and its governance structures and the progress made in addressing previous structured assessment recommendations. My findings are set out below

The Health Board has ambitious aims to reshape healthcare across South East Wales, underpinned by its Integrated Medium Term Plan and Clinical Futures Strategy; it is working hard to develop detailed plans around community and existing hospital services

- 42 The Health Board has ambitious aims to reshape healthcare across South East Wales, underpinned by its Integrated Medium Term Plan and Clinical Futures Strategy. This is a significant level of change and the Health Board will be phasing its delivery over the four years leading up to the opening of its Specialist Critical Care Centre – the Grange University Hospital in early 2021. The Health Board is working hard to develop detailed plans around primary and community care and existing hospital services.

The Health Board's management structure has served it well to date although it may need to review this further as it implements its Clinical Futures Strategy

- 43 Since the Health Board was established in 2009, the structure has absorbed challenges such as the impact of new technology, increased demand, changes in treatments, development of community services and changes to Welsh Government priorities. The Health Board has commissioned reviews of accountability arrangements across and within divisions that indicate that accountability is generally clear throughout the organisation. However, whilst responsibilities have been allocated based on a 'best fit' within the management structure, some officers' spans of control are considerable and may not be sustainable. It is important therefore that as the Health Board prepares to deliver healthcare differently through its Clinical Futures Strategy, that it is assured that the management structure remains fit for the future.

Board and committee structures are sound and well administered

- 44 We observed good relationships and co-ordination of agenda between committees and the Board, The Health Board reviewed committees and their membership in May and September 2017 to take account of the changes of independent members. We noted that agendas, covering reports and supporting information are sometimes overly long and often stretch into several hundred pages. As new Independent Members settle into their roles, it is important that they receive relevant information and some context, and that important information is

highlighted to support effective scrutiny and informed decision making. We are aware the Health Board has and continues to work to improve its approach.

- 45 The Health Board has a track record of conducting its business in an open and transparent way. Board and committee business is mostly conducted in the open section of meetings where members of the public are able to attend. Some reports may contain confidential or sensitive information and these are considered in the closed 'in-committee' session of the meeting.
- 46 The Health Board is in the process of addressing the recommendations made last year in relation to governance and assurance. In respect of board assurance and effectiveness, the action is incomplete. The Health Board has not developed a written board assurance framework choosing not to progress until the new Chair and Board members were in place. However, it has started to address the development needs of new Board members through a Board Development Programme.

The Health Board recognises that its risk management is not fully effective and has started to review its arrangements

- 47 The Health Board recognises that its corporate risk management is not fully effective and has started to review its arrangements. During 2017, the Board and its committees received reports and risk assessments regularly for information. However, whilst the risk registers included a risk rating and planned mitigating actions, it was unclear how the mitigating actions would reduce the assessed risk rating, and some risks had remained at the same rating for several years indicating that mitigating actions were having little or no effect. The Executive Team held a workshop in October 2017 facilitated by NHS Shared Services and its Internal Audit Service to begin the process of rationalising and reworking the Health Board's approach to risk management and its reporting. The redeveloped 'Risk Dashboard' reported to the Health Board in November 2017 showed revisions to risk ratings and noted that rationalisation and redevelopment continued to be 'work in progress'.

Internal controls are generally effective in meeting current assurance requirements but some aspects, including the use of clinical audit, need further improvement

- 48 Internal controls are generally effective within the Health Board, although there are areas that it could improve. All internal and external audit reports and Counter Fraud Services reports are presented to, and considered by, the Audit Committee and, where appropriate, other committees. Committees will request follow-up reports or refer matters to other committees or the Board where they consider it appropriate. Arrangements to gain assurance from clinical audits need strengthening by improving planning of local clinical audit work and reporting assurances into the Quality and Patient Safety committee.

