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Annual Audit Report 2016 – Hywel Dda University Health Board

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The team who helped me prepare this report comprised Jeremy Saunders, Tracey Davies, 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 2016.
- 2 The work I have done at the Health Board allows me to discharge my responsibilities under the Public Audit (Wales) Act 2004 (the 2004 Act) in respect of the audit of accounts and the Health Board's arrangements to secure efficiency, effectiveness and economy in its use of resources.
- 3 My audit work has focused on strategic priorities as well as the significant financial and operational risks facing the Health Board, and which are relevant to my audit responsibilities. More detail on the specific aspects of my audit can be found in the separate reports I have issued during the year. These reports are discussed and their factual accuracy agreed with officers and presented to the Audit and Risk Assurance Committee. The reports I have issued are shown in [Appendix 1](#).
- 4 This report has been agreed for factual accuracy with the Chief Executive and the interim Director of Finance. It will then be presented to the January 2017 Board meeting and a copy provided to every member of the Health Board. We strongly encourage wider publication of this report by the Health Board. Following Board consideration, the report will also be made available to the public on the [Wales Audit Office website](#).
- 5 The key messages from my audit work are summarised under the following headings.

Section 1: audit of accounts

- 6 I have issued an unqualified opinion on the 2015-16 financial statements of the Health Board.
- 7 In addition, I placed a substantive report on the Health Board's financial statements alongside my audit opinion. My report explains the two new financial duties introduced on 1 April 2014 by the NHS Finance (Wales) Act 2014, the Health Board's performance against them, and the implications for 2016-17.
- 8 I have also concluded that the Health Board's accounts 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.
- 9 The Health Board did not achieve financial balance at the end of 2015-16. I set out more detail about the financial position and financial management arrangements in section 2 of this report.

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

10 I have reviewed the Health Board's arrangements for securing efficiency, effectiveness and economy in the use of its resources. This includes my structured assessment work which has examined the Health Board's financial management arrangements, its governance and assurance arrangements, and the progress made in relation to the improvement issues identified last year. Performance audit reviews have also been undertaken on specific areas of service delivery. This work has led me to draw the following conclusions:

The Health Board's financial management arrangements are generally satisfactory but it continues to struggle to establish a sustainable financial position and is heading for a cumulative three year deficit of some £90 million

- 11 Key findings from my review of the Health Boards financial management arrangements are as follows:
- The Health Board continues to improve financial planning but the lack of a detailed clinical services strategy hampers its ability to establish longer-term balanced financial plan;
 - Financial reporting arrangements provide robust information for board decision making;
 - Despite intense scrutiny and challenge, financial performance is deteriorating mainly as a result of the Health Board's struggle to reduce variable pay and it is heading for a cumulative three-year deficit of some £90 million; and
 - The Health Board's in-year financial controls operate effectively to ensure appropriate stewardship.

The Health Board has strengthened its governance arrangements and it is putting in place the foundations to address planning and delivery challenges although there is still much work to do in several areas

- 12 Key findings from my review of the governance and assurance arrangements are as follows:
- The Health Board is laying some sound foundations to deliver service change, although it has a lot of work to do including addressing critical capacity gaps and agreeing a clinical services strategy;

- Board assurance has been significantly strengthened and committees are generally effective but the framework for risk and assurance needs to be strengthened at a sub-committee level; and
- The Health Board has made reasonable progress in addressing the issues identified in last year's Structured Assessment but progress against some of the External Governance Review and other recommendations has been slower than planned.

While my performance audit has identified examples of good practice and positive developments, there are a number of improvement opportunities, particularly in relation to addressing my previous recommendations

- 13 Key findings from my performance audit reviews are as follows:
- The Health Board has improved its strategic approach to managing its estate, but needs to underpin this with stronger operational arrangements to show the service is value for money;
 - Management of the use of temporary staff, related costs and quality arrangements has improved but there is more that the Health Board can do in all areas and it is not yet clear if improvements will be sustained;
 - The Health Board has made improvements to catering and patient nutrition although the pace of change has been slow in some areas. There is scope to further improve aspects of the mealtime experience, strategy implementation, monitoring of the pathway and Board reporting; and
 - The Health Board has more to do to embed its consultant job planning processes across the organisation, to secure the intended benefits of the consultant contract and to implement all my previous national and local recommendations.
- 14 We gratefully acknowledge the assistance and cooperation of the Health Board's staff and members during the audit.

