

Annual Audit Report 2022 – Aneurin Bevan University Health Board

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Summary report

About this report

- 1 This report summarises the findings from my 2022 audit work at Aneurin Bevan University Health Board (the Health Board) undertaken to fulfil my responsibilities under the Public Audit (Wales) Act 2004. That Act requires me to:
 - examine and certify the accounts submitted to me by the Health Board, and to lay them before the Senedd;
 - satisfy myself that expenditure and income have been applied to the purposes intended and are in accordance with authorities; and
 - satisfy myself that the Health Board has made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources.
- 2 I report my overall findings under the following headings:
 - Audit of accounts
 - Arrangements for securing economy, efficiency, and effectiveness in the use of resources
- 3 This year's audit work took place at a time when NHS bodies continued to respond to the unprecedented and ongoing challenges presented by the COVID-19 pandemic. Health bodies were not only tackling the immediate challenges presented by the public health emergency but were also seeking to recover and transform services to respond to the significant numbers of people who are waiting for treatment and improve population health. My work programme, therefore, was designed to best assure the people of Wales that public funds are well managed. I have considered the impact of the current crisis on both resilience and the future shape of public services.
- 4 I aimed to ensure my work did not hamper public bodies in tackling the crisis, whilst ensuring it continued to support both scrutiny and learning. We largely continued to work and engage remotely where possible through the use of technology, but some on-site audit work resumed where it was safe and appropriate to do so. This inevitably had an impact on how we deliver audit work but has also helped to embed positive changes in our ways of working.
- 5 As was the case in the previous two years, the delivery of my audit of accounts work has continued mostly remotely. The success in delivering it reflects a great collective effort by both my staff and the Health Board's officers.
- 6 I have adjusted the focus and approach of my performance audit work to ensure its relevance in the context of the crisis and to enable remote working. I have commented on how NHS Wales is tackling the backlog of patients waiting for planned care. My local audit teams have commented on how governance arrangements have adapted to respond to the pandemic, and the impact the crisis has had on service delivery.

- 7 This report is a summary of the issues presented in more detailed reports to the Health Board this year (see **Appendix 1**). I also include a summary of the status of work still underway, but not yet completed.
- 8 **Appendix 2** presents the latest estimate of the audit fee that I will need to charge to cover the costs of undertaking my work, compared to the original fee set out in the 2022 Audit Plan.
- 9 **Appendix 3** sets out the audit of accounts risks set out in my 2022 Audit Plan and how they were addressed through the audit.
- 10 The Chief Executive and the Director of Finance have agreed the factual accuracy of this report. We will agree the timing of the presentation of this report at Audit Committee and full Board meeting early in 2023. We strongly encourage the Health Board to arrange its wider publication. We will make the report available to the public on the [Audit Wales website](#) after the Board have considered it.
- 11 I would like to thank the Health Board's staff and members for their help and co-operation throughout my audit.

Key messages

Audit of accounts

- 12 I concluded that the Health Board's accounts were properly prepared and materially accurate and issued an unqualified audit opinion on them. My work did not identify any material weaknesses in internal controls (as relevant to my audit) however I brought some issues to the attention of officers and the Audit Committee for improvement.
- 13 The Health Board achieved financial balance for the three-year period ending 31 March 2022, however it incurred expenditure on NHS Clinicians' pension tax liabilities, which I deem to be outside its powers to spend, so I issued a qualified opinion on the regularity of the financial transactions within the Health Board's 2021-22 accounts.
- 14 Alongside my audit opinion, I placed a substantive report on the Health Board's accounts to highlight the NHS Clinicians' pension tax liabilities issue.

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

- 15 My programme of Performance Audit work has led me to draw the following conclusions:
- the Health Board has clearly articulated its corporate quality governance arrangements and its aims for quality and safety. However, there remain weaknesses at a divisional and directorate level which could impact the flow of assurance from floor to board.

