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Annual Audit Report 2017 – **Hywel Dda University Health Board**

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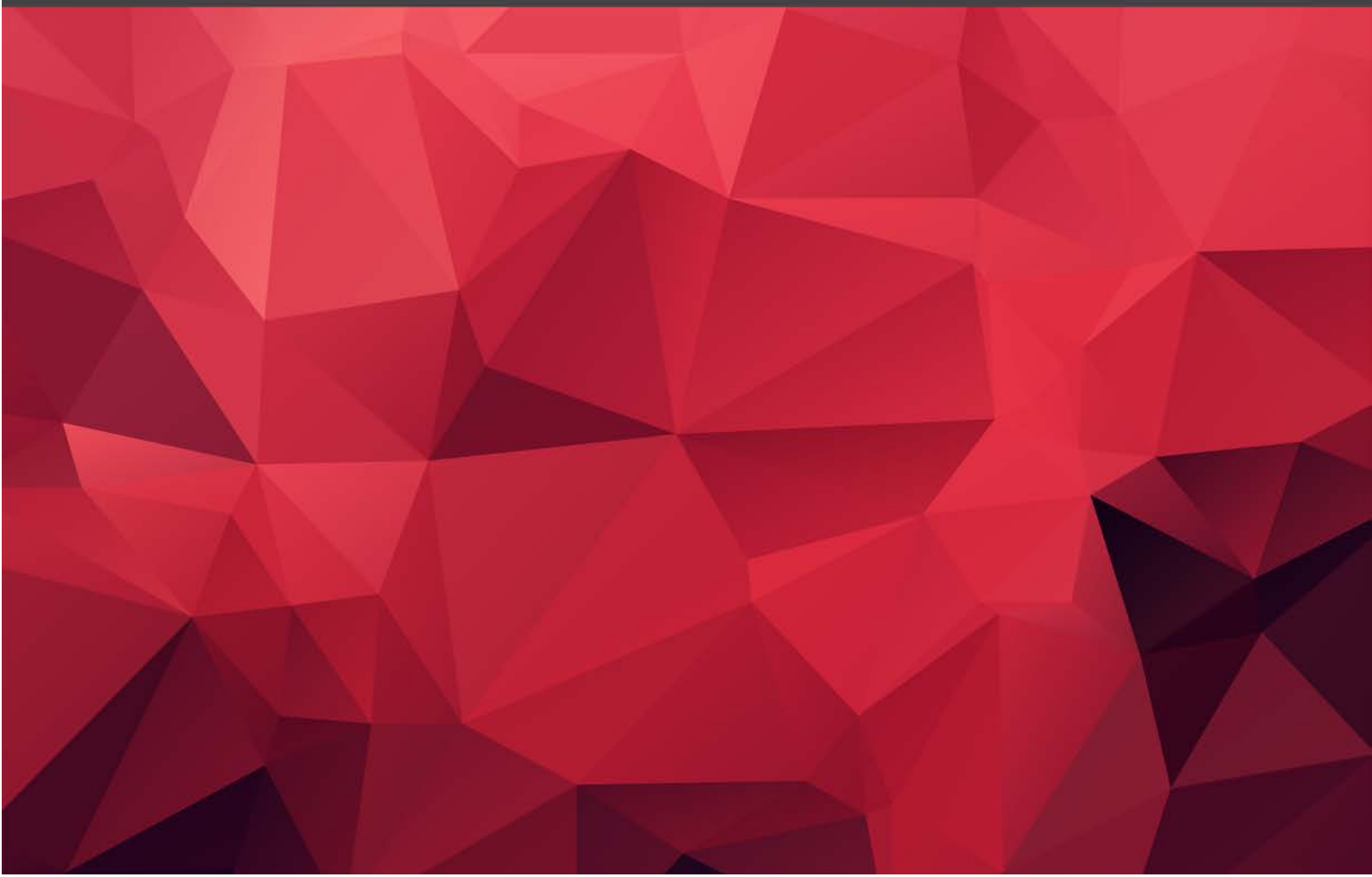

