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Auditor General for Wales

Annual Audit Report 2016 – **Public Health Wales**

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The team who helped me prepare this report comprised Gabrielle Smith, Anthony Ford, Jason Garcia, Anthony Veale and David Thomas.

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Summary report

Summary

- 1 This report summarises my findings from the audit work I have undertaken at Public Health Wales NHS Trust (the Trust) during 2016.
- 2 The work I have done at the Trust 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 Trust'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 Trust, 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 Corporate Governance 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 will be presented to the Audit and Corporate Governance Committee on 14 March 2017. It will then be presented to a subsequent board meeting and a copy provided to every member of the Trust. We strongly encourage wider publication of this report by the Trust. Following consideration by the Board, 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.
- 6 We gratefully acknowledge the assistance and co-operation of the Trust's staff and members during the audit.

Section 1: audit of accounts

- 7 I have issued an unqualified opinion on the 2015-16 financial statements of the Trust, although in doing so I have brought some issues to the attention of officers and the Audit and Corporate Governance Committee. These related to accounting estimates, remuneration disclosures and asset existence.
- 8 In addition, I placed a substantive report on the Trust'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 Trust's performance against them, and the implications for 2016-17.
- 9 I have also concluded that the Trust's accounts were properly prepared and materially accurate. My work did not identify any material weaknesses in the Trust's internal controls relevant to my audit of the accounts.

- 10 The Trust achieved 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

- 11 I have reviewed the Trust's arrangements for securing efficiency, effectiveness and economy in the use of its resources. This includes my structured assessment work which has examined the Trust'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. This work has led me to draw the following conclusions.

The Trust's arrangements for financial planning and management continue to work well but the content and format of financial reporting could be improved

- 12 Financial planning and budget setting are an integral part of the Trust's planning approach for the IMTP and are broadly sound. Budget setting is a shared responsibility between divisional directors and the finance team for allocating resources to deliver organisational priorities. To achieve financial balance in 2016-17, the budget strategy is underpinned by savings totalling £1.8 million to cover cost pressures, as well as creating an investment pot for service developments. The budget strategy is subject to scrutiny as part of the IMTP scrutiny process with investment proposals subject to a separate scrutiny process.
- 13 Budget holders are responsible for identifying savings and managing risks to achievement, with saving schemes risk assessed by the Finance team depending upon the level of uncertainty around achievability. However, not all savings schemes include detail on the nature of risks, which may make risk assessment more difficult.
- 14 Some savings rely on reducing or withdrawing funding to external organisations, and such disinvestment may require negotiation. Savings of this nature therefore need to be appropriately risk assessed with potential difficulties acknowledged. For all high-risk savings plans, alternative savings plans need to be considered prior to the beginning of the year.
- 15 Arrangements for financial control are satisfactory. The Trust has a clear framework of roles and responsibilities, with appropriate control activities and processes in place. Budgetary control procedures have been assessed as low risk with no significant issues raised by Internal Audit. There are effective internal controls in place to support financial reporting but some processes and procedures could be improved.

- 16 The Board receives timely financial information, which is consistent with the information reported each month to the Welsh Government. However, the format and content of the finance reports make it difficult to track changes or performance against the budget strategy as stated in the IMTP, in particular savings and (re)investments.
- 17 The Trust consistently achieves annual financial balance and is forecasting to break even in 2016-17. In 2015-16, as in previous years, the Trust made a small surplus after planned brokerage to the Welsh Government. At the end of October 2016, the Trust had delivered half of the £1.8 million savings identified in the budget strategy and in line with its plan.

Arrangements to support good corporate governance are largely sound and are continuing to mature

- 18 Arrangements for strategic and operational planning work well, and while those for monitoring performance are satisfactory, board reporting on progress against IMTP milestones needs further development. The Board has articulated its assurance requirements and the board assurance framework is now in place. Work to roll out the risk management framework is ongoing but changes to governance structures are improving scrutiny of strategic risks.
- 19 The Trust is making good progress to strengthen governance arrangements for quality with the Quality and Impact Framework recently approved by the Board. Work is underway to ensure that service user or community stories become a regular feature of board meetings and the first annual report on service user experience is expected in early 2017. Meanwhile, processes for learning from complaints and incidents continue to improve with evidence that learning is becoming embedded.
- 20 Arrangements to track progress in addressing recommendations are satisfactory with the Audit and Corporate Governance Committee using the tracking log to challenge the robustness of management responses and the pace of progress. However, there is one outstanding recommendation from 2014, which the Trust has yet to address.