- my structured assessment found:
 - while the Health Board has taken positive steps to improve the effectiveness of its corporate governance arrangements, opportunities exist to enhance these arrangements further to address key risks and operational pressures.
 - the Health Board needs to revisit its clinical strategy to ensure that clinical and medium-term plans help to drive service improvement and help to shape long-term sustainable services.
 - the Board needs to strengthen its focus on addressing financial challenges and risks and ensure greater oversight of financial recovery measures.
 - whilst there are reasonable arrangements in place to identify scope for savings, operational delivery of savings plans has proved challenging.
 - there are reasonable arrangements for supporting staff wellbeing, digital resources and managing the estate and physical assets, but I have highlighted some areas for improvement.
- despite the additional investment in waiting list recovery, the significant growth in the numbers of people waiting is likely to mean that waiting lists will not return to pre-pandemic levels for many years.

16 These findings are considered further in the following sections.

Detailed report

Audit of accounts

- 17 Preparing annual accounts is an essential part of demonstrating the stewardship of public money. The accounts show the organisation’s financial performance and set out its net assets, net operating costs, gains and losses, and cash flows. My annual audit of those accounts provides an opinion on both their accuracy and the proper use (‘regularity’) of public monies.
- 18 My 2022 Audit Plan set out the key risks for audit of the accounts for 2021-22 and these are detailed along with how they were addressed in **Appendix 3 Exhibit 4**.
- 19 My responsibilities in auditing the accounts are described in my [Statement of Responsibilities](#) publications, which are available on the [Audit Wales website](#).

Accuracy and preparation of the 2021-22 accounts

- 20 **I concluded that the Health Board’s accounts were properly prepared and materially accurate and issued an unqualified audit opinion on them. My work did not identify any material weaknesses in internal controls (as relevant to my audit) however I brought some issues to the attention of officers and the Audit Committee for improvement.**
- 21 The Health Board provided me with their draft financial statements and their draft Performance Report and Accountability Report by the deadlines set out by Welsh Government. The draft documents and the supporting working papers were of good quality.
- 22 I must report issues arising from my work to those charged with governance (the Audit Committee) for consideration before I issue my audit opinion on the accounts. My Financial Audit Engagement Lead reported these issues on 13 June 2022. **Exhibit 1** summarises the key issues set out in that report.

Exhibit 1: issues reported to the Audit Committee

Issue	Auditors’ comments
Uncorrected misstatements	<p>There was one misstatement in the accounts that was above our trivial level (£0.854 million) but lower than materiality (£17.081 million). This was discussed with management, but in line with Welsh Government guidance remained uncorrected.</p> <p>NHS land and buildings are subject to full revaluations every five years by the District Valuer Services (DVS). In the intervening years, the value of these assets is indexed using indices advised by the DVS. In August</p>

Issue	Auditors' comments
	<p>2021 the DVS provided the rates to be in 2021-22. The index quoted for buildings was 5%. In March 2022, due to increases in building costs, the DVS updated the buildings indexation rate to 7% for the last quarter of 2021-22.</p> <p>In line with all other Welsh health bodies and in compliance with instructions from the Welsh Government under Technical Update 7, the Health Board did not apply the latest rate in their calculation of indexation within the financial statements.</p> <p>This resulted in the following misstatements:</p> <ul style="list-style-type: none"> • an increase of £11.047 million in the value of land and buildings in respect of indexation, as at 31 March 2022; • an increase in depreciation of £101,000 for 2021-22 to be charged to the Statement of Comprehensive Net Expenditure; • a reversal of past impairments of £7.577 million for 2021-22 to be credited to the Statement of Comprehensive Net Expenditure; and • an increase in the revaluation reserve of £3.470 million, as at 31 March 2022. <p>Both individually and collectively, these unadjusted misstatements were not material to the financial statements. Therefore, the non-correction did not adversely affect my audit opinion.</p>
Corrected misstatements	<p>There were several corrected misstatements which corrected classification errors, removed those assets with a nil net book value from the accounts which the Health Board no longer owned or provided additional narrative disclosures.</p>
Other significant issues	<p>There were two significant issues arising from my audit of the accounts:</p> <p>Property, plant and equipment</p> <p>Due to COVID, the Health Board decided not to undertake its annual asset impairment review and the process for verifying asset existence as at 31 March. As part of our review of asset lives, my team sample tested assets recorded as having a Net Book Value (NBV) of 'nil'. My review of these assets found a total</p>