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Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

The team who helped me prepare this report comprised, Anne Beegan, Jeremy Saunders. Dave Thomas and Ann-Marie Harkin

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Summary report

Summary

1 This report summarises my findings from the audit work I have undertaken at Hywel Dda 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 work. 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 and Risk Assurance Committee on 9 January 2018. The Board will receive the report at the Board meeting on 25 January 2018 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 a qualified opinion on the 2016-17 financial statements of the Health Board, and in doing so I have brought several issues to the attention of officers and the Audit Committee.

6 The qualification relates solely to the regularity opinion and is because the Health Board failed to achieve the first of its two statutory duties under the 2014 NHS (Wales) Finance Act, which requires the Health Board to achieve financial balance for the three-year period ending 2016-17.

7 Alongside my audit opinion, I placed a substantive report on the Health Board's financial statements to highlight its failure to meet its financial duties.

8 I have also concluded that the Health Board's accounts were properly prepared and materially accurate.

9 My work did not identify any material weaknesses in the Health Board's internal controls relevant to my audit of the accounts.

10 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

11 I 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 faces significant financial pressures and the approach to planning and delivering savings, while strengthening, is not yet helping it to recover its deficit financial position

12 Key findings from my review of the Health Board's arrangements for planning and delivery of financial savings are as follows:

- although savings performance in 2017-18 looks more promising, historical overspends against resource limits means that the Health Board is forecast to have an increasing cumulative deficit of £139.7 million by March 2018;
- previous arrangements for planning and delivering savings have been neither effective nor sustainable, but there are signs of improvement since the introduction of the turnaround process with opportunity to increase the focus on service transformation, improving value, efficiency and reducing waste; and
- while arrangements to monitor and scrutinise savings are being strengthened, they are not yet sufficiently embedded and there remains more work to do at an operational level.

The Board has continued its work to define its assurance requirements and strategic plans are progressing, but operational structures and performance management arrangements need to be further developed

13 Key findings from my review of the Health Board's governance and assurance arrangements are as follows:

- the Health Board is starting to develop its long-term strategy but this is not progressed enough to inform the next round of planning, and more work is needed to monitor annual plan delivery at an operational level;
- the Health Board's revised organisational structure is maturing but could benefit from closer working between corporate and operational services;
- Board assurance arrangements continue to evolve and plans are in place to improve the effectiveness of committees, although overall Board effectiveness is generally sound;

- risk management arrangements continue to strengthen but more needs to be done at an operational level;
- information governance arrangements support compliance with current legislation, but meeting the significant challenges of new General Data Protection Regulations (GDPR) and Cyber Essentials requirements will be challenging within the current resources;
- the Health Board's performance management arrangements need strengthening at an operational level to enable the necessary assurances to be given to the Board and its committees;
- as a result of staffing issues, the Health Board has made limited progress in its use of the National Fraud Initiative (NFI) to detect fraud and overpayments but this has recently improved; and
- the Health Board is making steady progress in addressing the issues identified in last year's structured assessment and has effective arrangements in place to track audit recommendations.

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

14 Key findings from my performance audit reviews are as follows:

- the Health Board has taken significant steps to improve stakeholder engagement, and strengthen its informatics arrangements, but is still reliant on external capacity to drive change and needs to develop its workforce further;
- whilst the radiology service is well managed operationally, there are risks to current and future service delivery because of increasing demand, reporting backlogs, recruitment issues and an IT system that does not meet the Health Board's needs;
- there are weaknesses in governance arrangements and workforce issues that threaten the sustainability of the GP out-of-hours service; and my team found scope to improve public messages about the service, aspects of call taking and the interfaces with other services;
- there is some improvement in key performance measures that relate to discharge planning and patient flow but it will be some time before improvement initiatives take full effect;
- the Health Board has made steady progress in addressing recommendations from previous audit work although progress can be slow and important actions remain outstanding in relation to the management of follow-up outpatients;
- 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; and

- collaborative arrangements for managing local public health resources do not work as effectively as they should.