Detailed report

About this report

- 15 This Annual Audit Report 2016 to the board members of the Health Board sets out the key findings from the audit work that I have undertaken between December 2015 and December 2016.
- 16 My work at the Health Board is undertaken 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.
- 17 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; and
 - the results of the work of other external review bodies, where they are relevant to my responsibilities.
- 18 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](#).
- 19 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
- 20 [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 2016 Audit Plan.
- 21 Finally, [Appendix 3](#) sets out the significant financial audit risks highlighted in my 2016 Audit Plan and how they were addressed through the audit.

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

Section 1: audit of accounts

- 22 This section of the report summarises the findings from my audit of the Health Board's financial statements for 2015-16. 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.
- 23 In examining the Health Board's financial statements, I am required to give an opinion on:
- whether they give a true and fair view of the financial position of the Health Board and of its income and expenditure for the period in question;
 - whether they are free from material misstatement – whether caused by fraud or by error;
 - whether they are prepared in accordance with statutory and other requirements, and comply with all relevant requirements for accounting presentation and disclosure;
 - whether that part of the remuneration report to be audited is properly prepared; and
 - the regularity of the expenditure and income.
- 24 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 2015-16 financial statements of the Health Board, although in doing so, I have placed a substantive report alongside my audit opinion

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

- 25 The draft accounts were received from the Health Board on the agreed date of 29 April 2016.
- 26 I am required by ISA 260 to report issues arising from my work to those charged with governance before I issue my audit opinion on the accounts. My Financial Audit Engagement Lead reported these issues to the Health Board's Audit and Risk Assurance Committee on 1 June 2016. **Exhibit 1** summarises the key issue set out in that report.

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

Issue	Auditors' comments
Evidence to support audit testing	Some of the evidence supplied by Health Board staff to support our audit testing requirements was not always timely or adequate. This was mainly relating to evidence held by Shared Services Accounts Payable. We have worked with the Health Board staff to rectify this for 2016-17.

- 27 As part of my financial audit, I also undertook the following reviews:
- Whole of Government Accounts return – I concluded that the counterparty consolidation information was consistent with the financial position of the Health Board at 31 March 2016; and
 - summary financial statements and annual report – I concluded that the summary statements were consistent with the full statements and that the annual report was compliant with Welsh Government guidance.
- 28 My separate audit of Hywel Dda charitable funds financial statements was completed in September 2016 and I issued an unqualified opinion. It was pleasing to note that the issues raised during the 2014-15 audit had all been addressed.

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

- 29 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 their 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

- 30 I have a statutory requirement to satisfy myself that NHS bodies have proper arrangements in place to secure efficiency, effectiveness and economy in the use of their resources. I have undertaken a range of performance audit work at the Health Board over the last 12 months to help me discharge that responsibility. This work has involved:
- reviewing the Health Board's financial management arrangements, including the progress being made in delivering cost saving plans and their contribution to achieving financial balance;

- assessing the effectiveness of the Health Board's governance and assurance arrangements through my structured assessment work, including review of the progress made in addressing structured assessment recommendations made last year;
- specific local audit reviews, which include a review of management of estates and management of temporary staff; and
- assessing the progress the Health Board has made in addressing the issues identified by previous audit work and reviewing the Health Board's wider arrangements for tracking progress against external audit recommendations.

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

The Health Board's financial management arrangements are generally satisfactory but it continues to struggle to establish a sustainable financial position and is heading for a cumulative three year deficit of some £90 million

32 My structured assessment work in 2016 has considered the action that the Health Board is taking to achieve financial balance and create longer-term financial sustainability. I have assessed the financial position of the organisation, the approach to financial planning, financial controls and stewardship, and the arrangements for financial monitoring and reporting. My key findings are summarised below.

The Health Board continues to improve financial planning but the lack of a detailed clinical services strategy hampers its ability to establish longer-term balanced financial plan

33 The Health Board's Integrated Medium Term Plan (IMTP) for 2016-17 was not approved by Welsh Government mainly because it did not demonstrate financial balance. The 2016-17 to 2018-19 plan indicated a net deficit position at 31 March 2019 of £59.8 million. Instead, the Health Board developed an Annual Operational Plan for 2016-17 albeit based on its unapproved three year IMTP.