My performance audit work identified opportunities to secure better use of resources in relation to the consultant contract

- 21 The Trust has made some progress to address the recommendations in my 2013 report¹ but job planning remains ineffective and the Trust still has limited understanding of consultant commitments. Overall corporate management of job planning is weak but the Trust is taking some positive steps to strengthen job

¹ Wales Audit Office, **Consultant Contract in Wales: Progress with Securing the Intended Benefits, 2013**

planning processes and to ensure the purpose of job planning is fully understood. Meanwhile, the Trust has only partially realised the intended benefits of the contract.

Detailed report

About this report

- 22 This Annual Audit Report to the Trust's board members sets out the key findings from the audit work that I have undertaken between December 2015 and November 2016.
- 23 My work at the Trust is undertaken in response to the requirements set out in the 2004 Act². That Act requires me to:
- a) examine and certify the accounts submitted to me by the Trust, 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 Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 24 In relation to (c), I have drawn assurances or otherwise from the following sources of evidence:
- the results of audit work on the Trust's financial statements;
 - work undertaken as part of my latest structured assessment of the Trust, which examined the arrangements for financial management, governance and assurance;
 - performance audit examinations undertaken at the Trust; and
 - the results of the work of other external review bodies, where they are relevant to my responsibilities.
- 25 I have issued a number of reports to the Trust 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](#).
- 26 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
- 27 [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 Trust, alongside the original fee that was set out in the 2016 Audit Plan.
- 28 Finally, [Appendix 3](#) sets out the significant financial audit risks highlighted in my 2016 Audit Plan and how they were addressed through the audit.

² [Public Audit \(Wales\) Act 2004](#)

Section 1: audit of accounts

- 29 This section of the report summarises the findings from my audit of the Trust'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.
- 30 In examining the Trust'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 Trust 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.
- 31 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 Public Health Wales NHS Trust, although in doing so, I have brought some issues to the attention of officers and the Audit and Corporate Governance Committee and placed a substantive report alongside my audit opinion

I have also concluded that the Trust's accounts were properly prepared and materially accurate

- 32 We received the draft financial statements for the year ended 31 March 2016 on 29 April 2016, which is in line with the submission deadline. We found the information provided by the Trust to be relevant, reliable, comparable and easy to understand.
- 33 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 Trust's Audit and Corporate Governance Committee on 2 June 2016. **Exhibit 1** summarises the key issues set out in that report.

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

Issue	Auditors' comments
<p>Estimate for the Work completed on the new Capital Quarter Office accommodation</p>	<p>The Trust entered into a 12-year lease for a new office and staff moved in during August 2016. The Trust received capital funding of £1 million from the Welsh Government to complete this work.</p> <p>In preparing the 2015-16 accounts, the Trust estimated the value of work completed during 2015-16. This estimation, however, was based on a valuation of work dated 11 March 2016. As such work completed during the period 12 March to 31 March 2016 has not been included in the 2015-16 financial statements, it is not possible to retrospectively value the work as at 31 March 2016.</p> <p>Whilst we are of the view that this estimate has been understated, we are satisfied that the value of work completed between 12 March and 31 March 2016 would not be material to the 2015-16 financial statements. We also accept that any increase in work completed would have resulted in an increase in capital funding from the Welsh Government resulting in no impact on the Trust's year-end revenue position.</p> <p>However, in future, the Trust should ensure that all work completed to the year-end is included in the estimate for that year's financial statements.</p>
<p>Remuneration report</p>	<p>The Trust submitted the remuneration report to the Welsh Government and for audit by the agreed deadline. However, our audit identified a number of amendments and additional disclosures which were required to the remuneration report.</p> <p>We would recommend that following the completion of the remuneration report, the disclosures are checked by both the Finance and HR departments and then circulated to directors and independent members for their review.</p>
<p>Asset Existence</p>	<p>The Trust has carried out a review of its asset register in the year and has amended, where necessary, the named asset owner for particular assets. However, this process was carried out in year rather than as part of the year-end closedown timetable.</p> <p>The processes and procedures for confirming asset existence and reviewing assets for impairment could be more robust.</p>

34 As part of my financial audit, I also undertook the following reviews:

- Whole of Government Accounts return – This return was below the threshold for auditing and as such we were not required to conclude whether the

counterparty consolidation information was consistent with the financial position of the Trust at 31 March 2016 and the return was prepared in accordance with the Treasury's instructions; and

- summary financial statements and annual report – I concluded that the summary statements were consistent with the full financial statements.