Issue	Auditors' comments
	<p>error rate of 33% for the total population sample tested.</p> <p>Further work was undertaken by the Finance Team to provide assurance that the GBV was not materially mis-stated. The Finance Team received confirmation for assets totalling a GBV of £24.4 million, of which £5.1 million was confirmed as no longer in use and the financial statements were amended accordingly. In addition, responses from departments highlighted uncertainty over asset existence to a further value of £1.5 million, leading to a potential error of 25% (£6.6 million out of £25.9 million responses).</p> <p>Extrapolation of this error rate to the remaining £24 million assets, indicates a potential misstatement of £6 million, which was below my materiality for the financial statements.</p> <p>For 2022-23, I recommended that asset verification reviews are undertaken annually, to ensure the verification of asset existence and values are correct and not materially mis-stated as at 31 March.</p> <p>Remuneration Report</p> <p>My work identified several amendments to the Remuneration Report which included:</p> <ul style="list-style-type: none"> • inclusion of annualised salaries for those individuals who were only in post for part of the year; and • inclusion of correct post titles. <p>The note was both further complicated by the number of staff changes at Senior Management level and Board members.</p> <p>For 2022-23, I recommended that the compilation of the Remuneration Report is reviewed to ensure compliance with the relevant guidance from the Welsh Government.</p>

- 23 I also undertook a review of the Whole of Government Accounts return. I concluded that the counterparty consolidation information was consistent with the Health Board's financial position on 31 March 2022 and the return was prepared in accordance with the Treasury's instructions.
- 24 My separate audit of the Charitable Funds financial statements is complete. The accounts were approved by the Charitable Funds Committee on 19 January 2023, and signed, following consideration of my report on the financial statements, by the

Trustees following the Board meeting on 25 January 2023. I issued my audit opinion on 27 January 2023.

Regularity of financial transactions

- 25 The Health Board's financial transactions must be in accordance with authorities that govern them. The Health Board must have the powers to receive the income and incur the expenditure. Our work reviews these powers and tests that there are no material elements of income or expenditure which the Health Board does not have the powers to receive or incur.
- 26 Where a Health Board does not achieve financial balance, its expenditure exceeds its powers to spend and so I must qualify my regularity opinion.
- 27 **The Health Board achieved financial balance for the three-year period ending 31 March 2022, however it incurred expenditure on NHS Clinicians' pension tax liabilities, which I deem to be outside its powers to spend, so I issued a qualified opinion on the regularity of the financial transactions within the Health Board's 2021-22 accounts.**
- 28 For the financial year ending 31 March 2022, the Health Board achieved an in-year surplus of £0.249 million against its revenue resource allocation and an in-year surplus of £0.050 million against its capital resource allocation.
- 29 For the three-year period ending 31 March 2022, the Health Board achieved financial balance with a cumulative surplus of £0.526 million for revenue expenditure. The Health Board also met its duty to break-even in relation to capital expenditure with a surplus of £0.091 million over the same three-year period.
- 30 I qualified the regularity opinion because the financial statements included a provision (and corresponding expenditure) of £756,155, relating to the Health Board's estimated liability arising from a Ministerial Direction in 2019. The Direction instructed payments to be made to clinical staff, if claimed, to restore the value of their pension benefits packages.
- 31 For NHS clinicians who opted to claim the financial offer to settle their annual allowance tax charges arising from their 2019-20 NHS pension savings, their NHS employers would meet the impact of those personal tax-charges on their pension when they retire. Claims that were submitted by the deadline of 31 March 2022 were accounted for as expenditure within the 2021-22 financial statements. In my view, this expenditure is irregular and material by its nature.
- 32 **Alongside my audit opinion, I placed a substantive report on the Health Board's accounts to highlight the NHS Clinicians' pension tax liabilities issue.**
- 33 I have the power to place a substantive report on the Health Board's accounts alongside my opinions where I want to highlight issues. Due to the issue set out above, I issued a substantive report setting out the factual details relating to the NHS Clinicians' pension tax liabilities.

