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Auditor General for Wales

WALES AUDIT OFFICE
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Annual Audit Report 2014

Powys Teaching Health Board

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The team who assisted me in the preparation of this report comprised Anthony Veale, David Thomas, John Dwight, James Foster, Elaine Matthews and Andrew Doughton.

Contents

Summary report

1. This report summarises my findings from the audit work I have undertaken at Powys Teaching Health Board (the Health Board) during 2014.

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, 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 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 Director of Finance. It was presented to the Health Board's Executive team on 7 January 2015. It will then be presented to a subsequent Board meeting and a copy provided to every member of the Health Board. I strongly encourage wider publication of this report by the Health Board. Following Board consideration, the report will also be made available to the public on the Wales Audit Office's own website (www.wao.gov.uk).

5. The key messages from my audit work are summarised under the following headings.

Section1: Audit of accounts

6. I have issued an unqualified certificate on the 2013-14 financial statements of the Health Board, but my regularity opinion was qualified. In addition, I placed a substantive report on the Health Board's financial statements alongside my audit opinion.

7. My report draws attention to the Health Board's failure to meet its Revenue Resource Limit by overspending by £19.264 million and the failure to have its three-year plan approved by Ministers at the time of my certificate. I set out more detail about the financial position and financial management arrangements in section 2 of this report.

8. I have also concluded that:

- the Health Board's accounts were properly prepared and materially accurate;
- the Health Board had an effective control environment to reduce the risks of material misstatements to the financial statements although there are some specific areas where improvements can be made; and
- the Health Board's significant financial and accounting systems were generally operating as intended but there are some wider aspects of governance reported by Internal Audit where improvements are required.

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

9. I have reviewed the Health Board's arrangements for securing efficiency, effectiveness and economy in the use of its resources. My Structured Assessment work has examined the robustness of the Health Board's financial management arrangements, the adequacy of its governance and change management arrangements. Performance audit reviews have also been undertaken on specific areas of service delivery.

10. This work has led me to draw the following conclusions:

The Health Board's financial position remains extremely challenging and it is unlikely to achieve a balanced financial position at the end of the current financial year

11. Key findings from my review of the Health Board's financial management arrangements are as follows:

- in 2013-14 the Health Board did not meet its target to breakeven, which resulted in a £19.264 million overspend against its revenue resource limit; and
- whilst additional funding has been secured for 2014-15 and beyond, the Health Board does not yet have an approved IMTP in place and the current financial position remains extremely challenging with the Health Board unlikely to break even in 2014-15.

The necessary changes to the Health Board's governance arrangements are not yet embedded or fully effective

12. Key findings from my review of the Health Board's governance arrangements are as follows:

- the Health Board has clearly articulated the challenges to meeting the population's healthcare needs, but as yet, the Health Board's plans do not address these comprehensively;
- the Health Board recognises the need to clarify and strengthen the devolved accountability although it is still in the process of making these changes;
- changes made to improve Board assurance and internal controls are appropriate although not yet fully effective and there have been some weaknesses in the governance arrangements identified as part of my annual review; and
- the Health Board performs well on the delivery of most Referral to Treatment targets and is progressing steps to improve performance information and reporting.

The Health Board's capacity to drive change at the required pace is exacerbated by the impending departure of the Chief Executive

13. Key findings from my review of how the Health Board's key enablers of efficient, effective and economical use of resources are managed are as follows:

- The Health Board does not yet have sufficient change management capacity and capability, though the Transformation Board, Programme Management Office, demand and capacity review and commissioning review are helping.
- The capacity to drive change at the required pace is a key issue for the Health Board, particularly because of recent and planned turnover of senior management.
- The organisation is taking a proactive approach to address operational and longer-term workforce issues. However, more work is needed to turn this into a clear plan of action and address workforce weaknesses such as training compliance.
- There remain overall weaknesses in the management of assets and estates. There is a risk that progress made during 2014 may stall following the recent departure of the Head of Estates. It is important to maintain focus on addressing key compliance issues and developing a robust estate strategy.

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

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

- the range of interventions provided by the district nursing service reflects the service specification but there are real opportunities to put the service at the centre of the Health Board's approach for delivering care in the community, to improve utilisation of resources and to minimise variation;
- clinical coding lacks any prominence within the Health Board and although arrangements support the generation of timely information, a range of weaknesses in the process are impacting on the accuracy of clinical coded data;
- although there is some scope to improve efficiency, orthopaedic services provided by the Health Board generally perform well but there is variation in the provision of its commissioned orthopaedic services by its main Welsh health board providers;
- the Health Board has made improvements since my original review of hospital catering service and patient nutrition arrangements, although there remains variation in practices across sites in relation to implementation of the all Wales nutritional care pathway and cost control; and
- the Health Board has made progress in addressing recommendations from previous audit work although important actions remain outstanding in a few key areas.

15. I gratefully acknowledge the assistance and co-operation of the Health Board's staff, officers and independent members during the delivery of my audit work over the last 12 months.

Detailed report

About this report

16. This Annual Audit Report to the Board members of the Health Board sets out the key findings from the audit work that I have undertaken between December 2013 and November 2014.

17. My work at the Health Board is undertaken in response to the requirements set out in the 2004 Act. 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 accountability, and use of resources;
- 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.

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 Annual Audit Outline.

22. Finally, Appendix 3 sets out the significant financial audit risks highlighted in my Annual Audit Outline for 2014 and how they were addressed through the audit.

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 2013-14. 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 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.

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

26. In undertaking this work, auditors have also examined the adequacy of the:

- Health Board's internal control environment; and
- financial systems for producing the financial statements.

I issued an unqualified opinion on the 2013-14 financial statements of the Health Board, but my regularity opinion was qualified and supported by a substantive report

27. I have issued an unqualified opinion on the Health Board's financial statements. However, as the Health Board's financial statements reported a £19.264 million overspend against the revenue resource limit, my regularity opinion was qualified. The reason for this is that the financial regime within which local health boards are required to operate, prescribes a formal annual 'resource limit'. This is a statutory net expenditure limit, requiring each local health board to function strictly within the resource limit that is set for it by the Welsh Government for that financial year.