The Health Board has the foundations of good information governance although as it prepares for the new General Data Protection Regulations, this will be challenging within current available resources

- 49 The Health Board completed a Caldicott Information Confidentiality self-assessment in April 2017 and assessed itself at 89% compliant. It has identified Caldicott and information governance improvement actions that are underway in 2017-18.
- 50 The Health Board's performance in 2016-17 for responding to information requests within the required timeframe, was 84% in respect of Freedom of Information Act requests and 96% in relation to Data Protection subject access requests, against a national target of 90%.
- 51 The Health Board is strengthening its information governance arrangements ahead of the 2018 General Data Protection Regulation (GDPR) implementation, but there may be resource implications if it is to effectively meet the requirements of GDPR. It will need to ensure that it meets the timeliness of responses to statutory information access requests which are expected to rise once GDPR is implemented.

The Health Board actively manages performance and can demonstrate positive performance in some areas although further improvement will be needed to achieve some national and local targets.

- 52 The Health Board continues to monitor performance regularly and has improved its processes since our last Structured Assessment. Within divisions, managers are held to account for delivery of improved performance and the Executive Team maintains a strategic overview and provides further challenge.
- 53 Based on its mid-year performance data, the Health Board had made improvements in some key areas such as the number of patients waiting over eight weeks for diagnostics and the number of outpatient appointments overdue their follow-up target date. The Health Board had not achieved planned target performance in other areas such as Accident and Emergency waiting times. The Quarter 2 Integrated Performance report 2017-18 showed the Health Board was failing to meet 35% of the national and local targets.

The Health Board has made effective use of the NFI to detect fraud and overpayments

- 54 The NFI is a biennial data-matching exercise that helps detect fraud and overpayments by matching data across organisations and systems to help public bodies identify potentially fraudulent or erroneous claims and transactions. It is a highly effective tool in detecting and preventing fraud and overpayments, and helping organisations to strengthen their anti-fraud and corruption arrangements.
- 55 Participating bodies submitted data to the current NFI data matching exercise in October 2016. The outcomes were released to participating bodies in January 2017.
- 56 The Health Board is a mandatory participant in NFI. In January 2017, the Health Board received NFI data-matches through the NFI web application. Data-matches highlight anomalies which when reviewed can help to identify fraud and error. The Health Board has made good progress in reviewing the data-matches. No frauds have been identified as a consequence of the review undertaken, providing assurance that the Health Board's counter-fraud arrangements are working effectively. However, we note that the Health Board has not reviewed the data-matches in NFI match reports 750 and 752. These reports match payroll, creditor payment and Companies House data and can help to identify undisclosed staff interests and procurement fraud. We therefore recommend that the Health Board reviews these data-matches as a matter of urgency.

The Health Board has started to address the issues identified in last year's structured assessment particularly in respect of supporting effective delivery of change

- 57 The Health Board has made progress in addressing the recommendations in last year's structured assessment work. We made five recommendations relating to effective delivery of change and board assurance and effectiveness.
- 58 The Health Board has recruited additional capacity to support change management, developed a Delivery Board arrangement for the Clinical Futures Strategy and its Aneurin Bevan Continuous Improvement Team (ABCi) continues to explore change management opportunities. The Health Board has not yet developed a standard change management approach.
- 59 In addition to reviewing the actions taken to address my 2016 structured assessment recommendations, I also considered the effectiveness of the Health Board's wider arrangements to respond to my audit recommendations. I found that the Health Board has robust arrangements in place to keep track of my recommendations as well as those made by internal audit

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

The Health Board has established arrangements to manage its resources such as assets, workforce and information technology, but these will need further development to support delivery of corporate objectives

60 My Structured Assessment work has reviewed how a number of key enablers of efficient, effective and economical use of resources are managed. My key findings are summarised in [Exhibit 2](#).

Exhibit 2: key findings on use of resource enablers from structured assessment

Issue	Summary of findings
Change management capacity	<p>The Health Board has established arrangements to support service improvement and is building its programme and change management capacity to deliver the Clinical Futures Strategy.</p> <p>The Health Board does not have a corporate approach to change management although in March 2017 it revised its Toolkit for Leading and Managing Workforce Change, originally developed in 2014. It has recruited additional change and programme management capacity and put in place change management arrangements such as a delivery board supported by six work streams to manage implementation of the Clinical Futures Strategy.</p>
Estates and assets	<p>The Health Board does not have an estates plan or up-to-date condition surveys of its buildings. Decisions around the acquisition, maintenance and disposal of its estate are therefore not strategically managed. However, the Health Board is taking action to improve its estates management and has recently received the results from its 'six facet' survey that it anticipates will improve the accuracy of the condition surveys, support the finalisation of the estates strategy and help target backlog maintenance work of existing estate.</p>