15 We 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

16 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.

17 I undertake my work at the Health Board in response to the requirements set out in the 2004 Act[1]. 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.

18 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).

19 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.

20 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

21 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.

22 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

23 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.

24 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.

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

I have issued a qualified regularity opinion on the 2016-17 financial statements of the Health Board, and in doing so, I have also brought several issues to the attention of officers and the Audit Committee and placed a substantive report alongside my audit opinion

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

26 I received draft accounts on the deadline day and the supporting working papers were of good quality.

27 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 and Risk Assurance Committee on 1 June 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	There were no uncorrected misstatements.
Corrected misstatements	There were several adjustments made to the draft accounts which in the main related to additional narrative to provide more clarity.
Other significant issues	I qualified my regularity opinion and issued a substantive report because the Health Board did not achieve its financial duty to achieve financial balance for the three years ending 2016-17.

28 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.

29 My separate audit of the charitable funds financial statements is complete and I issued an unqualified opinion on the accounts in December 2017.

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

30 I reviewed the Health Board's internal controls that I considered relevant to the audit to help me identify, assess and respond to the risks of material misstatement in the accounts. I did not consider them however 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

31 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 and discharge 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, and reviewing the Health Board's arrangements for tracking progress against external audit recommendations.

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

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

The Health Board faces significant financial pressures and the approach to planning and delivering savings, while strengthening, is not yet helping it to recover its deficit financial position

34 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. I have also reviewed progress made in addressing previous structured assessment recommendations relating to financial management. I summarise my findings below.

Although savings performance in 2017-18 looks more promising, historical overspends against resource limits means that the Health Board is forecast to have an increasing cumulative deficit of £139.7 million by March 2018

35 My structured assessment work reported that the Health Board has not achieved in-year financial balance since 2013-14, with a three-year deficit position of £88.3 million for the period 2014-17. It does not expect to achieve in-year financial balance in 2017-18, with a current planned deficit of £58.9 million, although this is an improved position compared to the planned deficit in the previous year. The Health Board's three-year deficit position for the period 2015-18 has however increased to £139.7 million.

36 The Health Board has had a poor track record of delivering the savings targets it has identified and this record has deteriorated up to March 2017. Over the last five years, the Health Board has set ambitious savings targets. It has been unsuccessful in delivering these targets yet, in most years, it has set targets greater than that achieved in previous years. The shortfall has been more significant in recent years, and unplanned growth in service costs has added to the financial deficit.

37 My team found that there was a high degree of variation in the success of savings plans for 2016-17. The Health Board agreed a savings plan that totalled £29.4 million but only achieved £8.9 million. Some schemes over-achieved savings targets and others under-achieved. This indicates that the Health Board has significant scope to further improve its savings planning and delivery arrangements.

38 The Health Board's savings schemes do not bridge its resource gap and the position for 2017-18 and beyond is looking very challenging. At month six, the Health Board was planning on savings worth £26.4 million, with a further £1.8 million of unidentified savings. The Health Board expects to meet its planned £58.9 million deficit but the run rate at month six would suggest a year-end deficit of £67.7 million. The Health Board is currently processing additional financial recovery measures, and a recent paper to the Board indicated that the projected year-end deficit has reduced to £62 million.

Previous arrangements for planning and delivering savings have been neither effective nor sustainable, but there are signs of improvement since the introduction of the turnaround process with opportunity to increase the focus on service transformation, improving value, efficiency and reducing waste

39 My team identified that corporate leadership and management of savings has been ineffective in recent years, with a lack of ownership of savings plans. A more strategic and transformational approach was urgently needed, along with improved accountability, to ensure greater staff buy-in to the financial challenge.