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

- 34 I have a statutory requirement to satisfy myself that the Health Board has proper arrangements in place to secure efficiency, effectiveness, and economy in the use of 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 effectiveness of the Health Board's quality governance arrangements.
 - undertaking a structured assessment of the Health Board's corporate arrangements for ensuring that resources are used efficiently, effectively, and economically.
 - undertaking a high-level review of how NHS Wales is tackling the planned care backlog.
 - undertaking a high-level review of the arrangements for planning, delivering, and monitoring of efficiency and savings.
- 35 My conclusions based on this work are set out below.

Quality governance arrangements

- 36 My review examined whether the organisation's governance arrangements support delivery of high quality, safe and effective services. The review focused on both the operational and corporate approach to quality governance, organisational culture and behaviours, strategy, structures and processes, information flows and reporting.
- 37 My work found that that **the Health Board has clearly articulated the corporate arrangements for quality governance and its key areas of focus for quality and safety. However, there remain weaknesses at a divisional and directorate level which could impact the flow of assurance from floor to board.**
- 38 The Health Board has clearly articulated its annual key areas of focus for quality and safety and has reasonable arrangements for monitoring risk. It's developing quality improvement arrangements and complaints performance and learning lessons is improving. The Health Board has a values and behaviours framework, it encourages staff to raise concerns and there is collective responsibility for quality and safety amongst Executive Leadership. Corporate quality and safety structures and processes are clear and arrangements for monitoring quality and safety information are improving.
- 39 However, there are gaps in flows of assurance and the quality assurance framework needs to provide clarity around how a 'floor to board' quality and safety assurance system operates in practice. There is insufficient capacity amongst

operational staff and management to effectively support quality governance and systems of assurance and quality improvement at operational levels require strengthening. The Health Board's Putting Things Right policy is out-of-date and needs reviewing. There are also opportunities for the Health Board to improve how it captures and learns from patient experience and more to do to ensure that staff feel comfortable to report concerns, and they receive feedback on actions taken.

Structured assessment

- 40 My 2022 structured assessment work took place at a time when NHS bodies were not only continuing to tackle the challenges presented by COVID-19 but were also seeking to recover and transform services to respond to the significant numbers of people who are waiting for treatment and improve population health.
- 41 My team focussed on the Health Board's corporate arrangements for ensuring that resources are used efficiently, effectively, and economically, with a specific focus on the organisation's governance arrangements; strategic planning arrangements; financial management arrangements; and arrangements for managing the workforce, digital assets, the estate, and other physical assets. Auditors also paid attention to progress made to address previous recommendations.

Governance arrangements

- 42 My work considered the Health Board's governance arrangements, with a particular focus on:
- Board and committee effectiveness;
 - the extent to which organisational design support supports good governance; and
 - key systems of assurance.
- 43 My work found that **while the Health Board has taken positive steps to improve the effectiveness of its governance arrangements, opportunities exist to enhance these arrangements further to address key risks and operational pressures.**
- 44 Board and committee arrangements are strengthening, but they will need to be enhanced further to enable the Health Board to focus on addressing the increasing financial and performance challenges it is facing. I found opportunity to strengthen the Board's hybrid meeting approach and improve timescales for publishing agenda's, papers, and minutes of meetings. The Health Board also needs to ensure that declarations of interest and key policies to support the effective conduct of business are kept up to date.
- 45 While recent changes to committee structures appear to be leading to balanced workloads, there is scope to refine the size and order of agendas and sharpen some papers to ensure they are more focussed.

- 46 The Health Board is building greater leadership stability at an executive level and appropriately developing and embedding its systems of assurance. The outcomes framework is starting to help the Health Board to better monitor strategic objective delivery. However, there are opportunities to strengthen performance reporting relating to the impact of its improvement actions.