28. Where a local health board's net expenditure exceeds the resource limit, that expenditure is deemed to be unauthorised and is therefore irregular. In such circumstances, the regularity opinion is qualified; irrespective of the value of the excess spend.

29. I also issued a substantive report alongside my audit certificate. This substantive report draws attention to the fact that the Health Board overspent against its resource limit in 2013-14. My report also highlights the fact that the Health Board's three year Integrated Medium-Term Plan (IMTP) beginning in 2014-15 showed expenditure to be significantly in excess of the anticipated resource limit over the three years and the plan was not approved by the Welsh Government.

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

30. As in previous years, the Health Board's unaudited accounts were submitted on time, in good quality and were supported by clear working papers.

31. The draft financial statements were considered by the Health Board's Audit Committee on 6 May 2014. At that stage, the financial statements reported an overspend of £18.864 million against the revenue resource limit. The Audit Committee was advised that there were a number of matters outstanding, which were subject to arbitration with other NHS bodies in Wales. Following the Audit Committee, the outcome of arbitration resulted in additional expenditure of £400,000, which increased the overspend against the revenue resource limit to £19.264 million.

32. 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 Committee on 3 June 2014. Exhibit 1 summarises the key issues set out in that report.

33. At the time the Audit Committee considered that report, there was one matter related to Welsh Government approval of executive directors' salaries that had not been resolved. Approval was subsequently given prior to the Health Board's formal agreement of the financial statements at its meeting on 25 June 2014. I discuss this further in Paragraph 42.

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

Issue	Auditors' comments
Audit opinion and report on the accounts	As reported above, I have issued an unqualified opinion on the Health Board's financial statements. However, as the Health Board's financial statements reported a £19.264 million overspend against the revenue resource limit, my regularity opinion was qualified. I also issued a substantive report alongside my audit certificate which draws attention to the fact that the Health Board overspent against its resource limit in 2013-14.
Corrected misstatements	The draft financial statements were amended following the conclusion of arbitration negotiations with another Welsh Health Board.

Issue	Auditors' comments
Uncorrected misstatements	There were a small number of minor uncorrected misstatements that were reported to the Audit Committee. These were minor isolated errors and did not arise as a result of any failures in the Health Board's financial statements closedown arrangements.
Public sector payment policy (PSPP)	Although the financial statements reported the Health Board's failure to meet the target of paying 95% of non-NHS creditors within 30 days, the system used to generate payment information in respect of primary care contractors did not provide sufficient statistical information to substantiate that primary care payments were made within 30 days. It was therefore not possible to quantify the impact of the timeliness of primary care payments on the reported performance. This issue was reported to the NHS Wales Shared Service Partnership (Primary Care Services) who are responsible for processing primary care payments.
Accounting estimates	The various accounting estimates were assessed as reasonable but, during that work, it was noted that a number of long term agreements with healthcare providers had not been formally signed.

34. As part of my financial audit work, 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 2014 and the return was prepared in accordance with the Treasury's instructions; and
- Summary Financial Statements and Annual Report – I concluded that the summary statements were consistent with the full statements and that the Annual Report was in the main compliant with Welsh Government guidance, although the timetable for preparation and approval of the Annual Report needs to be brought forward.

35. My separate independent examination the Health Board's charitable funds financial statements has been completed, and approved by the Board at its meeting on 17 December 2014.

The Health Board had an effective control environment to reduce the risks of material misstatements to the financial statements although there are some specific areas where improvements can be made

36. My work focuses primarily on the accuracy of the financial statements, reviewing the internal control environment to assess whether it provides assurance that the financial statements are free from material misstatement whether caused by error or fraud. This includes a review of the main accounting system, budgetary control and closedown processes and includes an assessment of the computer-based infrastructure and application controls. I also consider the work and role of internal audit as part of this assessment. I did not identify any material weaknesses in the Health Board's internal control environment.

37. There are however, a number of specific areas I have considered during the year.

Internal Audit

38. All Welsh local health board internal audit services are provided by NHS Wales Shared Services Partnership (NWSSP), part of the Velindre NHS Trust. The service is required to comply with new Public Sector Internal Audit Standards (PSIAS), introduced in 2013-14.

39. The Wales Audit Office financial audit team at Velindre NHS Trust has reviewed the high level management arrangements operating within NWSSP that relate to Internal Audit, and I have considered the local work delivered at the Health Board.

40. The overall conclusion, reported to the NWSSP, was that there were no concerns regarding compliance with the PSIAS that would prevent us from relying on internal audit for my audit purposes. However, there are some key areas where further improvements could be made. These are:

- extending internal peer reviews across all audit work and establishing external quality reviews, in line with the PSIAS;
- ensuring internal audit teams are resourced appropriately to deliver planned audit work in a timely manner; and
- including key performance measures in audit committee progress reports.

Information communication and technology

41. The Health Board's information communications and technology (ICT) systems are managed jointly with Powys County Council. During the year, the location and core ICT environment was changed and improved. There are however, a number of areas where I have identified either risks that need to be managed, or other improvements that could be made:

- ICT risk reporting structures are in place, but there is no single record of risks and the risk management process is not yet fully integrated across both organisations;

- a new ICT firewall has been purchased, but not yet installed at the time of my review;
- testing of Internal network security controls (for unauthorised access) has not been completed by the Health Board for approximately three to four years;
- although the new server room is purpose built and contains adequate physical and environmental controls, the communications room physical and environmental facilities still need to be improved; and
- progress on recommendations from my review of Disaster Recovery and Business Continuity Planning has been slow and is still on-going.

Executive directors' remuneration

42. At the time of the NHS reforms in 2009, the Welsh Government developed a framework for setting executive director remuneration that included a specific salary band for each executive director post in each local health board. Welsh Government guidance includes the requirement for health boards to seek approval where it is proposed to set an executive director's salary above the maximum of the pay band.