40 The introduction of the Transformation Programme, along with the appointment of the Turnaround Director, has now improved the focus on transformational change to place the Health Board on an improved financial footing. The Turnaround capacity however has been limited although the now established programme management office will start to play a more active role in supporting the Turnaround agenda.

41 My work identified that the Health Board needs to strengthen it arrangements to support budget holders identify savings and manage within their overall budget on a day-to-day basis. The role of the finance team to support operational staff is historic, not extending beyond providing financial information for budget holders. This approach does not provide the necessary support and challenge to operational teams, although steps are being taken to change this through an organisational change process.

42 The absence of zero-based budgeting within directorates has hampered the ability to identify efficient and inefficient areas to ensure that data on opportunities for cost improvements accurately informs the identification and design of savings plans. Although the Health Board has been able to make use of benchmark data to identify technical efficiencies, such as prescribing costs, and efficiencies in outpatients and operating theatres have now started to be identified.

43 Spreading good practice and sharing learning in relation to financial savings is improving but it needs to be fully embedded and happen with a greater pace. The Health Board's approach to saving and financial planning has broadly remained the same for a number of years. Up until recently, the Welsh Government's 'Invest to Save' schemes have not been used, nor have there been any internal invest to save initiatives or reward schemes. The Health Board has, however, shown willingness to embrace prudent and value based healthcare principles, but this is not yet embedded into service planning.

While arrangements to monitor and scrutinise savings are being strengthened, they are not yet sufficiently embedded and there remains more work to do at an operational level

44 Along with the Board, the Business Planning and Performance Assurance Committee (BPPAC) has responsibility for the scrutiny of the Health Board's financial position, but the time allowed on the BPPAC agenda has gradually reduced. A new finance sub-committee has recently been established to ensure that the Health Board's financial position is given sufficient attention.

45 Since the appointment of the Turnaround Director, fortnightly 'holding to account' meetings are held with the operational directorates and corporate services. This process has added some much-needed scrutiny to the savings process at an operational level, but a greater focus on the financial position needs to be embedded within the directorate and service level governance meetings, and respective performance management reviews.

The Board has continued its work to define its assurance requirements and strategic plans are progressing, but operational structures and performance management arrangements need to be further developed

46 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 is starting to develop its long-term strategy but this is not progressed enough to inform the next round of planning, and more work is needed to monitor annual plan delivery at an operational level

47 The Health Board failed to achieve an approved three-year Integrated Medium Term Plan for 2017-2020, and therefore failed to meet the second of its two statutory duties under the 2014 NHS (Wales) Finance Act, in part due to a lack of a clinical services strategy. Instead, the Health Board sought agreement to progress to an Annual Operating Plan (AOP), which Welsh Government approved in June 2017.

48 The Health Board's 2017-18 AOP consists of a series of action plans, and it is the responsibility of the BPPAC to scrutinise the delivery of these action plans on behalf of the Board. The action plans are comprehensive and identify where delivery is off track, but the development of these plans has been uncoordinated and there is limited tracking of progress at an operational level. The Health Board has recognised that it needs to strengthen the development of its plans for the next planning cycle.

49 In 2017, the Health Board established its Transformation Programme, which encompasses its programme of work to develop a clinical services strategy for the future. The work is only at the design stage and will not be ready to inform the development of the 2018-2021 Integrated Medium Term Plan. The Health Board is currently developing its AOP for 2018-19, which it aims to develop in line with Welsh Government timescales.

The Health Board's revised organisational structure is maturing but could benefit from closer working between corporate and operational services

50 The Health Board's executive team is almost at full complement, with the Director of Therapies and Health Sciences appointed and due to take up post in the New Year, and recruitment currently taking place to fill the Director of Primary, Community and Long Term Care post substantively. The new Directors of Public Health and Nursing, Quality and Patient Experience both took up post in the summer, and a new post of Turnaround Director was created and appointed to also in the summer period. My structured assessment work identified that the senior management team however is large in comparison and does require directors to be very clear on each other's roles and responsibilities. Directors are still working through their responsible portfolio areas, increasingly identifying opportunities to have a greater impact on the running of the Health Board by collaborative working. There is also scope for some of the executive team to be more visible across the Health Board.