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

35 I reviewed the Trust'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 Trust's internal controls.

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

36 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 Trust over the last 12 months to help me discharge that responsibility. This work has involved:

- reviewing the Trust's financial management arrangements, particularly arrangements for identifying and delivering savings to achieve financial balance and (re)investments for service developments;
- assessing the effectiveness of the Trust's governance and assurance arrangements through my structured assessment work, including reviewing the progress in addressing structured assessment recommendations made last year; and
- assessing the Trust's progress in addressing the issues identified by my previous audit work on the consultant contract; and
- reviewing the Trust's arrangements for tracking progress against external audit recommendations.

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

The Trust's arrangements for financial planning and management continue to work well but the content and format of financial reporting could be improved

38 My structured assessment work in 2016 has considered the action that the Trust 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.

Financial planning and budget setting are an integral part of the Trust's approach for the IMTP and are broadly sound

- 39 The financial planning process remains an integral part of the planning cycle for the integrated medium-term plan (IMTP). Roles and responsibilities in the financial planning process are clearly understood. Budget setting is a shared responsibility between divisional directors and the finance team, who co-ordinate the overall budget setting process and provide constructive challenge to financial assumptions. Draft financial plans are subject to scrutiny by the executive management team as part of the integrated planning process for the IMTP with a separate scrutiny process in place to agree (re)investment proposals. The Board approved the 2016-17 budget strategy as part of the IMTP approval process.
- 40 The budget for the next financial year is based on the month 6 expenditure in the current year, adjusted for cost pressures and savings targets. To achieve financial balance in 2016-17, the budget is underpinned by saving schemes totalling £1.8 million (1.57 per cent of the Trust's core budget). Saving schemes are a combination of pay and non-pay to cover cost pressures and to create an investment pot to fund service developments. Once approved, (re)investment funding is consolidated within the budget line with successful proposals underpinned by implementation plans.
- 41 Budget holders are responsible for identifying savings and associated delivery plans. Savings schemes are risk assessed by the Finance team in respect of uncertainty around achievability and service impact. All 45 savings schemes included within the 2016-17 budget were risk assessed but information on the nature of the risks associated with 13 individual schemes was not recorded. This may make it difficult for the finance team to assess the level of risk associated with each scheme.
- 42 Some savings schemes rely on reducing or withdrawing funding to external organisations, and such disinvestment may require negotiation. Savings of this nature need, therefore, to be appropriately risk assessed with potential difficulties acknowledged. However, the 2016-17 budget for one directorate was finalised before the Trust had notified an external organisation of its plan to withdraw funding. The level of planned savings in this case was small (£30,000) compared with the Trust's overall savings target, but accounted for a fifth of the directorate's

savings target. Adverse publicity of withdrawing funding was clearly identified as a risk although the scheme was assessed as low risk in terms of achievability. It ultimately transpired that the directorate was unable to withdraw funding and the shortfall in savings is expected to be offset by underspends on the budget.

Arrangements for financial control are satisfactory

- 43 The Trust has a clear framework of roles and responsibilities, with appropriate control activities and processes in place. Budgetary control procedures have been assessed as low risk with no significant issues raised by Internal Audit.
- 44 Our audit work on the financial statements concluded that the Trust had effective internal controls in place to support financial reporting. However, our Audit of the Financial Statements report included a number of recommendations to support improvements in relation to the stewardship of assets, secondment arrangements and the preparation of the remuneration report.

Arrangements for monitoring and oversight are robust but the content and format of financial reporting could be improved

- 45 There are well-established arrangements for scrutiny of financial performance operationally and strategically. The finance team closely monitor budgets and track savings and (re)investments on a month-by-month basis with meetings between the finance team and division and directorate to ensure budgets remain on track. The executive management team scrutinise the overall financial position on a quarterly basis, while directorate mid and year-end performance reviews by the executive management team provide additional scrutiny.
- 46 The Board receives timely financial information which is consistent with the figures and budget variances reported each month to the Welsh Government. However, the format and content of the finance reports make it difficult to track financial performance against the budget strategy set out in the IMTP. The reports are largely narrative making it difficult to pick out key messages at a glance. There is no information on whether planned savings and (re)investments are on track to deliver what was intended as these two components are consolidated within the budget line. Links between the finance and performance reports could be better in providing assurances that financial performance does not adversely affect services and programmes of work or vice versa.
- 47 In 2015-16, the Trust's budget strategy identified funding totalling £1.12 million for reinvestment in health improvement programmes related to early years, mental wellbeing, obesity and smoking prevention. Little information on progress of the reinvestment was reported to the Board so my team examined how the Trust monitored and reported delivery at an operational level. Information provided by the directorate shows that the reinvestment funding was used to recruit staff to develop and lead new programmes of work. However, the reinvestment plan containing the detailed financial information was not finalised until month four. This

resulted in delays to recruitment and, as a consequence, the directorate budget was underspent at the end of March 2016.