43. My review of executive director remuneration identified two executive directors who were paid above the salary band as notified by Welsh Government, and prior to finalising my audit opinion, the Health Board sought retrospective approval in respect of the two executive directors who were currently paid above their salary band as notified by the Welsh Government.

44. Whilst retrospective approval was received, the correspondence from the Welsh Government made it clear that in future, all such cases should receive prior approval and that the Health Board should follow the extant guidance as issued by the Welsh Government.

The Health Board's significant financial and accounting systems were generally operating as intended but there are some wider aspects of governance reported by Internal Audit where improvements are required

45. I did not identify any material weaknesses in the Health Board's significant financial and accounting systems which would impact on my opinion. There were a number of detailed issues arising from my financial audit work and these were reported to the Audit Committee in June 2014. These include matters referred to in Exhibit 1 above.

46. The Head of Internal Audit's Annual Report highlights a number of specific weaknesses which the Health Board is in the process of addressing. The report concludes "*In my opinion, the Board can take 'limited assurance' that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. More significant matters require management action with moderate impact on residual risk exposure until resolved.*"

47. The Report provided to the Health Board addresses the detailed internal audit work under a number of 'assurance domains'. Of the six domains rated, three were assessed as 'reasonable assurance' (corporate governance, risk and regulatory compliance; financial governance and management; and clinical governance quality and safety) but three were rated as 'limited assurance'. These three were operational service and functional management, workforce management and capital and estates management.

48. Internal Audit reports have highlighted where improvements are required and the Health Board will need to ensure that actions in response to Internal Audit recommendations are implemented.

49. In respect of the retrospective continuing healthcare project, Welsh Government Circular 13/2011 set out arrangements for processing retrospective claims for compensation for continuing NHS healthcare (CHC) relating to any part of the period from 1 April 1996 to 15 August 2010. To be known as 'project claims', Powys tHB has responsibility for processing project claims, although the costs of settling claims are disclosed in the financial statements of individual health boards.

50. As in previous years, I have provided individual local health board audit teams with assurance over the arrangements for managing the claims, but have highlighted inconsistencies between the database used to record claim details and claim files.

51. Whilst the current project is drawing to a close, with all claims expected to be finalised during 2014-15, there remain a significant number of claims being managed locally (that is, where the claim was received after August 2010).

52. There are now plans for the management and processing of these claims to be done by the Health Board. Given the likely continued work of the Powys project team, the Health Board needs to ensure that the database is updated as the claim is assessed, not just at the end of the claim process.

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

53. 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 arrangements and capacity for change through my Structured Assessment work;
- specific use of resources work on district nursing and clinical coding;
- an all Wales review of Orthopaedic services; and

- assessing the progress the Health Board has made in addressing the issues identified by previous audit work on hospital catering and reviewing arrangements for tracking external audit recommendations.

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

The Health Board's financial position remains extremely challenging and it is unlikely to achieve a balanced financial position at the end of the current financial year

In 2013-14 the Health Board did not meet its target to breakeven, which resulted in a £19.264 million overspend against its revenue resource limit

55. 2013-14 presented another financially challenging year for the Health Board. At the start of the financial year, the Financial and Budget Strategy identified a very challenging financial gap of £27.2 million. This strategy included cost improvement programmes (savings schemes) of £9.6 million and a further £17.6 million gap that the Health Board had no plans to meet.

56. In line with the Welsh Government's monitoring requirements, the Health Board reported its out-turn position monthly and, although various adjustments were made to the resource limit to reflect specific agreed activities, at the end of month six (September 2013), the Health Board was forecasting a year end deficit of £24 million.

57. In October 2013, the Minister for Health and Social Services announced additional resource funding to meet new demands and pressures. The Health Board's share of that funding was £5.9 million (of which, £4.4 million contributed to a decrease in the forecast year-end deficit and £1.5 million contributed to other costs). This was not sufficient to prevent the Health Board from failing to meet its revised revenue resource target for the year of £241.1 million. At the end of the 2013-14 financial year, the Health Board reported an overspend of £19.264 million which resulted in the regularity audit opinion being qualified.

58. As mentioned above, the Health Board's savings schemes targets for the year totalled £9.6 million. The Health Board managed to achieve £5.6 million of savings at the year-end which represented 58 per cent of the target amount (Exhibit 2) and 2.3 per cent of its revenue resource limit.

Exhibit 2: 2013-14 savings schemes

Savings schemes	Anticipated savings £000	Actual savings £000	Savings achieved %
Continuing health care	788	260	33%
Commissioning	6,034	4,580	76%
Income	39	39	100%
Mental Health	150	Nil	Nil
Prescribing	1,247	318	26%
Provider	1,302	390	30%
Total	**9,560**	**5,587**	**58%**

59. As I reported in last year's Annual Audit Report, although the Health Board is achieving some degree of success in the achievement of its savings plans, there are still a number of barriers, which include some savings schemes being unrealistic and the lead-in time required to deliver on some of the more complex savings schemes can be significant. In addition, I reported that a lack of a clear commissioning framework with Welsh providers to support the modernisation of services, reduce demand for out of county care, and provide a more consistent costing approach was a significant factor impacting on the Health Board's ability to design and implement savings schemes to improve the overall financial position.

Whilst additional funding has been secured for 2014-15 beyond, the Health Board does not yet have an approved IMTP in place and the current financial position remains extremely challenging with the Health Board unlikely to break even in 2014-15

60. In last year's Annual Audit Report, I reported that the financial position of the Health Board was unsustainable given its current configuration and commissioning model. The Health Board commissioned external financial advisors in 2013 who delivered a report which identified savings of £5.8 million which could be achieved over the next five years above those already identified by the Health Board. At this point, it was increasingly clear that the overall revenue received by the Health Board was no longer sufficient to meet current and expected future demand for health services. That said, the Health Board recognised that approaches to securing savings alongside the financial planning and delivery processes still needed to be strengthened.