Strategic planning arrangements

- 47 My work considered the Health Board's strategic planning arrangements, with a particular focus on the organisation's:
- vision and strategic objectives;
 - Integrated Medium-Term Plan;
 - planning arrangements; and
 - arrangements for implementing and monitoring the delivery of corporate strategies and plans.
- 48 My work found that **the Health Board needs to revisit its clinical strategy to ensure that clinical and medium-term plans help to drive service improvement and help to shape long-term sustainable services.**
- 49 The Health Board is facing growing service and financial risks and needs to review its Clinical Futures Strategy and underpinning plans to ensure that its current and future service models are sustainable and drive improvement.
- 50 The Health Board has a good approach to planning, consistently securing Welsh Government approval of its Integrated Medium-Term Plans. However, there are opportunities to engage better with wider stakeholders such as local government and third sector partners on joint solutions, particularly where services interface, on health and social care.

Managing financial resources

- 51 My work considered the Health Board's arrangements for managing its financial resources, with a particular focus on the organisation's:
- arrangements for meeting key financial objectives;
 - financial controls; and
 - arrangements for reporting and monitoring financial performance.
- 52 My work found that **the Board needs to strengthen its focus on addressing financial challenges and risks and ensure greater oversight of financial recovery measures.**
- 53 The Health Board's arrangements to secure financial balance to date have been good. However, increased cost pressures alongside under-delivery of savings have resulted in a substantial change in the forecasted financial position for 2022-23, with the Health Board now reporting a year-end deficit rather than a balanced year-end position. The consequence for this year would mean that the Health Board

fails to meet its statutory spending requirement. But the financial challenge for future years is also likely to increase, which could affect the approvability of next year's Integrated Medium-Term Plan.

- 54 In general, the Health Board has demonstrated generally effective financial controls, monitoring, and reporting arrangements. Several Internal Audit reviews around financial governance, management and sustainability gave reasonable and substantial assurance ratings. However, the current financial challenges at the Health Board will require more robust scrutiny and challenge on financial performance and strengthening of its financial recovery measures and financial accountability arrangements at senior levels.

Efficiency savings arrangements

- 55 My work considered the high-level arrangements for planning, delivering, and monitoring of efficiency and savings. I found that **whilst there are reasonable arrangements in place to identify scope for savings, operational delivery of savings plans has proved challenging.**
- 56 The Health Board has a reasonable approach for identifying potential areas for savings and efficiencies to inform strategic financial planning and there is a good overall ethos at a senior level that seeks an efficiency approach that supports financially sustainable services.
- 57 There is an intent to deliver financial efficiencies through a balanced approach to service transformation and value-based programmes alongside short-term savings. Whilst the Health Board has a good track record of savings delivery helping to achieve financial balance in previous years, non-delivery of savings this year coupled with additional exceptional cost pressures is leading to deteriorating financial performance. A 'likely £37 million' deficit carry-forward into next year alongside an increasing underlying deficit, will make financial recovery substantially more difficult.
- 58 Operational cost savings plans were not in place early enough and compromised delivery. In addition, the delivery of service transformation-based efficiencies may not release the required quantum of savings as intended. Actual delivery of savings by the health board's services has been too slow. Service leaders are clearly aware of their accountabilities but exceptional service pressures and strain on the workforce has impacted the ability this year to operationalise savings delivery.
- 59 More can be achieved by better coordinating the work of the organisation's enablers and existing improvement and innovation 'capability' through the Programme Management Office (PMO) to deliver improved financial efficiencies.
- 60 The Health Board openly articulates its financial risks, but the actions it has taken to mitigate those risks has not been sufficiently effective. Its monitoring arrangements rightly focusses on strategic efficiency plans. However, it also needs to focus its oversight on the risks to operational delivery of plans and better understand the impact of efficiency plans.