51 At an operational level, the triumvirate teams are now in place at a directorate and service level, although the structure relies on a significant degree of communication to ensure cross-organisational working. The teams are at various levels of maturity and clinicians in post still need to develop their leadership skills.

This is placing a considerable amount of pressure on the Director of Operations. In addition, some of the corporate functions need to be more integrated with the directorates to provide the necessary support and challenge to help them manage all of their resources.

Board assurance arrangements continue to evolve and plans are in place to improve the effectiveness of committees, although overall Board effectiveness is generally sound

52 The Health Board recognises that it needs to improve its assurance flows and integrate new board members. There has been some turnover of independent members (IMs), with three new members appointed during the year. The Chair has managed this process effectively and the Health Board has not experienced the extent of IM turnover that other NHS bodies have, which is positive. Work is underway to develop the independent members through training and organisational development work, which alongside similar work with the executive team will help shape the Board into a high performing board.

53 My team reported that the Health Board recognises that its committees need to improve to ensure that the Board receives the necessary assurances. Work is already underway to reconfigure the Quality, Safety and Experience Assurance Committee (QSEAC) and two new sub-committees have been set up to improve the effectiveness of the BPPAC.

Risk management arrangements continue to strengthen but more needs to be done at an operational level

54 The Health Board launched a new risk management framework in September 2017, and a development session with the Board has revisited its appetite for risk and risk tolerance. Improvements have been made to the corporate risk register since my 2016 structured assessment work, and risks are considered at an operational level. However, work is now needed to refine risks at an operational level, and risk review dates in registers are sometimes out of date.

Information governance arrangements support compliance with current legislation, but meeting the significant challenges of new General Data Protection Regulations (GDPR) and Cyber Essentials requirements will be challenging within the current resources

55 My team found that the new information governance team that was put in place in October 2016 is helping to drive through the information governance agenda. A review of current policies is underway and action is being taken to ensure that the Health Board complies with new legislation by May 2018. However, a considerable amount of work is required and the Health Board is having to prioritise how this resource is used between now and next May.

The Health Board's performance management arrangements need strengthening at an operational level to enable the necessary assurances to be given to the Board and its committees

56 The September Board meeting approved a revised draft performance management, which sets out the role of the BPPAC in seeking assurances. Operational performance rests with the Director of Operations through a scheduled programme of performance management reviews. These reviews aim to hold directorates to account for delivering safe and effective services; however, my team found that the time allocated is not sufficient and the metrics used to measure performance need expanding. Performance against national targets remains mixed, although globally the Health Board's performance has improved compared to previous years.

57 Although supported by the Director of Nursing, Quality and Patient Experience, the performance management reviews would benefit from wider involvement and collective ownership from the executive management team to increase the level of scrutiny and challenge of the operational directorates. The directorates' own governance arrangements also need to be improved to ensure consistency in the extent to which performance of their respective departments is considered.

As a result of staffing issues, the Health Board has made limited progress in its use of the National Fraud Initiative to detect fraud and overpayments but this has recently improved

58 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.

59 Participating bodies submitted data to the current NFI data matching exercise in October 2016. I released the outcomes of the exercise to participating bodies in January 2017. The Health Board is a mandatory participant in the NFI.

60 In January 2017, the Health Board received 7,223 data-matches through the NFI web application. Data-matches highlight anomalies which when reviewed can help to identify fraud and error. Whilst I would not expect organisations to review all data-matches, some of the matches are categorised as 'recommended matches'. These are matches considered to be of high risk and therefore recommended for early review. I identified 501 'recommended matches' for the Health Board.