61. The NHS Finance (Wales) Act 2014 has introduced a more flexible finance regime. It provides a new legal financial duty for local health boards to break even over a rolling three financial years rather than each and every year. The Act allows local health boards to focus their service planning, workforce and financial decisions and implementation over a longer, more manageable, period and moves away from a regime which encourages short-term decision making around the financial year.

62. The financial flexibilities are, however, contingent upon the ability of NHS bodies to prepare suitably robust IMTP, and the formal approval of those plans by Welsh Government Ministers.

63. The Health Board does not yet have an approved IMTP in place. In May 2014, the Welsh Government confirmed that it was unable to approve the Health Board's plan on a medium term basis and required the Health Board to set out clear deliverables and actions for 2014-15. This included clear milestones as to how critical components of an integrated medium term financial plan will be developed and strengthened over the course of the year.

64. The 2014-15 annual financial plan includes an 'unidentified savings gap' of £44.3 million (of which £19.264 million represents a repayment of the overspend against the revenue resource limit in respect of the 2013-14 financial year) and an 'identified savings target' (savings schemes) of £5.6 million.

65. The month 6 (September 2014) monitoring return reported a £22.1 million 'year to date' overspend against the budget, and predicted a £46.9 million year-end overspend (against a revenue resource limit of £222.2 million).

66. Of the £5.6 million identified savings schemes, the month 6 position shows savings for the first half of the year of £2.1 million (just under £100,000 under the six month target), which does suggest that the Health Board is on course to achieve its savings schemes target for 2014-15.

67. The Health Board's high-level strategy includes repatriation of patients from out of county services to local 'in county' community based services. However, this will not fully address the size of the financial challenge facing the Health Board.

68. Whilst some steps have been taken to develop a three year integrated workforce, service and financial plan, more detail is required within current plans to determine if the strategy will reduce and eliminate the financial deficit. Creating sound workforce, service and financial plans should be a priority if the Health Board is to implement its strategy of reducing the reliance on externally commissioned services.

69. Additional funding from Welsh Government of £25 million, announced in December 2014 has significantly reduced the overall predicted financial deficit for 2014-15. As at month 8, this still leaves the £19.264 million repayment of the 2013-14 overspend plus a predicted overspend against the financial plan of £2.5 million. Consequently, there remains a residual financial gap of £21.8 million for the 2014-15 financial year although the Health Board has plans in place to minimise the impact of the £2.5 million. The Health Board is currently in discussion with Welsh Government as to how the £19.264 million repayment is to be managed going forward. I understand that the strength of the IMTP due for submission in January 2015 will be key to these discussions. On the basis that there is still a requirement to repay the £19.264 million coupled with the predicted overspend of £2.5 million, the Health Board is not on track to achieve break-even against its 2014-15 resource limit.

70. In terms of 2015-16, the Health Board resource allocation allows for an additional £8 million on a recurring basis based on capitation. This effectively replaces the £25 million additional funding announced in respect of the 2014-15 financial year. The £8 million will not be sufficient to overcome the 2015-16 financial deficit. However, Welsh Government has indicated that the £8 million will be increased to £25 million for 2015-16. The completion of a robust IMTP and confirmation of increased funding from Welsh Government will be essential if the Health Board is to meet its statutory duty to it secure financial balance over a rolling three year period.

The necessary changes to the Health Board's governance arrangements are not yet embedded or fully effective

71. This section of the report considers my findings on governance and board assurance, presented under the following themes:

- strategic planning;
- organisational structure;
- board assurance and internal controls; and
- performance management.

The Health Board has clearly articulated the challenges to meeting the population's healthcare needs, but as yet, the Health Board's plans do not address these comprehensively

72. The Health Board faces some specific and unique challenges in developing its integrated medium term plan (IMTP). The Health Board is predominantly reliant on externally commissioned services that are provided out of the county. The patient flows into acute settings are currently based on the patient's residential location and also the location of acute services out of county. The Health Board commissions most of its acute services from nine different providers; six in Wales and three NHS Trusts in England. While English providers have a clearly defined 'Payment by Results' commissioning system, the framework in Wales is less clear. The Health Board is reviewing its approach to commissioning which should provide a basis for development of a clear commissioning framework. Work will need to take place to determine accountability and processes for commissioning corporately and within the localities.

73. This means that when other health boards and trusts are developing medium term plans and potentially centralising specialist services, there can be a significant knock on effect to patient pathways for Powys residents. Moreover, the lack of any unified commissioning framework means that any changes that Powys teaching Health Board intends to make to patient pathways, requires negotiation with each provider organisation, in terms of volume of activity, cost and quality and arrangements for service delivery.

74. These commissioning issues, alongside a history of significant financial pressures and an aging population demographic over the medium to long term, mean that the Health Board faces challenges in developing a complex medium term plan. In addition, the Health Board has developed outline proposals to progress further integration with Powys Council and submitted these as a bid to Welsh Government. The Health Board and Powys Council have a joint transformation programme that is referenced in both the Powys One Plan and the IMTP. This forms the joint objectives the Health Board is taking forward and this is a significant programme of current work.

75. Overall, the Health Board has a good understanding of the population demand and patient healthcare needs and sets out its future challenges well in its original IMTP. This had a clear structure that was linked to three core and four enabling programmes. The enabling programmes included organisational development, technology & information, service improvement and stakeholder engagement & communications. While the IMTP sets out the extent of the challenges and the high-level strategic themes, this has not been translated into a prioritised delivery plan or programme which makes the transformation to future models and pathways of care unclear.

76. The Health Board's IMTP was not approved by Welsh Government for a variety of reasons. These include requiring more detail about workforce issues; identifying approaches the Board can implement to address the financial imbalance; providing further breakdown of capital requirements and providing clearer delivery milestones for 2014-15.