34 In September 2016 the Welsh Government, under its Joint Intervention and Escalation Arrangements, moved the Health Board's status from enhanced monitoring to targeted intervention, stating as reasons the financial imbalance of the plan and the need to improve capacity and capability to drive change.

35 Despite the absence of an approved IMTP, budgets are shaped by a long-term high level strategy and its annual Operational Plan. However, the strategy is yet to be underpinned by a detailed clinical strategy which has meant limited progress on the development of financially and clinically sustainable service models.

36 Despite the Health Board's underlying financial position, my team found that financial planning roles and responsibilities are clear and understood and

arrangements for revenue and capital budget setting are satisfactory. Appropriate processes and budgetary activities are in place and there was robust board challenge and sign-off of the budget. There are clear budget assumptions and Cost Improvement Plans (CIPs) with financial risks identified but not all plans were worked up and in place at the beginning of the year.

Financial reporting arrangements provide robust information for board decision making

- 37 Financial reporting arrangements provide robust information for board decision making. Reports outline key areas of concern, reflect an honest position and are sufficient to inform decisions where corrective action is required.
- 38 The Health Board produces monthly monitoring returns to the Welsh Government and internal financial reports that are considered monthly by the Audit and Risk Assurance Committee (ARAC), Business, Planning, Performance and Assurance Committee (BPPAC) and the Board. The Finance Department completes its month end reporting process within five working days of the month end, with Welsh Government monitoring return reports being submitted by day nine each month. Reports to ARAC and Board are supported by a verbal update on the current financial position, all of which is timely and informative.
- 39 Based on a comparison with other health bodies in Wales, the Health Board's financial reporting compares favourably being both timely and containing sufficient detail.

Despite intense scrutiny and challenge, financial performance is deteriorating mainly as a result of the Health Board's struggle to reduce variable pay and it is heading for a cumulative three-year deficit of some £90 million

- 40 The Health Board continues to face significant financial challenges and its financial position is deteriorating. Its Annual Operational Plan for 2016-17 forecast a deficit of £38.3 million, including a very challenging savings target of £29.4 million. This followed deficits of £7.5 million in 2014-15 and £32.1 million in 2015-16. At Month 8 of 2016-17, the Health Board has needed to increase its forecast deficit position at year end to £51.8 million.
- 41 The planned savings are behind schedule mainly because of difficulties in reducing variable pay expenditure. This is despite significantly strengthened temporary staff usage controls and strenuous efforts by the Health Board to fill vacancies.
- 42 Despite intense scrutiny and challenge of the financial position at Board and committee along with the various control measures, the Health Board is likely to incur a deficit of some £90 million (4%) against its cumulative three year rolling resource limit at 31 March 2017 and is unlikely to achieve financial balance under its current service model.

The Health Board's in-year financial controls operate effectively to ensure appropriate stewardship

- 43 The Health Board has a clear framework of roles and responsibilities, with appropriate control activities and processes in place. The Internal Audit service undertakes reviews on core financial systems every year. In 2015-16, Internal Audit gave overall 'reasonable' assurance on the effectiveness of the organisation's framework of governance, risk management, and control. My audit work on the 2015-16 financial statements did not identify any material weaknesses in the Health Board's internal controls.
- 44 The ARAC provides an effective level of challenge and scrutiny on a regular basis. ARAC plays an active part in the assurance framework, which is informed through an agreed work programme, and the identification of new assurance requirements based on risk assessment throughout the year. The BPPAC provide the required controls.

The Health Board has strengthened its governance arrangements and it is putting in place the foundations to address planning and delivery challenges although there is still much work to do in several areas

- 45 My governance and assurance work has assessed the Health Board's strategic planning and reporting arrangements and the approach for developing and reviewing a board assurance framework. I have also considered the overall effectiveness of the board and its governance structures and the progress made in addressing previous structured assessment recommendations and improvement issues.