Issue	Summary of findings
Partnership working	The Health Board has developed positive partnerships through its Neighbourhood Care Networks and engagement for example with Public Service Boards. It is also represented at the Regional Partnership Boards for Children and Young People, Mental Health and Learning Disabilities, Carers, Health and Social Care Housing and Adults with Complex Needs. It's Public, Partnerships and Wellbeing Committee receives regular updates as partnership arrangements continue to develop.
ICT and use of technology	The Health Board faces ongoing challenges around the delivery and funding of information technology services. It has developed an Informatics Strategic Outline Programme (SOP) for 2016-21 and a 2017-20 Informatics Medium Term Plan, which sets the informatics objectives and priorities for the next three years. The Health Board faces ongoing challenges such as the ongoing threat of cyber security attack, upgrading ageing wireless access points and replacing older and unsupported operating systems.

The Health Board faces risks in meeting current and future demand for radiology services due to staffing challenges, increasing waiting time backlogs and inconsistent engagement with staff and stakeholders

- 61 My work on radiology services found that, generally, access to radiological services in hours, and processes for learning from incidents and complaints are good, however, waiting times and reporting turnaround times need improvement. Patients have appropriate access to in-hours radiology services, with limited out of hours access but the prioritisation of referrals are not always consistently applied.
- 62 Waiting time targets are not being met, with particular concerns for MRI and ultrasound scanning; imaging time targets are unmet, longest turnaround times are significant across modalities, and the service would benefit from greater use of reporting radiographers and outsourcing; there is regular and proactive clinical audit for the service but the clinical audit programme is not widely understood by staff.
- 63 The service has clear processes in place for investigating complaints but its process for capturing and demonstrating learning from wider patient experience is not fully developed.
- 64 The Health Board's ability to manage increasing demand on the service is exacerbated by staffing challenges. It closely monitors and attempts to manage demand for radiology services which continues to increase but the service does not

consistently engage with staff and stakeholders to reduce inappropriate demand, and the service's booking system is patient focused and prioritises appointments according to urgency and clinical need.

- 65 Ongoing staff shortages and recruitment issues within the radiology department are resulting in an over-reliance on the use of locum doctors; the radiology department has fewer members of staff than the all-Wales average for its population yet staff conduct and report greater numbers of scans than the all-Wales average; while staff appraisal and PDP rates are high, training opportunities for staff are limited because of operational time pressures; data relating to number of scanners per heard of population was not submitted, but the percentage usage of scanners is higher at the Health Board than the all-Wales average.
- 66 While the Health Board is taking some proactive steps in managing the service such as upgrading the requesting system, there are weaknesses in strategic and financial planning: There is no radiology strategy, although there is a clear operational plan which covers most key areas and a workforce plan, however there is inconsistent stakeholder engagement in strategic planning.
- 67 Leadership structure arrangements are relatively new and have not yet had time to mature and attendance and consistency of key radiology groups are limiting effective management of the service. Radiology issues are effectively escalated to the Board but radiology is not represented on key committees or the Board, and whilst there is regular financial monitoring of the service, its approach to identifying cost pressures and savings is not fully mature.
- 68 The service has an effective equipment replacement programme using a project team approach, yet the programme does not currently comply with some regulations. Staff expressed frustrations with the current radiology information systems although a recent upgrade to support electronic requesting is a positive step forward, and the Health Board regularly reviews and discusses the performance of the service and significant concerns are escalated.