The Trust consistently achieves annual financial balance and is forecasting to break even in 2016-17

- 48 The Trust has a strong track record of achieving financial balance. The Trust consistently delivers small surpluses annually, as well as being in a position to regularly broker back monies to the Welsh Government. In 2015-16, the Trust's surplus totalled £17,000 after planned brokerage of £300,000. The Trust forecasts to break even for the year ended 31 March 2017. The annual financial duty has been revoked and the statutory break-even duty becomes a three-year duty with the first assessment of this duty in 2016-17.
- 49 The Trust consistently achieves savings and in 2015-16 achieved savings of £2.5 million. At the end of October 2016, the financial returns to the Welsh Government show that the Trust had delivered 50 per cent of the £1.8 million savings identified in the budget strategy and in line with its plan.

Arrangements to support good corporate governance are largely sound and are continuing to mature

- 50 My governance and assurance work has assessed the Trust'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.

Arrangements for strategic and operational planning work well, and while those for monitoring performance are satisfactory, board reporting on progress against IMTP milestones needs further development

- 51 The Trust's 2016 IMTP was developed in the required timeframe receiving board scrutiny and approval prior to submission to the Welsh Government. The IMTP received approval from the Cabinet Secretary for the second year running, subject to a small number of conditions, which the Trust has addressed.
- 52 The Trust continues to make good use of the NHS planning framework and board members are confident that the organisation has improved its approach to planning as a result of it. A review by the Internal Audit service provided substantial assurance that the Trust's process for developing the IMTP works well.
- 53 The Trust's planning arrangements continue to support an integrated bottom-up approach to the development of the IMTP with support from the corporate planning team and workforce and finance business partners. Planning guidance, refreshed in 2016, sets out clearly roles and responsibilities for the planning and delivery of the IMTP from floor to board. An executive lead is responsible for leading and

developing a plan for each strategic priority, ensuring relevant contributions from all parts of the organisation.

- 54 Arrangements for performance monitoring and reporting on the key service, quality and resource indicators set out in the IMTP and annual operational plan³ are largely unchanged from last year. The IMTP includes a detailed delivery framework setting out key service, quality and resource indicators. Performance reports include a full performance dashboard but not all indicators are listed nor is the reason for omission. The Trust's IMTP acknowledges that work is needed to further develop performance management and reporting arrangements, including refining monthly board reports.
- 55 Last year, we reported that the Trust needed to consider how it should summarise overall progress towards achieving IMTP milestones and actions in the annual Operational Plan. The 2016 IMTP sets out the key achievements against strategic priorities in the preceding year but it is difficult to link these achievements to specific milestones and actions.
- 56 The April 2016 board report sets out the number of actions in the Operational Plan completed the previous year as well as the number carried forward. However, the board report does not indicate which actions were carried forward. Instead, these actions are recorded in directorate year-end performance reports, with directorates responsible for delivering and monitoring them.
- 57 Meanwhile, the Trust's 2016 IMTP delivery framework indicates that progress against the Operational Plan will be reported quarterly to the board using a (red, amber, green) RAG rating accompanied by exception reports. However, progress against the Operational Plan has not been reported at a public board meeting, although proposed changes to actions have, along with reasons for proposed changes and whether approved. The NHS Planning Guidance for 2017/20⁴ sets out the expectation that boards should receive an overall assessment of progress against the IMTP in public session at least bi-annually.

The Board has articulated its assurance requirements while changes to governance structures are improving scrutiny of strategic risks

- 58 In reaching this conclusion I found:
- the board assurance framework is now in place, while work to roll out the risk management framework is ongoing; and
 - changes to committee structures are improving scrutiny of strategic risks with plans in place to further improve board and committee effectiveness.
- 59 The Board approved the board assurance framework in June 2016. There are effective arrangements in place to update the board assurance framework to

³ The Operational Plan sets out the specific actions to deliver each priority and strategic objectives of the IMTP during 2016-17.