The Health Board is laying some sound foundations to deliver service change, although it has a lot of work to do including addressing critical capacity gaps and agreeing a clinical services strategy

- 46 The Health Board is laying some sound foundations to deliver service modernisation and change. These include the organisational change programme which will strengthen strategic planning focus, sourcing of additional capacity and expertise from external organisations while also building internal capacity and capability. However, there remains considerable work to do across a range of important areas including addressing critical capacity gaps and agreeing a clinical services strategy.
- 47 The Health Board still does not have an approved IMTP although it has secured agreement from Welsh Government to work towards an annual plan for 2017-2018, with the intention of delivering an approvable IMTP in early 2018 for the 2018-2021 period. This will allow sufficient time for issues to be fully explored and to build the necessary consensus. The Health Board has clearly articulated its Strategic

Objectives to underpin its future direction of travel. However, the Health Board still does not yet have an overarching clinical strategy which is a critical aspect that underpins all of its other plans. Progress is however, being made to help inform the development of the Clinical Services Strategy through strengthened clinical engagement and leadership to support the Medical Director. The Health Board has also secured external expertise and capacity to help clinical leaders develop and articulate their thinking. The Health Board anticipates that the Clinical Services Strategy will be available for the March Public Board.

- 48 Capacity and capability is a key constraint for the Health Board in terms of the size of some executive portfolios and the supporting capacity and in some instances capability of the supporting structures. These limitations could hamper delivery of key objectives within their portfolios. The Health Board, in recognition of the long standing and significant challenges facing it, commenced an organisational change programme at executive director level. The changes focus on strengthening the team to ensure sufficient capacity to address the agenda it faces. The executive portfolio changes and the revised executive structure were reported to the November Board meeting. Many of the key aspects of successfully taking forward projects and modernisation programmes are not in place such as the absence of programme management and data analytic capacity and skills along with modelling capacity. The Health Board is taking steps to strengthen organisational strategic and operational capacity on which to build a stronger foundation to deliver service modernisation and change but this now needs to progress at pace. In going forward, assurance arrangements to monitor and report progress of emerging plans will need strengthening.

Board assurance has been significantly strengthened and committees are generally effective but the framework for risk and assurance needs to be strengthened at a sub-committee level

- 49 In reaching this conclusion I found:
- The Health Board has significantly strengthened its assurance arrangements with an agreed board assurance framework and assurance map. There remain opportunities to strengthen reporting of corporate risks such as the inclusion of the description of controls, the additional required actions and remaining residual risk; and
 - The Board and its committees are generally operating effectively with evidence of on-going improvements to management and performance information, and scrutiny of this information. The Health Board recognises that there remain opportunities to further strengthen operation of the committees. Work is underway to address this including targeted support to sub committees and there is a non-executive officer member for each sub-committee. The Health Board has reviewed the way the Board committees operate and the final structure will be discussed at the January 2017 Public Board meeting.

The Health Board has made reasonable progress in addressing the issues identified in last years Structured Assessment but progress against some of the External Governance Review and other recommendations has been slower than planned

50 The Health Board has made reasonable progress in addressing the issues identified in last years Structured Assessment but progress against some of the External Governance Review recommendations has been slower than planned. Of the eight Structured Assessment recommendations, four have been completed and three partially completed. Of the one that remains incomplete work is underway.

The Health Board has effective arrangements for monitoring and scrutinising progress against my previous recommendations but despite this, progress in addressing some audit recommendations has been slow

51 The Health Board continues to strengthen tracking of audit recommendations to ensure that all external and internal audit recommendations are tracked in one place. Responsibility for monitoring progress and verifying implementation of action plans lies with the responsible committee and sub-committees. The Audit, Risk and Assurance Committee considers the full tracker every six months to scrutinise and challenge progress. My audit work identified opportunities for scrutiny to be further strengthened by ensuring that responsible officers consistently provide progress updates and by making the number of overdue recommendations clear in the summary report.

52 A review of the tracking arrangements relating to my audit work finalised since 2012 identified that of the 152 recommendations I had made, 79 had been either fully or partially completed and 65 were outstanding. The Audit, Risk and Assurance Committee (ARAC) held an extraordinary meeting in April 2016 to seek assurance and to challenge accountable Executive Directors and lead officers on the pace of addressing my outstanding recommendations. The Committee will continue to closely monitor progress and scrutinise Executive Directors until satisfied that sufficient progress is being made.