61 The NFI web-application, which records the findings of the Health Board's review of its data-matches, shows that the Health Board had made limited process in reviewing the data-matches, particularly focusing on payroll-to-payroll matches. The Health Board has also not made progress in reviewing creditor payment matches, which can help to identify duplicate payments. Furthermore, 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. I recognise that the Health Board has experienced delays in the NHS Wales Shared Services Partnership identifying a suitable contact to lead on the creditor matches, which account for the majority of the NFI matches. I also recognise that because of turnover within the local counter fraud service, there have been delays in responding to the remainder of the matches. These issues have now been resolved and in discussion with the Health Board, I am assured that the Health Board will now review these data-matches as a matter of urgency.

The Health Board is making steady progress in addressing the issues identified in last year's structured assessment and has effective arrangements in place to track audit recommendations

62 The Health Board has made reasonable progress in addressing the recommendations in last year's structured assessment work. Of the twelve recommendations, two are complete, and 10 are in progress but are not yet complete. This progress is broadly consistent with the progress update presented by the accountable officer to the Audit and Risk Assurance Committee.

63 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 other audit and inspection bodies, including HIW and the Delivery Unit.

64 The Audit and Risk Assurance Committee held an extraordinary meeting in November 2017 to seek assurance and to challenge accountable officers on the pace of addressing my outstanding recommendations. The relevant monitoring committee also receives individual progress updates. My team are currently undertaking work to provide additional assurance that the progress updates by accountable officers accurately reflect the status of a sample of recommendations.

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

The Health Board has taken significant steps to improve stakeholder engagement, and strengthen its informatics arrangements, but is still reliant on external capacity to drive change and needs to develop its workforce further

65 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 enables from structured assessment

The following table summarises the key findings on use of resource enablers from structured assessment.

Issue	Summary of findings
Change management capacity	The Health Board's Transformation Programme is its vehicle for service change, supported by its programme management office (PMO) but it is still reliant on the use of external consultancy support and expertise.
Workforce planning	Although there are improvements in sickness absences and medical staff appraisals, the Health Board continues to have a number of staffing challenges. This includes vacancy rates, the use of temporary staff, non-medical appraisals and mandatory training compliance. The Health Board also needs to do more to transform its workforce.
Partnership and stakeholder engagement	The Health Board is taking an open and proactive approach to stakeholder engagement and is working positively with its partners.
ICT and use of technology	The Health Board has made concerted efforts over the last year to strengthen its informatics arrangements and pick up the pace in delivering its digital strategy but it is too early to say how effective these steps will b.e

Whilst the radiology service is well managed operationally, there are risks to current and future service delivery because of increasing demand, reporting backlogs, recruitment issues and an IT system that does not meet the Health Board's needs

66 My work on radiology services found that patients have good access to radiology services, with the exception of ultrasound services, for which there is no out of hours service. The time patients have to wait for their radiological examination has fallen over time, with no patients waiting longer than eight weeks. However, reporting time targets are regularly unmet, despite the Health Board outsourcing reports. The Health Board regularly reviews clinical activity but there are opportunities to strengthen the arrangements for planning and prioritising reviews across all areas of activity. Processes are in place for recording and investigating incidents and complaints relating to radiology services, but the Health Board is not proactive in seeking patient views and staff feedback highlights concerns about the patient environment at Glangwili and Bronglais hospitals.

67 The Health Board reports that demand for radiology services has increased but due to the difficulties in extracting management data from RADIS[2], it is not currently able to quantify this. To manage demand, written guidance is available for referrers although issues with the quality of referrals suggest that this is insufficient or not well used. My work found that there is a process in place to ensure optimal use of appointment slots but a lack of an integrated IT system across the Health Board means that this is not as efficient as it could be. Radiologist staffing levels have remained static despite a growth across the rest of Wales. This, along with high radiologist and radiographer vacancy levels and an older workforce creates financial and service risks now and potentially in the future. The Health Board has fewer radiologists but more radiographers in post than the Welsh average. Both groups are doing more examinations than the Welsh average. Appraisal rates are generally good but compliance with mandatory and statutory training is poor. The Health Board has more CT and MRI scanners and less US scanners per head of population than the Welsh average but their routine use for all modalities is limited to traditional opening hours.