⁴ Welsh Government, [NHS Planning Guidance for 2017/20](#), 2016.

support effective and timely scrutiny of the strategic risks and mitigating actions by the Board and its committees. The Board has yet to articulate its risk appetite but plans are in place to start discussions as part of board development sessions.

- 60 Board members are broadly satisfied with arrangements for board assurance with board members actively seeking assurance that controls are robust and sources of assurance comprehensive. However, strategic risks recorded in the board assurance framework are linked to strategic priorities by reference number only making it difficult for the reader to judge the quality of the controls and assurances.
- 61 Work to embed the risk management framework at an operational level is ongoing. Training to support implementation was put on hold until early 2017 so that the new chief risk officer could revise the training programme following staff feedback. The Trust is confident that robust directorate risk registers will be in place by March 2017 with arrangements for updating risks mirroring those for the board assurance framework. At that time, the Trust intends to reassess organisational maturity in relation to risk management and annually thereafter.
- 62 The Board remains committed to developing its effectiveness, although it is interesting to note that board members are less confident that there is an effective approach to assess board and committee effectiveness or that there are sufficient numbers with the necessary skills for scrutiny. The long-standing vacancy for a non-executive director with local government experience was recently filled after changes to Statutory Instruments. There are ongoing succession requirements and the Trust is working with the Public Appointments Unit to minimise risks to board continuity.
- 63 Board and committee work plans have been reviewed and a programme of committee self-assessments is underway starting with the Audit and Corporate Governance Committee. Meanwhile, a more formal programme of board development sessions is planned to ensure all board members have sufficient knowledge of emerging themes and challenges. This will become increasingly important as new non-executive members join the organisation.
- 64 Board members are positive that the organisation effectively reviews and adapts governance structures. Arrangements for the dissolution and establishment of board committees were approved by the Board. Changes to committee structures are improving scrutiny of strategic risks aligned to the IMTP strategic priorities and risks to delivery.

The Trust is making good progress to strengthen governance arrangements for quality and arrangements to track progress in addressing recommendations are satisfactory

- 65 Quality assurance and quality improvement remain an integral part of the Trust's IMTP. The quality lead took up post in early 2016 providing the capacity needed to complete the quality and impact framework, which was recently approved by the Board. The Quality Management Group, accountable to the executive management team, will oversee implementation. Good practice guidance

underpinning the framework is in development for staff. In addition, plans to establish a virtual forum where staff come together to learn and share approaches to quality improvement and evaluation are well advanced.

- 66 The Trust produced its first annual clinical audit plan last year⁵ and the extent of progress is currently being assessed. Meanwhile, the development of the 2017-18 plan is well advanced. The Quality, Safety and Impact Committee is scheduled to receive the progress report and the new plan before the end of March 2017.
- 67 The Trust is committed to engaging with service users and the public but few board members are confident that the organisation engages effectively with service users on the major strategic changes outlined in the IMTP. In early 2016, the Trust commissioned a baseline assessment of its arrangements for service user and public engagement. The Trust recently received the draft report but had not yet agreed how it will respond to the findings.
- 68 Work to identify the most effective way to bring stories to board meetings is ongoing to ensure stories reflect the diversity of the Trust's work with service users, local communities and whole populations. Stories do, however, form part of the board business plan for the coming year, and continue to be a regular feature of the Quality, Safety and Impact Committee meetings.
- 69 Processes for learning from complaints and incidents continue to improve. The Trust's planned retrospective audit of lessons learned from concerns and claims was completed earlier this year. It found that learning lessons does take place. The Welsh Risk Pool's annual review of the management of concerns and claims and subsequent learning shows continued improvement. The Welsh Risk Pool noted that learning was not yet fully embedded across the organisation but that the quality of work and evidence in relation to learning appeared more robust.
- 70 In addition to reviewing the actions taken to address my 2015 structured assessment recommendations, I also considered the effectiveness of the Trust's arrangements to manage and respond to my audit recommendations. A tracking log identifies the status of recommendations (ie, the number that are complete, ongoing or overdue), the action to be implemented and any updates. The Audit and Corporate Governance Committee considers the tracking log at every meeting, using it to challenge the robustness of management responses and the pace of progress.
- 71 However, the Trust has yet to address my recommendation to assess whether its information security policy is fit for purpose and, if not, to either update and revise it or develop a new information security policy. In light of recent cyber security incidents at NHS organisations in England, the Trust should ensure that information security policies and procedures are up to date and effective.