77. The Health Board understands the risks it faces, particularly in relation to financial sustainability. However, it needs to demonstrate that it has the capacity and capability to formulate strategic and operational plans that identify a suitable response to the challenges it faces. This ability has not been demonstrated to date although the required resubmission of an IMTP in January 2015 will provide an opportunity to address this.

The Health Board recognises the need to clarify and strengthen the devolved accountability although it is still in the process of making these changes

78. Executive structures have changed to provide greater focus on delivery of strategic objectives. These changes include a review of the scheme of delegation accountabilities, a more clearly defined Director of Planning and Performance role and a new Director of Primary and Community Care. In addition, there is now a Deputy Chief Executive Officer role who is appointed from the existing team. This latter role is to help provide additional focus on external issues, such as local authority integration and to accelerate work on commissioning development.

79. The locality model is evolving, but there have been some issues around turnover of locality general management and also issues which require further clarification such as the degree to which accountability and processes are centralised or devolved. The appointment of the Director of Primary and Community Care provides an opportunity to address a range of issues in this area. This intention is to provide further impetus on strengthening relationships with the GP clusters and three locality structures as well as helping to move services from secondary to primary care and further strengthening the community model.

Changes made to improve Board assurance and internal controls are appropriate although not yet fully effective and there have been some weaknesses in the governance arrangements identified as part of my annual review

80. The Board is generally functioning effectively. The Board meetings adequately cover the required areas of business, which enables it to discharge its responsibilities. The Health Board demonstrates that it responds to the changing environment and reviews and designs its committee structures appropriately.

81. My team has observed a number of Committees as part of my Structured Assessment work and this work has indicated that two key committees, Quality and Safety Committee and Audit Committee are broadly effective. The Health Board has made changes to its committee structures during the last 12 months. These changes make the committee structure clearer than before with a stronger focus on transformational change and performance and quality. However, they are taking a long time to form and embed. During the period of committee changes there have been instances where committees have not met; notably the newly established Mental Health Risk Assurance Committee, Finance and Performance Committee and the Workforce and OD Committee. This weakened the Health Board's governance arrangements and ability to provide proper assurances to the Board and it is absolutely fundamental that new committees are operating as intended as soon as practically possible.

82. In 2012, I recommended that the Health Board develops a Board Assurance Framework to help it assess its overall risks and develop and design the required programme of assurances and oversight. The Health Board has been slow in its development of such a framework, but has made progress this year in defining the core requirements that need to be put in place. However, there is still a lot more to do to define and implement all the required processes to ensure the Board Assurance Framework becomes embedded.

83. Observations at Board and Committees indicate that Independent Members demonstrate challenge, but there is variation in the quality of challenge, scrutiny and questioning. My team's observation indicates some good challenge by Independent Members at some committees, but also inadequate challenge and scrutiny in some areas. For example, Independent Members do not always effectively follow up questions and concerns to ensure that improvements are made. It is also not apparent that committees use their power to escalate issues to the Board, Chief Executive or Health Board Chair as often as needed. This is fundamental to ensure there is impetus and pace in responding to any big issues.

84. The Board and its committees can only function effectively if they have appropriate information to allow them to discharge their duties. This year's work indicates that information generally supports effective management and governance but improvements are needed in the areas of:

- ensuring papers are of good quality, which enable Independent Members to effectively discharge their duties, and ensuring papers and minutes are distributed in an appropriate timeframe; and
- monitoring the delivery of the annual plan and the effectiveness of commissioned services.

85. Internal controls are generally in place and informed by Internal Audit and Local Counter Fraud Services. However, improvements are required, for example:

- Counter Fraud Services have been insufficiently resourced during the first six months of the current year and also during 2013-14. As the Counter Fraud Service is commissioned from Hywel Dda Health Board, Powys teaching Health Board should have ensured that the service was provided as contracted or considered alternative provision.
- Administration and maintenance of policies and procedures need to be strengthened to ensure an effective operating environment and that compliance and litigation risks are minimised.
- The Information Governance Committee is not yet providing the right level of oversight and assurance to ensure the organisation has effective arrangements to comply with key information legislation.

86. As part of my commitment to help secure and demonstrate improvement through audit work, I have reviewed the effectiveness of the Health Board's arrangements to manage and respond to recommendations. This work has found that the Health Board has established arrangements to record, respond and monitor the progress of recommendations made by regulators and other assurance providers. There are clear timescales allocated for actions and appropriate leads identified, however:

- management responses to recommendations need to be more timely as currently the initial responses are variable; and
- the Audit Committee needs to assess its current approach in terms of holding senior management to account for the timely response to audit recommendations.

The Health Board performs well on the delivery of most Referral to Treatment targets and is progressing steps to improve performance information and reporting

87. The Health Board's achievement of Welsh Government Referral to Treatment time targets for access to elective services is the best in Wales and there are tangible improvements that have been made during 2014. For example, the Health Board has made some improvements to performance in mental health following the identification of weaknesses over a number of years. There is also the significantly improved performance of out of county placements, commissioning and contract performance mechanisms, and the instigation of the NHS arrangements project as an enabler for service modernisation in the coming years. The most significant changes are yet to be fully implemented although the project is on target to deliver as reported through Transformation Board. There is pressure on performance as neighbouring health boards and trusts face increasing demand. Cancer treatment times, out of county unscheduled care and ambulance response times are all under increasing pressure and the Health Board needs to ensure these areas are kept under review.

88. While the Heath Board has delegated accountability for delivery into its localities, there is a need to design a performance accountability model that mirrors the delegated management approach. At present, there are regular performance meetings with the localities that include locality level performance information and scrutiny. While there is no documented performance management framework in place, the IFOR project within the Transformation Project is incrementally improving the information available to localities and local managers to assist local performance management arrangements.

The Health Board's capacity to drive change at the required pace is exacerbated by the impending departure of the Chief Executive

89. My Structured Assessment work has reviewed how key enablers of efficient, effective and economical use of resources are managed. My work is on-going and a number of the thematic areas will be reviewed in early 2015. I have, however, commented on the organisation's change management capacity, leadership capacity and stability, workforce and estates issues, because these are specific relevant factors for the Health Board's change planning and delivery arrangements which should feature within the integrated medium-term planning process.