Managing the workforce, digital resources, the estate, and other physical assets

- 61 My work considered the Health Board's arrangements for managing its wider resources, with a particular focus on the organisation's:
- arrangements for supporting staff wellbeing;
 - arrangements for managing its digital resources; and
 - arrangements for managing its estate and other physical assets.
- 62 My work found **reasonable arrangements for supporting staff wellbeing, digital resources and managing the estate and physical assets, but I have highlighted some areas for improvement.**
- 63 The Health Board prioritises wellbeing and seeks to understand how staff are feeling to help inform its improvement initiatives. However, there continues to be limited focus on workforce and wellbeing issues at Board level. The Health Board has refreshed its digital strategy, but there is scope to improve the quality of reporting on digital matters. The Health Board has an estate strategy and appropriate governance arrangements to oversee it, but the limited availability of capital finance is a concern, and its management of physical assets, asset tracking in particular, requires strengthening

Tackling the planned care backlog in Wales

- 64 In May 2022, I published a report that set out the extent of the planned care backlog in NHS Wales, and the key actions the system needs to take to start to tackle the backlog. My report highlighted the continued growth of the overall waiting list numbers month on month, whilst noting the rate of growth was slowing. It also noted that the inevitable drop in referrals seen during the pandemic would likely result in this latent demand eventually coming back into the system. Taking these and other factors into account my work estimated that it could as much as seven years before overall waiting list numbers in Wales returned to pre-pandemic levels.
- 65 The Welsh Government has produced a national recovery plan for planned care with key milestones for health boards to achieve, including an initial focus on those patients facing very long waits. However, those milestones are already proving difficult to achieve.
- 66 In line with the key actions that I set out in my report, the Health Board, along with others in Wales, will need to both build and protect capacity for planned care, and continue to maintain a focus on efficiency and productivity.
- 67 The Health Board will also need to ensure that it actively manages the clinical risks to patients that are facing long waits for treatment and enhance its systems for communicating with patients to help them manage their condition whilst they are waiting and inform them of what to do if their condition deteriorates.

Appendix 1

Reports issued since my last annual audit report

Exhibit 2: reports issued since my last annual audit report

The following table lists the reports issued to the Health Board in 2022.

Report	Date
Financial audit reports	
Audit of Financial Statements Report	June 2022
Opinion on the Financial Statements	June 2022
Charitable Funds – Audit Plan 2022	January 2023
Charitable Funds – Audit of Financial Statements Report	January 2023
Charitable Funds – Opinion on the Financial Statements	January 2023
Performance audit reports	
Tackling the Planned Care Backlog in Wales	May 2022
Review of Quality Governance Arrangements	May 2022
Structured Assessment 2022	November 2022
Efficiency Savings Arrangements	November 2022

Report	Date
Other	
2022 Audit Plan	March 2022

My wider programme of national value for money studies in 2022 included reviews that focused on the NHS and pan-public-sector topics. These studies are typically funded through the Welsh Consolidated Fund and are presented to the Public Accounts Committee to support its scrutiny of public expenditure. Reports are available on the [Audit Wales website](#).

Exhibit 3: performance audit work still underway

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

Report	Estimated completion date
Performance audit reports	
Orthopaedics	February 2023
Unscheduled care: <ul style="list-style-type: none"> patient flow out of hospital access to unscheduled care services 	March 2023 July 2023
Primary care follow-up review	April 2023
Workforce Planning	May 2023

Appendix 2

Audit fee

The 2022 Audit Plan set out the proposed audit fee of £386,809 (excluding VAT). My latest estimate of the actual fee, on the basis that some work remains in progress, is in keeping with the fee set out in the plan.

Appendix 3

Audit of accounts risks

Exhibit 4: audit of accounts risks

My 2022 Audit Plan set out the risks for the audit of the Health Board's 2021-22 accounts. The table below lists these risks and sets out how they were addressed as part of the audit.