68 My team found that there is a draft strategy for the radiology service but no annual plan or workforce plan. The strategy does not adequately set out current and future demand for the service. Managerial arrangements are clear but have been in place for a relatively short time after a period of organisational instability. Service issues are discussed by key Health Board committees but the service could adopt a more proactive approach to ensuring committees are aware of the issues facing the service as a whole. In recent years, the service has overspent against its budget and planned savings have not been achieved. The Health Board does not have an equipment replacement programme for radiology in place and although equipment is not an immediate concern, the majority will need replacing within five years. Generally, radiology ICT systems do not service the Health Board's needs, which is exacerbated by problems with the underlying infrastructure. There is scope for the Health Board to improve the way it reports performance.

There are weaknesses in governance arrangements and workforce issues that threaten the sustainability of the GP out-of-hours service; and my team found scope to improve public messages about the service, aspects of call taking and the interfaces with other services

69 My review of GP out-of-hours services found that the Health Board has a service action plan but many of its actions are overdue. Wider unscheduled care work mainly focuses on GP out-of-hours when remedial action is needed, instead of taking a proactive, developmental approach. In addition, my team identified that there are weaknesses in clinical and operational leadership arrangements, although engagement from executives in GP out-of-hours was increasing. At the

[2] RADIS is the recognised name of the RADiology Information System

time of my work, the Health Board was not robustly performance managing the GP out-of-hours service and there was insufficient clinical audit.

70 The Health Board's GP out-of-hours service has a largely traditional staffing model and struggles to fill shifts. There is scope to improve morale, strengthen staff support arrangements and address feelings of inequity across counties. The Health Board's GP out-of-hours expenditure is comparatively high and has increased over time. Spend is also considerably more than the notional funding the Health Board receives from Welsh Government.

71 There is scope to do more to help patients access GP out-of-hours services appropriately by providing better information and by ensuring in-hours GP surgeries open for the entirety of their core hours. The Health Board is not yet meeting the standard for answering calls quickly and patients that contact GP out-of-hours frequently terminate their calls. Hywel Dda GP out-of-hours patients are less likely to have their needs completely met on the phone than in Wales as a whole and counties differ considerably in managing triage and call taking. The Health Board is ensuring it provides the majority of appointments and home visits in a timely way. However, the Health Board is performing comparatively poorly in seeing 'very urgent' patients within an hour. Patients are less likely to be referred to other services from out-of-hours compared to the rest of Wales and there is a need to improve the interface and relationship with emergency departments

There is some improvement in key performance measures that relate to discharge planning and patient flow but it will be some time before improvement initiatives take full effect.

72 My work identified that there are comprehensive plans in place to improve discharge planning across the Health Board, supported by a range of improvement initiatives and investment. Formal discharge pathways, developed and agreed with local authority partners, are being rolled out, although there is scope to strengthen the Discharge and Transfer of Care Policy when it is next updated.

73 Dedicated multidisciplinary resources are in place to support discharge planning, and discharge lounges are available to facilitate the discharge process but these appear to be underutilised. Ward staff are confident about what needs to be done to support safe and timely discharge and have a good understanding of the landscape of community services available to support patients after discharge, but training on discharge planning is infrequent while some challenges, like reliance on agency staff, make discharge planning more difficult

74 There are clear lines of accountability for discharge planning with regular scrutiny of performance both strategically and operationally. A range of information related to discharge planning and patient flow is regularly presented to the Board and Board members feel well informed. Overall, performance related to discharge planning and patient flow is improving slowly but there is more to do to reduce lengths of stay and waits in the Health Board's emergency departments.