The Health Board is in the early stages of a long-term plan to improve the sustainability and leadership of GP out-of-hours services. Scope remains to improve performance against several targets and consistency of GP practice messages about the out-of-hours service

- 69 The Health Board is robustly monitoring GP out-of-hours services. It is in the early stages of a long-term plan to modernise the service and strengthen its leadership but more work is needed to involve operational staff in service development.
- 70 The Health Board recently strengthened clinical and operational management arrangements but our survey results suggest staff have not yet felt the benefits. There are comprehensive performance monitoring and scrutiny arrangements in place, and staff are confident that lessons are learnt from incidents and complaints.
- 71 The Health Board has reduced spending on out-of-hours in real terms and the planned remodelling of the service will take time to address the current over-

reliance on GPs. The Health Board is trying to increase the skill mix of out-of-hours staff but still relies heavily on GPs; it has difficulty filling shifts and needs to improve morale and support training and development. The Health Board plans to address weaknesses in its GP pay model and whilst its out-of-hours spending per contact is relatively high, total spending has fallen in real terms.

- 72 There is scope to improve performance on call taking, call backs and urgent appointments, and further scope to improve signposting to out-of-hours from GP practices. There is good in-hours access to GPs and generally good public information about the out-of-hours service but there is scope to improve signposting on practice websites and answerphones.
- 73 The Health Board's call-taking performance is worse than the all-Wales average and is not meeting targets; the Health Board is not meeting call-back targets, manages comparatively few patients through hear-and-treat, and needs to improve telephone triage training. Compared to the rest of Wales, the Health Board is not providing timely appointments for 'very urgent' and 'urgent' patients.

The Health Board has well-developed plans for improving discharge planning, however performance fluctuates and there is scope to improve the discharge policy, pathways and training

- 74 The Health Board has clear plans for improving discharge planning, which are based on internal and external reviews and its discharge policy, which is under review, is reasonably well developed but there is scope for improvement. Discharge pathways are in place but there was no evidence of documents to support staff to implement them.
- 75 Staff training, awareness of the discharge policy and discharge lounge waiting times needs improvement. Dedicated discharge resources are nurse-led but only available during weekdays and there are concerns about long waiting times in discharge lounges. There is no training on discharge planning and awareness of the discharge policy is poor, however, staff know where to obtain information about community services.
- 76 The Health Board has strong scrutiny arrangements, however performance fluctuates and there is scope to improve information reported to the Board. Whilst partnership governance structures are under review, the Board has clear lines of accountability and performance is regularly scrutinised.
- 77 The Health Board collates comprehensive performance data, and whilst Board members feel informed, they would benefit from more patient flow data. Data shows fluctuating performance and whilst discharge processes are being improved it may be too early to see the benefits.

There are gaps in the Health Board's approach to workforce planning. The Health Board has recognised that it needs to improve its workforce planning, and has started to do so, but this work needs to move with pace to ensure that the organisation is well placed to meet current and future workforce challenges

- 78 Current workforce plans are not fully aligned with the IMTP and planning remains mostly short-term: workforce planning is not consistently embedded across the organisation and the Health Board experiences difficulties with recruitment and retention. The Health Board's 'establishment control record' and budget are not well-aligned, workforce planning with partners is not well-developed; and long-term workforce planning is not yet in place.
- 79 The Health Board is clearly committed to more robust workforce planning and has started to introduce better workforce planning arrangements: It understands its workforce pressures and is addressing key areas such as sickness absence and excessive use of agency and locum staff. Workforce planning is now referenced within the IMTP 2016-17 – 2018-19. The Grange University Hospital is a catalyst for change and will require a different skill mix; and managers recognise the need for better workforce planning and are committed to supporting new approaches.

The Health Board is making steady progress in addressing recommendations from previous audit work although important actions remain outstanding in a few key areas

- 80 In addition to reviewing the effectiveness of the Health Board's arrangements to manage and respond to recommendations made as part of my audit work as discussed in paragraph 59, my work has found that the Health Board is making steady progress in addressing recommendations from previous audit work although important actions remain outstanding in a few key areas. In its report 'Internal Audit and External Audit Programme Recommendation Tracking Report' to the Audit Committee in July 2017, the Health Board commented on progress against 29 recommendations, highlighting to the committee recommendations that it considered should be removed from the recommendations tracker.
- 81 During the last 12 months, I have also undertaken detailed 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 this follow-up work are summarised in [Exhibit 3](#).

Exhibit 3: progress in implementing audit recommendations in specific service areas

The following table summarises the key findings from follow-up audits.