90. My work to date has indicated that:

- The Health Board does not yet have sufficient change management capacity and capability, though the Transformation Board, Programme Management Office, demand and capacity review and commissioning review are helping.
- The capacity to drive change at the required pace is a key issue for the Health Board, particularly because of recent and planned turnover of senior management.

- The organisation is taking a proactive approach to address operational and longer-term workforce issues. However, more work is needed to turn this into a clear plan of action and address workforce weaknesses such as training compliance.
- There remain overall weaknesses in the management of assets and estates. There is a risk that progress made during 2014 may stall following the recent departure of the Head of Estates. It is important to maintain focus on addressing key compliance issues and developing a robust estate strategy.

91. Key findings are set out further in Exhibit 3.

Exhibit 3: Structured Assessment – key enablers of effective use of resources

Issue	Summary of findings
Change capacity	**The Health Board does not yet have sufficient change management capacity and capability, though the Transformation Board, Programme Management Office, demand and capacity review and commissioning review are helping** The Transformation Board now has an agreed process to assess the capacity requirements of change programmes as they are introduced through the committee. The strategic delivery model programme was considered at December Board including proposals for significant expansion in organisational capacity for change. However, the Health Board does not yet have sufficient change management capacity. The Programme Management Office helps drive change in the organisation, but there is very limited change management capacity and capability across the organisation. Internal Audit have identified some areas of the transformation programme where arrangements need to be further strengthened around leadership, development of business cases, risk management and external engagement. The Health Board has not yet translated its corporate-wide plan into deliverable time-bound programmes or projects. There are, however, outstanding legacy projects which are being managed as well as some programmes of work which have been identified in-year. The demand and capacity, commissioning and workforce reviews are appropriately focused on areas that are critical to success. The outcome from the reviews should be shaped into clear delivery plans, which are prioritised, resourced and delivered. The capacity to drive change at the required pace is a key issue for the Health Board. The Health Board needs to develop and implement an IMTP, agreed with Welsh Government, which will set out a challenging agenda for service modernisation and commissioning health services. The Health Board also needs to ensure that changes to committees, and implementation of Board assurance, performance management, and commissioning frameworks are embedded and functioning effectively.

Issue	Summary of findings
Leadership capacity and stability	**The capacity to drive change at the required pace is a key issue for the Health Board, particularly because of recent and planned turnover of senior management** The necessary strategic and operational changes require a strong and stable executive team to provide required leadership, direction, drive and stakeholder engagement. The Health Board continues to experience turnover of staff at a senior management level, which is a particular issue because of the recent announcement of the departure of the Chief Executive. There have been significant appointments made at Executive Board level of Director of Primary and Community Care, Director of Workforce and Organisational Development, Director of Planning and Performance plus the appointment of a Programme Director, Commissioning Development. But there have also been departures of the Medical Director, Locality General Management, and the Head of Estates. Senior manager changes could present risk to the pace of change and improvement although we understand that acting arrangements have always been in place. In addition to executive turnover, there have been some significant changes to the independent membership during the year including a new Chair and Vice-chair. These arrangements are bedding in and should provide additional strength and depth to the Board.
Workforce planning	**The organisation is taking a proactive approach to address operational and longer-term workforce issues. However, more work is needed to turn this into a clear plan of action and address workforce weaknesses, such as training compliance.** Senior management clearly understand the importance of changing the long-term structure of the workforce. Key work is underway (demand and capacity review) to assess the overall allocation of resources to need. A significant amount of work has been undertaken by the organisation to reduce levels of sickness absence which is having an impact on absence rates. There has also been a strengthening of the use of workforce data and reporting at a management level while reporting at Board level will be addressed via the Workforce and Organisational Development Committee which has recently met. Organisation capacity is a long-standing issue that has affected the Health Board over several years. There are also longstanding workforce issues relating to training compliance and recruitment and retention.

Issue	Summary of findings
Estates and assets	**There remain overall weakness in the management of assets and estates particularly relating to health and safety compliance, fire safety and poor quality of the estate. However, there is now greater clarity in the management approach that has been developed to address these concerns, and the recent appointment of a Director of Primary and Community Care will provide the necessary leadership capacity in this area.** There is a long history of significant estates and assets risks across Powys relating to health and safety compliance as well as a need for greater understanding of how estates and assets will be designed to meet future care pathway models. The Health Board does not have an up to date estate strategy or an operational service asset and estate management plan. The Health Board is accelerating progress but improvements will require an estates function that is appropriately skilled, motivated and managed.

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

The range of interventions provided by the district nursing service reflects the service specification but there are real opportunities to put the service at the centre of the Health Board's approach for delivering care in the community, to improve utilisation of resources and to minimise variation

92. The Health Board has clearly articulated the need to move towards community based integrated models of care, linked to the repatriation of patients. The nursing and midwifery strategy highlights the demographic and geographic challenges facing the Health Board as well as the need to work closely with neighbouring health boards and trusts in relation to acute care. However, there is a lack of clarity as to where district-nursing services fit in within the whole system, which means that the service is reactive to changes elsewhere in the system rather than proactively leading the way. Managerial and professional lines of accountability are clear and consistent. Professional lines of accountability are in place with the district nursing team leaders reporting to the professional head of district nursing who provides professional and clinical leadership. There also is a clear professional line to the Board from the district nursing teams through the Executive Director of Nursing.

93. The way in which district nursing teams are resourced is largely historic and, although referrals are generally appropriate, there is scope to improve the quality of referrals, review the scope of the district nurse service and improve caseload information.

94. In common with other health boards in Wales, there is no standardised patient dependency tool currently in use. The Health Board has lacked an electronic system to capture information about the caseload and patient dependency or acuity, although the recent implementation of Myrddin will enable consistent caseload data to be captured going forward.