Audit risk	Proposed audit response	Work done and outcome
Significant risks		
<p>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].</p>	<p>My team will:</p> <ul style="list-style-type: none"> • test the appropriateness of journal entries and other adjustments made in preparing the financial statements; • review accounting estimates for biases; and • evaluate the rationale for any significant transactions outside the normal course of business. 	<p>On a sample basis my team tested both journal entries and accounting estimates and found no evidence of the management override of controls. My team were satisfied that the accounts were free from material error.</p>
<p>Although COVID-19 restrictions have now been removed, there have been ongoing pressures on staff resources and of remote working that may impact on the preparation, audit and publication of accounts. There is a</p>	<p>My team will discuss your closedown process and quality monitoring arrangements with the accounts preparation team and make arrangements to monitor the accounts preparation process. My team will help to identify areas</p>	<p>My team maintained constant contact with the finance team so to understand the accounts preparation process, and any changes made to this process due to the continued pressures resulting from the COVID-19 Pandemic. My team satisfied themselves that</p>

Audit risk	Proposed audit response	Work done and outcome
<p>risk that the quality of the accounts and supporting working papers may be compromised leading to an increased incidence of errors. Quality monitoring arrangements may be compromised due to timing issues and/or resource availability.</p>	<p>where there may be gaps in arrangements.</p>	<p>the finance team had made good arrangements in order to provide an accurate and high-quality set of financial statements.</p>
<p>There continues to be increased funding streams and expenditure in 2021-22 to deal with the COVID-19 pandemic. These could have a significant impact on the risks of material misstatement and the shape and approach to our audit. Examples of issues include accounting for field hospital decommissioning and its associated costs; fraud, error and regularity risks of additional spending; valuation (including obsolescence) of year-end inventory including PPE; and estimation of annual leave balances.</p>	<p>My team will identify the key issues and associated risks and plan their work to obtain the assurance needed for our audit</p>	<p>My team carried out a range of audit work to identify all additional funding and expenditure streams expected within the accounts through liaison with the finance team and Welsh Government. Central guidance was provided to assist in the audit of this complex area. My team satisfied themselves that the additional income and expenditure was free from material error and correctly classified in the accounts.</p>
<p>The implementation of the 'scheme pays' initiative in respect of the NHS pension tax</p>	<p>My team will review the evidence one year on around the take-up of the scheme and the need for</p>	<p>My team satisfied themselves that the provisions disclosure made in the accounts was</p>

Audit risk	Proposed audit response	Work done and outcome
<p>arrangements for clinical staff is ongoing. Last year we included an Emphasis of matter paragraph in the audit opinion drawing attention to your disclosure of the contingent liability. Applications to the scheme will close on 31 March 2022, and if any expenditure is made in-year, we would consider it to be irregular as it contravenes the requirements of Managing Welsh Public Money.</p>	<p>a provision, and the consequential impact on the regularity opinion.</p>	<p>appropriate, however I qualified the regularity opinion as I concluded that this expenditure is irregular and material by its nature and I placed a substantive report on the Health Board's accounts to highlight the NHS Clinicians' pension tax liabilities issue.</p>
<p>Other areas of audit risk</p>		
<p>There is a risk that you will fail to meet your first financial duty to break even over a three-year period. The position at month 11 shows a breakeven position with a forecast breakeven position at the year-end. This, combined with the outturns for 2019-20 and 2020-21, predicts a three-year surplus of £276,000. Where you fail this financial duty, we will place a substantive report on the financial statements highlighting</p>	<p>My team will focus their testing on areas of the financial statements which could contain reporting bias.</p>	<p>My team undertook a range of audit work to provide assurance over the risk of bias to ensure that the actual year end position was true and fair. This included:</p> <ul style="list-style-type: none"> • detailed sample testing of transactions either side of the year-end to ensure that they were recorded in the correct accounting period. This was focussed on the areas of greatest risk. • ensuring that accounting estimates were prepared on a reasonable basis and were supported by

Audit risk	Proposed audit response	Work done and outcome
<p>the failure and qualify your regularity opinion. Your current financial pressures increase the risk that management judgements and estimates could be biased in an effort to achieve the financial duty.</p>		<p>appropriate accounting judgements. My team were satisfied that the accounts were free from material error</p>
<p>Introduction of IFRS 16 Leases has been deferred until 1 April 2022. There may be considerable work required to identify leases and the COVID-19 national emergency may pose additional implementation risks. The 2021-22 accounts will need to disclose the potential impact of implementing the standard.</p>	<p>My team will review the completeness and accuracy of the disclosures.</p>	<p>My team satisfied themselves that the disclosures were materially complete and accurate</p>



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