Area of follow-up work	Conclusions and key audit findings
Review of Follow-up Outpatients - Assessment of Progress	The Health Board has made some progress in addressing the recommendations made in our 2015 report, but it still needs to improve the way it identifies clinical risks, quicken the pace of service improvement and manage emerging issues in specific services.
Follow-up Review of Information and Communication Technology Audits - Assessment of Progress	The Health Board has made progress in some areas but needs to make further improvements such as obtaining Board approval and funding for the Informatics Strategic Outline Programme 2016/21, improving the accuracy of information and testing divisional business continuity plans.

Collaborative commissioning arrangements have helped drive some important changes for emergency ambulance services in Wales; however, the maturing arrangements require greater commitment from some partners

- 82 My review of the all-Wales arrangements for commissioning emergency ambulance services found that the Emergency Ambulance Services Committee (EASC) has helped drive some important changes, such as the development of the CAREMORE®² model. However, structures and roles to secure accountability for emergency ambulance services are unclear. I found that there is scope to clarify the roles of EASC, the Welsh Government and the Chief Ambulance Services Commissioner in relation to emergency ambulance service performance, finance and service modernisation. And although the formation of EASC has supported all-Wales ownership of emergency ambulance services, my team identified that EASC needs to do more to drive through service transformation. In addition, the sub-group structure, which underpins EASC, lacks clarity and purpose, which is impacting on attendance by health board staff and the ability of the subgroups to make a meaningful contribution.
- 83 Partners support the commissioning model but the pace with which health boards are driving the necessary changes to enable it to work as intended varies, and the model does not consider regional or cross-border activity. My work identified that there is a general willingness of WAST and health boards to work together to improve ambulance services, but the level of ownership of emergency ambulance performance and pathway modernisation by health boards is variable, with the

² The CAREMORE® model is a 'made in Wales' commissioning method. Its registered trademark belongs to Cwm Taf University Health Board on behalf of NHS Wales.

predominant focus on the latter stages of the ambulance pathway, such as, ambulance handovers. I reported that WAST is properly responding to agreements set out by EASC, however, health boards' compliance with and level of understanding of the requirements set out in CAREMORE® vary.

- 84 My work found that commissioning arrangements are underpinning some improvements to emergency ambulance services. The introduction of the new clinical response model is supporting partners to achieve Welsh Government performance targets, with the potential for further performance improvements from other recently agreed initiatives. Planned service changes and performance monitoring of partners are now increasingly aligned with the Ambulance Patient Care Pathway (referred to as the five-step model). But, more consistency is needed across health boards and it is too soon to say if this is having an impact. There is a significantly improved and broader set of measures which focus on activity and performance through the Ambulance Quality Indicators. However, partners are not yet doing enough to fully understand patients' outcomes and experience when receiving emergency ambulance care.

Collaborative arrangements for managing local public health resources do not work as effectively as they should do

- 85 My review of Public Health Wales' collaborative arrangements for managing local public health resources with the Directors of Public Health found that effective collaboration in relation to health improvement work is dependent upon consensual leadership, which is not always evident. In the overall public health system, a broad range of people and organisations contribute to protecting and improving health and wellbeing, and reducing health inequalities in Wales. No one organisation is wholly responsible for achieving improvements in population health and wellbeing but achievement is predicated on effective collaboration.
- 86 While it may not be desirable to identify a single system leader, there does need to be greater clarity over respective roles of the different stakeholders within the system. My work found that there is a lack of meaningful dialogue between the Public Health Wales NHS Trust (the Trust), local public health teams and Directors of Public Health about respective roles, responsibilities and an agreed framework about what work is best done collectively.
- 87 Currently, there is an absence of effective arrangements to ensure that value for money is being secured from the resources allocated to local public health teams. Meetings do not take place between the Trust and Directors of Public Health to discuss how resources to improve health and wellbeing are used and whether they deliver the intended benefit. My work also found a lack of robust methods for allocating or changing resources of local public health teams. Instead, ad hoc discussions take place as vacancies arise.
- 88 My work found that arrangements are in place to support professional registration of staff deployed across local teams, but more clarity is needed on how this is used to demonstrate professional competence and career progression. New

arrangements are also helping to strengthen appraisal processes and personal development planning but more needs to be done to assess the collective development needs of local public health teams.