95. The scope of care and interventions that can be provided is set out in the district nursing service specification although this is not widely shared with key stakeholders. The type of care interventions requested generally matches the service specification with teams willing to redirect inappropriate referrals that do not match the specification. A standard referral form is available but rarely used which means that the quality of the referral information is sometimes poor.

96. Staffing levels compare favourably against many other Health Boards with a positive shift in the grade mix, however levels remain largely historic and there is variation across the teams. Staff are trained in a good range of skills, but not all of them are used and workload pressures can make access to training, and compliance with mandatory training, difficult. The Health Board encourages paid protected time for CPD and a system for clinical supervision, but these are not always being implemented in practice due to workload pressures.

97. There is variation in the way in which district nurses are deployed across the Health Board with scope to review working practices and work allocation within and between teams. The time spent on patient care varies by team and grade, with the setting in which patient care is provided and the geography of Powys having an impact. Arrangements are in place to ensure that caseload levels do not create pressure on the teams, however, there is scope to improve caseload management particularly in relation to reviewing patients who are suitable for discharge.

98. The Health Board does not yet have arrangements to systematically assess, report and monitor the performance of its district nursing services. A new dashboard reporting mechanism and supporting information system provide an opportunity to address this problem but have only recently been implemented. The Health Board routinely reports on a limited number of quality measures, including clinical incidents and complaints, but these indicators are not specific to district nursing and there is no specific risk register or clinical audit programme that relate to district nursing services.

99. The Health Board has played an active role in supporting the development of district nursing services across Wales and is developing innovative practice around leg ulcer management, although more could be done to share more localised practice between teams.

Clinical coding lacks any prominence within the Health Board and although arrangements support the generation of timely information, a range of weaknesses in the process are impacting on the accuracy of clinical coded data

100. Clinical coding has no profile at Board level, and although there is some awareness of the role of clinical coding, there is a general lack of awareness of the Health Board's own arrangements by Board members. There have been no papers to the Board over the last two years relating to clinical coding, and the integrated performance report does not include the Health Board's own performance in relation to the Welsh Government target for coding completeness. The Health Board is, however, routinely meeting the Welsh Government target. There are clear lines of operational accountability for clinical coding direct to the Board and recent revisions to the management structure have strengthened accountability.

101. My previous review of data quality in 2012 identified that there was no data quality forum in place, although there were plans to establish a data standards group. My recent work has identified that this is still not in place.

102. The clinical coding team is well resourced which presents real opportunities to demonstrate the potential of coding. However, more could be done to support staff to achieve the accredited coding qualification which would enhance the quality of data.

103. Access to medical records and electronic information is good although there are some issues with the quality of medical records across Powys that need to be addressed. For example, the lack of discharge summaries, identification sheets and access to electronic information is impacting on the overall quality of medical records. In addition, medical records validation processes are limited and there are no routine audit arrangements in place.

104. The Health Board achieved the national validity and consistency standards for data derived from clinical coding as well as meeting targets for the timeliness for coding. However, there are issues with the accuracy of coding which need to be addressed.

Although there is some scope to improve efficiency, orthopaedic services provided by the Health Board generally perform well but there is variation in the provision of its commissioned orthopaedic services by its main Welsh health board providers

105. My conclusion on the efficiency, effectiveness and economy of orthopaedic services at the Health Board is based upon the data gathered as part of my national review of orthopaedic services in Wales, due to be published in 2015.

106. My analysis of all-Wales data has shown that the Health Board has a positive level of investment in primary care services. The proportion of total musculoskeletal monies spent on primary care was one of the lowest in Wales in 2010-11. Since then, it increased considerably, and by 2012-13 was the highest across Wales, accounting for 17.1 per cent of total expenditure. This compares against an all Wales average of 11.2 per cent. There is also a good range of community-based services available to GPs.

107. The Health Board reported having a number of services in place, which allow direct access by GPs, although there is scope to consider the option of developing a GP with specialist interest and the opportunities presented through enhanced services. The prevalence of these services may also link to the low GP referral rates. Despite a slight rise in the rate of referrals since 2012-13, the Health Board has the lowest rate of GP referrals for orthopaedics per 100,000 head of population in Wales. There is, however still some scope to strengthen the clinical musculoskeletal assessment and treatment services to reduce referrals even further.

108. Outpatient and physiotherapy services are generally meeting demand, although waits for radiology have been problematic and outpatient cancellation rates could be improved. Orthopaedic outpatient appointments are provided both within Powys and out of county in other acute hospital providers. Access to outpatient appointments within Powys meets requirements, but increasingly out of county providers are facing pressures and starting to see up to 12 per cent of patients waiting over 26 weeks for their first outpatient appointment. Across Wales, there is also an increase in demand for radiology diagnostic services, and increasingly this demand is having an impact on the waiting times for diagnostic services. As there is a strong dependency between orthopaedics on diagnostic services, this pressure is also affecting overall access to treatment.

109. The provision of inpatient care to Powys residents by the main Welsh secondary care providers varies, however surgery undertaken in the Health Board is generally efficient. Based on the data available, it is not possible to compare the efficiency of inpatient processes against acute providers because the case mix is different. Patients treated within Powys are expected to be day case and of low clinical risk, that is, those patients without comorbidities or requiring more intensive care. Overall, based on the type of patients that are treated in Powys, the analysis indicates an overall efficient service, but some issues relating to cancellations and theatre utilisation.

110. Patients are followed-up although my data indicates that patients can experience different outcomes depending on where they receive care. Of the three main provider Health Boards in Wales, the data indicates that there is some variation in clinical risk and outcomes across these bodies. Because clinical volumes are comparatively low in Powys both for locally and externally provided orthopaedic services, patient outcome, experience data would need to be collected over a longer timeframe to be able to understand with confidence the overall outcomes for orthopaedic services.

The Health Board has made improvements since my original review of hospital catering service and patient nutrition arrangements, although there remains variation in practices across sites in relation to implementation of the all Wales nutritional care pathway and cost control

111. There is clearly a more integrated approach to co-ordinate and align catering and nutrition services. The steering group that is providing direction and co-ordination may need to reassess its terms of reference so that it aligns with any new requirements that emerge from the Welsh Government as a response to *Trusted to Care*.