⁵ In future, the plan will be known as the Quality and Clinical Audit Plan.

My performance audit work identified opportunities to secure better use of resources in relation to the consultant contract in Wales

The Trust has made some progress to address my recommendations but job planning remains ineffective and the Trust still has limited understanding of consultant commitments

- 72 My follow-up audit work assessed the extent to which the Trust had addressed my recommendations to strengthen job planning processes and to achieve the benefits of the consultant contract in Wales. Overall corporate management of job planning is weak but the Trust is taking some positive steps to strengthen processes and understanding, in particular:
- the Trust does not record job plans centrally and the quality of job plans reviewed was variable;
 - local guidance and training are comprehensive but it is too early to say if job planning has improved as a result;
 - contrary to national guidance, general managers are not involved in most job plan reviews, and consultants' work for other bodies is rarely reflected in their job plans;
 - outcome setting is weak and access to information to support job planning is inconsistent;
 - job planning and appraisal processes are linked in theory but not in practice; aligning the processes is a corporate priority but it is unclear how it will be achieved; and
 - corporate monitoring of whether all consultants have an up-to-date job plan is currently weak; new monitoring arrangements have been introduced but need strengthening, by, for example, reporting completion rates.
- 73 Meanwhile, the Trust has only partially realised the intended benefits of the contract, in particular:
- job plans are supporting better discussions between managers and consultants but are not being used to facilitate service modernisation;
 - whilst job plans clearly define Supporting Professional Activities, we saw little evidence of outcomes and outputs for these activities;
 - there is no assurance that excessive hours have been addressed as the Trust does not hold data on consultant sessions; and
 - job plans are not currently used to help manage short-term workload pressures within teams.

Appendix 1

Reports issued since my last annual audit report

Exhibit 3: 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
Final Accounts Memorandum	September 2016
Performance audit reports	
Follow-up Review of Consultant Contract	September 2016
Structured Assessment 2016	December 2016
Review of Savings and (Re)Investments – included in the financial management arrangements reported in Structured Assessment	December 2016
Other reports	
2016 Audit Plan	March 2016

Exhibit 4: performance audit work still underway

Report	Estimated completion date
Review of the Collaborative Arrangements for Managing Local Public Health Resources	March 2017

Appendix 2

Audit fee

The 2016 Audit Plan set out the proposed audit fee of £151,113 (excluding VAT). My latest estimate of the actual fee, on the basis that some work remains in progress, is in accordance with the fee set out in the outline.

Appendix 3

Significant audit risks

Exhibit 5: 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. 	No issues were noted from our review and testing of journal entries.
The financial duty of the Trust is to ensure it breaks even year on year. This is a Statutory target and a significant risk.	My audit team will review the basis of accounting estimates and year-end accruals to ensure they are complete and reliable.	With the exception of the estimate for the work completed on the new Capital Quarter Office accommodation, which is reported in Exhibit 1 we concluded that estimates were fairly stated in the financial statements.
The Trust has let a contract for the provision of a managed service microbiology contract for approximately £1.2 million. The Trust intends to account for the contract as an 'off balance sheet' transaction based on technical advice it has received.	This issue arose in 2014-15 but delays in letting the contract meant there was no impact on the 2014-15 accounts. Now the contract has been let we will conclude our review of : <ul style="list-style-type: none"> • whether necessary Welsh Government approval for the contract had been sought; • the accounting treatment is appropriate; and • appropriate advice has been sought on the VAT arrangements. 	No issues identified in completing this work.

Significant audit risk	Proposed audit response	Work done and outcome
<p>The Trust is in the process of vacating a number of its premises as a result of its review of accommodation needs in the Estates strategy review and has secured new office premises. There are two potential audit issues arising from this:</p> <ul style="list-style-type: none"> • firstly, it is likely that the Trust will incur dilapidations charges for each leased property; and • capital costs to fit out the new accommodation will need to be robustly determined in order that they can be capitalised and such that the Trust achieves its Capital resource limit. 	<p>We shall review the basis for inclusion of dilapidation charges and capitalised fit-out costs in the accounts including the basis of any estimates and their reliability.</p>	<p>With the exception of the estimate for the work completed on the new Capital Quarter Office accommodation, which is reported in Exhibit 1, we concluded that disclosures relating to these transactions were fairly stated in the financial statements.</p>

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