- 89 Mechanisms for communicating and sharing information between the Trust and local public health teams are underdeveloped. There is no standardised approach for sharing information about what works well and what different players were doing at both a national and local level. My work also found a lack of arrangements for co-ordinating work developed or delivered locally or nationally, and communicating information to the same shared partners.
- 90 I have noted the collective and collaborative management response that has been prepared by the Trust, Health Boards and Welsh Government to my findings. I intend to undertake further work in 2018 to assess the progress that has been made to address the concerns identified above.

Appendix 1

Reports issued since my last annual audit report

Exhibit 4: reports issued since my last annual audit report

The following table lists the reports issued to the Health Board in 2017.

Report	Date
Financial audit reports	
Audit of Financial Statements Report – Health Board	May 2017
Opinion on the Financial Statements – Health Board	June 2017
Audit of Financial Statements Report - Charitable Funds Held on Trust	November 2017
Opinion on the Financial Statements – Charitable Funds Held on Trust	December 2017
Performance audit reports	
Radiology Services	June 2017
Emergency Ambulance Services Commissioning	April 2017
GP Out-of-Hours Services	March 2017
Collaborative Arrangements for Managing Local Public Health Resources	October 2017
Review of Discharge Planning	November 2017
Structured Assessment 2017	January 2018
Follow up Review of ICT Audits- Assessment of Progress	August 2017
Review of Follow up Outpatients- Assessment of Progress	March 2017
Diagnostic overview of Workforce Planning	February 2018
Other reports	
2017 Audit Plan	

Exhibit 5: performance audit work still underway

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

Report	Estimated completion date
Review of Primary Care	Summer 2018
Integrated Care Fund	November 2018
Estates management	May 2018

Appendix 2

Audit fee

The 2017 Audit Plan set out the proposed audit fee of £412,146 (excluding VAT). My latest estimate of the actual fee, on the basis that some work remains in progress, is that the fee will be in broadly in accordance with the fee set out in the outline.

Appendix 3

Significant audit risks

Exhibit 6: significant audit risks

My 2017 Audit Plan set out the significant financial audit risks for 2017. The table below lists these risks and sets out how they were addressed as part of the audit.

Significant audit risk	Proposed audit response	Work done and outcome
The Health Board has a duty to ensure that robust accounting records and internal controls are in place to ensure the regularity and lawfulness of transactions.	My audit team will test accounting records and internal controls relevant to the audit to ensure accuracy, regularity and lawfulness of transactions.	Accounting records and internal controls tested as planned and found to be robust. No evidence found of irregular or unlawful transactions.
The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk in accordance with International Standards on Auditing 240.	My audit team will: <ul style="list-style-type: none"> • test the appropriateness of journal entries and other adjustments made in preparing the financial statements; • review accounting estimates for biases; and • evaluate the rationale for any significant transactions that the audit identifies, which may potentially be outside the normal course of business. 	Audit work carried out as planned and no evidence found of management override of controls.
There is a risk of material misstatement due to fraud in revenue recognition and as such is treated as a significant risk in accordance with International Standards on Auditing 240.	My audit team will consider the Health Board's income streams and assess whether there is a risk of material misstatement due to fraud related to revenue recognition. Where we determine that such risks do exist we will undertake specific testing.	Audit work carried out as planned and no evidence found of misstatement due to fraud in revenue recognition.