112. The Health Board implemented my recommendation to produce a strategy to encourage better integration of service planning, setting standards, and service oversight. The strategy has also ensured alignment to the national catering and nutrition strategy and framework.

113. The Health Board has made good progress regarding the catering and nutritional support arrangements in Welshpool hospital. Protected mealtimes are in place in all sites but there remains some variation as to how well the processes are being followed. The range of foods available out of hours has improved across all sites and there are processes in place to ensure patients are offered food at regular intervals.

114. The introduction of the 360° audits that involve assessment of catering and nutrition support and are undertaken by a number of professions is a significant improvement in the arrangements since my original review. The 360° audits are thorough, include a broad scope and have developed year on year. The approach can be further improved by including direct patient feedback and also a follow-up approach to ensure improvements are sustained.

115. The Health Board has implemented a new approach to non-patient food pricing that has ensured prices are regularly re-calculated although the cost of patient meals has grown above inflation, and there is greater variation in costs across sites.

116. The Health Board will need to demonstrate that required staff have completed the e-learning training. At the time of the original review, overall rate of take-up and completion of this training was low. This is an area that has been a concern to the Public Accounts Committee and as such it will continue to be an area of national scrutiny.

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

117. In addition to reviewing the effectiveness of the Health Board's arrangements to manage and respond to recommendations made as part of my nationally mandated and local programme of audit work as discussed in paragraph 86, my work has found that:

- All recommendations made in my review of delivery of financial savings schemes have been actioned.
- Three out of nine recommendations have been implemented from my GP Prescribing Review. The report has been published for more than 12 months, and it is not clear that actions are progressing fast enough.
- Six out of 11 recommendations from my review of organisational training, teaching and learning have been implemented within agreed timescales.

118. Overall, there is a varied response to recommendations and the Health Board needs to ensure that the actions are implemented in a suitable timeframe. It is also important to ensure that the impact of the actions, in response to recommendations, resolve the issue that the report originally identified.

Appendix 1

Reports issued since my last Annual Audit Report

Report	Date
Financial audit reports	
Audit of Financial Statements Report	June 2014
Opinion on the Financial Statements	June 2014
Performance audit reports	
Review of Clinical Coding	July 2014
Follow up review of Catering and Nutrition	September 2014
Structured Assessment 2014	December 2014
Review of Orthopaedic Services	December 2014
Review of District Nursing	December 2014
Other reports	
Outline of Audit Work for 2014	April 2014

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

Report	Estimated completion date
Review of Section 33 ICT arrangements	March 2015
Review of ICT Computer Suite and data backup arrangements	March 2015
Review of Medicines Management	May 2015
Review of Outpatient Follow-up Appointments	May 2015

Appendix 2

Audit fee

The Outline of Audit Work for 2014 set out the proposed audit fee of £264,390 (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.

Included within the fee set out above is the audit work undertaken in respect of the shared services provided to the Health Board by the Shared Services Partnership.

Appendix 3

Significant audit risks

My Outline of Audit Work for 2014 set out the significant financial audit risks for 2014. The table below lists these risks and sets out how they were addressed as part of the audit.

Significant audit risk	Proposed audit response	Work done and outcome
The 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.	Audit work carried out as planned and no evidence found of management override of controls.
In all entities, 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).	Whilst the majority of the Health Board's income is defined in terms of value and the accounting period it applies to, my audit team will evaluate which types of revenue give rise to such a risk and, where appropriate, focus testing on the timing and value of these transactions.	Audit work carried out as planned and no evidence found of material misstatement due to fraud in revenue recognition.
The Oracle accounting system release 12 is currently being tested in preparation for a move to the new system from the end of the 2013-14 financial year. There is a risk to the integrity and completeness of the data transfer at the balance sheet date.	My audit team will assess the arrangements that the Health Board has put in place and test the cut-off procedures to ensure that all transactions and balances are recorded and that they are shown in the correct financial year.	Arrangements assessed as planned. No evidence found of incomplete or inaccurate data cut-off at the balance sheet date.

Significant audit risk	Proposed audit response	Work done and outcome
There is a significant risk that Health Board will fail to meet its revenue resource limit. The month 9 position showed a year to date deficit of £14.5 million and forecast a year-end deficit of £19.5 million. If the resource limit is exceeded I will qualify my regularity opinion and place a substantive report on the financial statements explaining the failure and the circumstances under which it arose. The current financial pressures on the body increase the risk that management judgements and estimates could be biased in an effort to achieve the resource limit.	My audit team will focus its testing on areas of the financial statements that could contain reporting bias. In particular these relate to significant judgements and accounting estimates at the year end, including continuing health care claims and primary and specialist health care year expenditure.	Although this risk did materialise during the year, with a qualification to the regularity opinion, year-end focussed testing found no evidence of biased judgements or estimates.
In addition, there is a 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 at year-end of almost £11 million. A shortfall of cash is likely to increase creditor payment times and impact on PSPP performance	My audit team will audit the PSPP bearing in mind the cash pressures on the Health Board and will also review any arrangements with the Welsh Government to manage the cash position at the year, with a focus on accounting mechanisms and relevant disclosure in the financial statements.	Additional cash was made available by Welsh Government, which allowed the Health Bard to manage its year-end cash position. The PSPP target was not achieved, and reported as such in the financial statements, because of a change in the calculation methodology on an all-Wales basis.

Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ

Tel: 029 2032 0500
Fax: 029 2032 0600
Textphone: 029 2032 0660

E-mail: info@wao.gov.uk
Website: www.wao.gov.uk

Swyddfa Archwilio Cymru
24 Heol y Gadeirlan
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500
Ffacs: 029 2032 0600
Ffôn Testun: 029 2032 0660

E-bost: info@wao.gov.uk
Gwefan: www.wao.gov.uk