53 The Audit Committee is also challenging the pace and rigour with which the recommendations from the External Governance Review are being implemented. Progress against these recommendations is slower than planned and at times the reported progress is more positive than reality.

While my performance audit has identified examples of good practice and positive developments, there are a number of improvement opportunities particularly in relation to addressing my previous recommendations

The Health Board has improved its strategic approach to managing its estate, but needs to underpin this with stronger operational arrangements to show the service is value for money

- 54 My work found that the strategic approach to estates management is better than it was, but further improvements are possible. Although the estates strategy is a good first iteration, it needs further development, some of which is dependent upon an agreed IMTP. Accountability is now clearer but scrutiny, performance management and business planning need to be stronger. I found that improvements in property information are leading to better management of risks like asbestos, and new technology is supporting improvements in space utilisation. I also found improvements to the way that the capital programme is agreed, managed, and monitored, however, the associated future revenue costs are not always being recognised.
- 55 Although there is evidence of some good performance, arrangements are not strong enough to ensure that the estates service is consistently providing value for money. Furthermore, performance management is not strong enough to demonstrate an efficient, effective, and customer-focused service. Several years of historic budget setting means the current estates budget may not fully reflect the Health Board's ambitions. While the department has achieved significant cost reductions, the absence of a long term plan means that there are risks that opportunities to improve value for money in the longer term may be missed. My work found that there is a risk that estates is undertaking too many reactive repairs, which would represent poor value for money. While some aspects of training have improved, there is no strategic approach to training and workforce planning, and sickness absence is high.

Management of the use of temporary staff, related costs and quality arrangements has improved but there is more that the Health Board can do in all areas and it is not yet clear if improvements will be sustained

- 56 My work found that through a focused programme of work the Health Board has developed a good understanding of the factors driving its demand for temporary staff. However, while the Health Board is taking action to reduce demand for temporary staff, difficulties remain in filling posts, avoiding unnecessary use of temporary staff and making the best use of permanent staff.

- 57 The Health Board has good financial information to support scrutiny and management of temporary staff costs. I found that the Health Board has implemented new control measures that are succeeding in reducing agency nursing staff costs but it is too early to know whether this will be sustained and reducing medical temporary staffing costs is proving challenging.
- 58 Although the Health Board is taking reasonable measures to assure the quality of temporary staff before their employment there are opportunities to strengthen this further. Action is being taken to strengthen the induction of temporary nursing staff but needs to do more to strengthen induction of short-term temporary medical staff. The Health Board does not use temporary-staff incidents and complaints information systematically to inform the management of safety risk although it does respond to individual issues as they arise.

The Health Board has made improvements to catering and patient nutrition although the pace of change has been slow in some areas. There is scope to further improve aspects of the mealtime experience, strategy implementation, monitoring of the pathway and Board reporting

- 59 My work found that arrangements for assessing and meeting patients' dietary and nutritional needs are improving slowly although there is no mechanism for regular monitoring of the full nutritional care pathway. Nutritional screening rates vary and are much lower at Wylabush Hospital although oral health assessment has improved significantly. A comprehensive assessment of the nutritional care pathway took place in 2013-14 but has not been repeated. Menu items are nutritionally assessed through the All Wales Menu Framework with which the Health Board is largely compliant.
- 60 My audit work found that written information for patients on what to expect in relation to food and snacks is limited and compliance with standards for patient snacks, hot beverages and water replenishment is limited by a lack of financial and staffing resources. An appropriate range of menu choices is available to patients although procedures to help patients choose are inconsistent. Levels of nursing support and supervision at mealtimes vary and further improvements are needed to embed protected mealtimes.
- 61 Patient catering costs are reducing although costs per patient meal are more than the Wales average. There has been some progress towards a whole system approach to managing food waste although more needs to be done. Non-patient catering services still run at a loss but the gap between income and cost is reducing. The implementation of nutrition and hydration strategy is impeded by a lack of operational infrastructure and there is little Board reporting on nutrition and catering. Lines of accountability for nutrition and catering are clear but the operational infrastructure through which to implement strategic actions lacks clarity. There is little reporting to the Board on nutrition and catering; and there are effective mechanisms in place to capture and act upon patient feedback.