Significant audit risk	Proposed audit response	Work done and outcome
<p>Based on our review of the Health Board's financial reporting and our discussions with senior officers, it seems likely that the Health Board will spend in excess of its revenue resource allocation. The month 9 cumulative position has improved significantly from month 8 by some £7.8 million. However, it still shows a year-to-date deficit of £4.7 million and forecasts a year-end deficit of £4.1 million. Therefore, there is a real risk that the Health Board will spend in excess of its annual revenue resource allocation.</p> <p>Under the NHS Finance (Wales) Act 2014, local health boards ceased to have annual resource limits with effect from 1 April 2014. Instead, 2014-15 and 2015-16 became the 'transitional' first two years under the new statutory financial duty not to exceed a rolling three-year resource limit. Accordingly, there could not have been any breach of a statutory resource limit in either of those two individual years. With effect from the 2016-17 financial year onwards, the provisions of the 2014 Act require me to compare the Health Board's cumulative expenditure for the year of account and the previous two years with the corresponding three-year resource limits for both revenue and capital.</p>	<p>My audit team will continue to monitor the Health Board's financial position for the 2016-17 financial year, and also for the cumulative position for the three years to 31 March 2017. This review would also take into account the impact of any relevant uncorrected misstatements over those three years.</p> <p>If the Health Board fails to meet the three-year resource limits for revenue and/or capital, I would expect to qualify my regularity opinion on the 2016-17 financial statements. I would also expect to place a substantive report on the statements to explain the basis of the qualification and the circumstances under which it had arisen.</p>	<p>Audit work confirmed that the Health Board met its annual revenue resource allocation and its financial target to break-even.</p>

Significant audit risk	Proposed audit response	Work done and outcome
<p>The current financial pressures on the Health Board, around its revenue and capital expenditure, and cash spend, increase the risk that management judgements and estimates could be biased in an effort to report within the financial limits put in place by the Welsh Government.</p>	<p>My audit team will identify those areas of the financial statements that they judge to be prone to reporting bias, and undertake focused audit testing where appropriate.</p>	<p>Focused audit testing carried out as planned and no evidence found of reporting bias.</p>
<p>There is risk around the calculation and disclosure of the Health Board's payment performance against the targets set out in the Welsh Government's Public Sector Payment Policy (PSPP).</p>	<p>My audit team will audit the PSPP disclosures and consider any implications that the cash pressures have on the Health Board's target. Some of this audit work will be undertaken by the auditors of NHS shared services.</p>	<p>Audit work carried out as planned. Our findings were reported in our Audit of Financial Statements report in June 2017 and the possibility that performance could be overstated.</p>
<p>The timetable for producing and certifying the annual report and accounts is demanding.</p> <p>The 2016-17 financial year is the second year of implementing HM Treasury's three-part reporting that is based on: a Performance Report, Accountability Report and Financial Statements.</p> <p>The Welsh Government has reviewed the requirements and logistics for 2016-17, with this year's requirements set out in the current consultation draft the 2016-17 Manual For Accounts.</p> <p>The Health Board will need to put in place appropriate arrangements to prepare the accountability report at the same time as the financial statements and ensure adequate working papers are provided for audit on a timely basis.</p>	<p>My audit team will work closely with Health Board staff to monitor progress, and seek to resolve any issues of timing as soon as possible so that the accounts certification timetable can be met.</p> <p>The Health Board's Annual Governance Statement is disclosed within the Accountability Report. My audit is required to review the governance statement to ensure that it complies with HM Treasury and Welsh Ministers' guidance. As part of the audit work I review the statement to ensure that it is consistent with audit results, and my knowledge and understanding of the Health Board.</p>	<p>Audit work carried out as planned and we worked closely with Health Board staff to monitor progress, agree a timetable and ensure that the deadlines were met.</p>

Significant audit risk	Proposed audit response	Work done and outcome
<p>The annual accounts are compiled under International Financial Reporting Standards (IFRS) and the NHS Manual for Accounts. The Health Board must have a full understanding of these requirements, keeping up to date with changes and ensuring that risks and issues are identified and dealt with appropriately.</p> <p>Specific risk areas include:</p> <ul style="list-style-type: none"> • estimates, particularly for the continuing healthcare provision and primary care expenditure; • capital developments, with complex accounting requirements; • significant transactions with related parties; • the consideration and approval of contracts valued at more than £1 million; and • accuracy and completeness of the Remuneration Report, including exit packages and changes to Executive Members during the year. 	<p>My audit team will audit the financial statements with particular focus on these risk areas, by undertaking focused testing.</p>	<p>Focused audit testing carried out as planned on the relevant areas of the financial statements and no issues identified.</p>

Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Text phone.: 029 2032 0660

E-mail: info@audit.wales

Website: www.audit.wales

Swyddfa Archwilio Cymru
24 Heol y Gadeirlan
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn testun: 029 2032 0660

E-bost: post@archwilio.cymru

Gwefan: www.archwilio.cymru