The Health Board has made steady progress in addressing recommendations from previous audit work although progress can be slow and important actions remain outstanding in relation to the management of follow-up outpatients

75 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 paragraphs 61-62, my work has found that the Health Board is making steady progress in addressing recommendations from previous audit work, although at times progress can be slow. Of the outstanding recommendations presented to the extraordinary Audit and Risk Assurance Committee in November 2017, the Health Board had fully completed 64 recommendations, three were partially completed but 32 were outstanding. A further three recommendations were still to be delivered but remained within the planned timescales.

76 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

Area of follow-up work	Conclusions and key audit findings
Progress update of follow-up outpatients	The Health Board has made slow progress in addressing recommendations made in our 2015 report, with more action required to establish the level of risk associated with delayed follow-ups, improve reporting and quicken the pace of service improvement.

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

77 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®[3] 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. Moreover, although the formation of EASC has supported all-Wales ownership of emergency ambulance services, my team

[3] 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.

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 affecting attendance by health board staff and the ability of the subgroups to make a meaningful contribution.

78 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 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.

79 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). However, 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

80 My review of collaborative arrangements between Public Health Wales NHS Trust (the Trust) and health boards for managing local public health resources 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.

81 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 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.

82 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.

83 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.

84 Mechanisms for communicating and sharing information between the Trust and local public health teams are underdeveloped. There is no standardised approach for sharing intelligence 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.

85 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 my recommendations.

Appendix 1

Reports issued since my last annual audit report

Exhibit 4: reports issued since my last annual audit report

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

Report	Date
Financial audit reports	
Audit of Financial Statements Report	June 2017
Opinion on the Financial Statements	June 2017
Performance audit reports	
Radiology Services	April 2017
Emergency Ambulance Services Commissioning	April 2017
GP Out-of-Hours Services	April 2017
Collaborative Arrangements for Managing Local Public Health Resources	October 2017
Review of Discharge Planning	October 2017
Structured Assessment 2017	December 2017
Progress update of Follow-up Outpatients	December 2017
Other reports	
2017 Audit Plan	March 2017

Exhibit 5: performance audit work still underway and estimated completion dates

Performance reports that are still underway at the health board with estimated dates for completion of work

Report	Estimated completion date
Progress update of previous ICT audit recommendations	January 2018
Progress update of previous audit recommendations relating to district nursing, maternity services, orthopaedics and operating theatres	March 2018
Review of Primary Care	June 2018
Cross-cutting review of the Integrated Care Fund	October 2018

Appendix 2

Audit fee

The 2017 Audit Plan set out the proposed audit fee of £401,355 (excluding VAT). My latest estimate of the actual fee, on the basis that some work remains in progress, is 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 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 risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].	My audit team will: • 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 outside the normal course of business.	My audit team: • tested journal entries; • reviewed accounting estimates, particular primary care payments; and • did not identify any transactions outside of the normal course of business. No matters arose from the work carried out.
There is a risk of material misstatement due to fraud in revenue recognition and as such is treated as a significant risk [ISA 240.26-27]	My audit team will: • review and test the individual funding and income streams received by the Health Board; and • consider whether all funding and income streams have been identified.	My audit team reviewed income streams for completeness and tested for accuracy. No matters arose from the work carried out.
There is a significant risk that the Health Board will fail to achieve its forecast out-turn. The month 9 position showed a year-to-date deficit of £43.842 million and forecast a year-end deficit of £51.815 million. I am likely to need to qualify my regularity opinion on the Health Board's accounts, as it will fail its financial duty to remain within its three-year resource limit.	My audit team will focus its testing on areas of the financial statements, which could contain reporting bias.	My audit team reviewed year-end transactions, in particular accruals and cut-off. No matters arose from the work carried out.

Significant audit risk	Proposed audit response	Work done and outcome
The current financial pressures on the Health Board increase the risk that management judgements and estimates could be biased in an effort to achieve the resource limit.		

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