The Health Board has more to do to embed its consultant job planning processes across the organisation, to secure the intended benefits of the consultant contract and to implement all my previous national and local recommendations

- 62 My work found that executive leadership and corporate oversight of the job planning process had only recently been restored and this had impacted on progress. The Health Board provided detailed guidance in 2011 on setting and measuring outcomes but this is still not embedded across the organisation. My work found that job plan review meetings were not consistently following the arrangements as set out in the guidance. The Health Board has provided ad hoc training for managers and clinical leads although my work found that just under half of consultants would welcome further training. While annual appraisal is embedded across the organisation links between appraisal and job planning need strengthening. Recent changes to integrated performance reporting at Board level is providing positive assurance that job planning is taking place on an annual basis.
- 63 Although the Health Board is making progress to secure the intended benefits from the contract, there is still more to do. My work found that while job planning supports improved dialogue between managers and clinicians for service modernisation the Health Board has more work to do to make the link with capacity and planning. Further, although the Health Board requires all Supporting Professional Activities (SPAs) to be evidenced and is doing further work to support research and audit, it still has work to do to promote SPA outcome setting and monitoring. Session monitoring needs further work to understand excessive hours and make better use of team job planning. The Health Board faces particular issues with high levels of consultant vacancies and difficulties with recruitment which it is trying to address. The consultant contract has had little significant effect on recruitment and retention.

Appendix 1

Reports issued since my last annual audit report

Exhibit 2: reports issued since my last annual audit report

Report	Date
Financial audit reports	
Audit of Financial Statements Report	June 2016
Opinion on the Financial Statements	June 2016
Audit of Charitable Funds Financial Statements Report	September 2016
Opinion on the Charitable Funds Financial Statements	September 2016
Performance audit reports	
Hospital Catering & Patient Nutrition Follow Up Review	February 2016
Follow-up Review of Consultant Contract	June 2016
Estates and assets: 2015 local audit	July 2016
Use of Temporary staff: 2015 local audit	October 2016
Structured Assessment 2016	December 2016
Other reports	
2016 Audit Plan	February 2016

Exhibit 3: Performance audit work still underway

Report	Estimated completion date
Review of Radiology Services	February 2017
Review of GP Out-of-Hours Services	March 2017
Review of Discharge Planning	May 2017
Management of Follow-up Outpatients (progress update)	May 2017

Appendix 2

Audit fee

The 2016 Audit Plan set out the proposed audit fee of £417,235 (excluding VAT). Once all of my work set out in the 2016 Audit Plan is complete, the actual fee will be reported to the Board.

Appendix 3

Significant audit risks

Exhibit 4: Significant audit risks

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: <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;• evaluate the rationale for any significant transactions outside the normal course of business.	All journal entries tested were appropriate. We did not identify any biases in our review of accounting estimates. We did not identify any significant transactions outside the normal course of business.
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: <ul style="list-style-type: none">• 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.	Our testing did not identify evidence of material fraud and confirmed that all expected funding and income streams had been recorded.

Significant audit risk	Proposed audit response	Work done and outcome
<p>There is a significant risk that the Health Board will fail to meet its annual revenue resource allocation. The month 9 position showed a year-to-date deficit of £25.3 million and forecast a year-end deficit of £32.5 million.</p> <p>I may choose to place a substantive report on the financial statements explaining the failure and the circumstances under which it arose.</p> <p>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.</p>	<p>My audit team will focus its testing on areas of the financial statements which could contain reporting bias.</p>	<p>Our testing did not identify any evidence of reporting bias.</p> <p>I placed a substantive report on the Health Board's accounts explaining the new financial duty requirements and the Health Board's position.</p>
<p>There is a significant risk that the Health Board will face severe pressures on its cash position at year-end. The month 9 monitoring report forecasts a cash shortfall/balance at the year-end of £32.7 million. A shortfall of cash is likely to increase creditor payment times and impact on Public Sector Payment Policy (PSPP) performance.</p>	<p>My audit team will audit the PSPP bearing in mind the cash pressures on the Health Board.</p>	<p>The Health Board reported that it failed in its administrative duty to pay 95% of creditors within 30 days. As such audit work was limited in this area.</p>

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