

Annual Audit Report 2024 – Aneurin Bevan University Health Board

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

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Summary report

About this report

- 1 This report summarises the findings from my 2024 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/Trust/Special Health Authority], 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 were continuing to respond to a broad set of challenges associated with the cost-of-living crisis, the climate emergency, inflationary pressures on public finances, workforce shortages, and an ageing estate. In addition, NHS bodies are still dealing with the legacy of the COVID-19 pandemic. My work programme, therefore, was designed to best assure the people of Wales that public funds are well managed.
- 4 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 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 The audited accounts submission deadline was shortened by two weeks from the previous year to 15 July 2024. The financial statements were certified on 12 July 2024, meaning the deadline was met. This reflects a great collective effort by both my staff and the Health Board's officers.
- 6 The focus and approach of my performance audit work continues to be aligned to the post-pandemic challenges facing the NHS in Wales and is conducted in line with INTOSAI¹ auditing standards.
- 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.

¹ INTOSAI (International Organisation of Supreme Audit Institutions) is a global umbrella organisation for the performance audit community. It is a non-governmental organisation with special consultative status with the Economic and Social Council (ECOSOC) of the United Nations.

- 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 2024 Audit Plan.
- 9 **Appendix 3** sets out the audit of accounts risks set out in my 2024 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 presented it to the Audit Committee on 18 February 2025. The Board will receive the report at a later Board meeting. 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 and Risk Assurance Committee for improvement.
- 13 The Health Board did not achieve financial balance for the three-year period ending 31 March 2024, which I deem to be outside its powers to spend, so I have issued a qualified opinion on the regularity of the financial transactions within the Health Board's 2023-24 accounts.
- 14 Alongside my audit opinion, I placed a substantive report on the Health Board's accounts to highlight the failure to achieve financial balance and the failure to have an approved three-year plan in place.

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:
- whilst the Health Board did not achieve its deficit control total or savings target for 2023-24, it delivered significantly more savings than in prior years. However, given its financial position remains very challenging the Health Board urgently needs to develop a longer-term financial plan focused on achieving recurrent savings from transformational service change, and further embed its savings approach through its Value and Sustainability Board.

- the Health Board's board and committee governance arrangements are stable and generally effective. However, given its financial and performance challenges, the development of a new long-term strategy and delivery of its three-year 'route map' are crucial to enabling the organisation to transform services to meet current and future demand.
- despite a clear focus on improving patient flow within the region, a significant number of medically fit patients are occupying hospital beds. This continues to have serious knock-on effects on other NHS pathways of care and creates risks for patients' physical and mental well-being. More timely assessments of patients, a less risk averse approach to discharge planning and more consistent application of discharge policy is needed. Workforce and IT system challenges continue to be key barriers that partners will need to focus on securing value from the investments they have made and to achieving the improvements they recognise are needed.
- there has been mixed progress against my previous recommendations on discharge planning with only two out of seven being fully implemented.

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 2024 Audit Plan set out the key risks for audit of the accounts for 2023-24 and these are detailed along with how they were addressed in **Exhibit 4, Appendix 3**.
- 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 2023-24 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 and Risk Assurance Committee for improvement.
- 21 I must report issues arising from my work to those charged with governance (the Audit and Risk Assurance Committee) for consideration before I issue my audit opinion on the accounts. My Financial Audit Manager reported these issues on 9 July 2024. **Exhibit 1** summarises the key issues set out in that report.

Exhibit 1: issues reported to the Audit Committee

Issue	Auditors’ comments
Uncorrected misstatements	There were no corrected misstatements
Corrected misstatements	There were a number of adjustments made to the draft accounts, the net effect of which was to increase the deficit by £12,000.
Other significant issues	I qualified my regularity opinion and issued a substantive report because the Health Board did not achieve its financial duty to achieve financial balance for the three-years 2021-22 to 2023-24.

- 22 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 2024 and the return was prepared in accordance with the Treasury's instructions.
- 23 My separate audit of the charitable funds accounts is nearing completion and scheduled to be reported to trustees on 22 January 2025.

Regularity of financial transactions

- 24 The Health Board's financial transactions must be in accordance with authorities that govern them. The Health Board must have the powers to receive income and incur expenditure. My 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.
- 25 Where a Health Board does not achieve financial balance, its expenditure exceeds its powers to spend and so I must qualify my regularity opinion.
- 26 The Health Board did not achieve financial balance for the three-year period ending 31 March 2024, which I deem to be outside its powers to spend, so I have issued a qualified opinion on the regularity of the financial transactions within the Health Board's 2023-24 accounts.
- 27 In 2023-24, the Health Board exceeded its revenue resource allocation by £49.766 million and over the three-year period 2021-22 to 2023-24, the Health Board exceeded its cumulative revenue resource limit of £5,007.912 million by £86.359 million.
- 28 Alongside my audit opinion, I placed a substantive report on the Health Board's accounts to highlight the failure to achieve financial balance and the failure to have an approved three-year plan in place.
- 29 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 issues set out above, I issued a substantive report setting out the factual details.

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

- 30 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 cost savings arrangements;

- undertaking a structured assessment of the Health Board's corporate arrangements for ensuring that resources are used efficiently, effectively, and economically;
- reviewing the effectiveness of the Health Board's arrangements, in partnership with social services, to support timely patient flow out of hospital across the Region; and
- assessing the extent to which the Health Board has implemented my 2017 recommendations on discharge planning.

31 My conclusions based on this work are set out below.

Review of cost savings arrangements

32 My review examined whether the Health Board has an effective approach to identifying, delivering, and monitoring sustainable cost savings opportunities. It considered the impact these arrangements had on the Health Board's 2023-24 year-end position and highlighted where arrangements may need to be strengthened for 2024-25 and beyond.

33 My work found that **whilst the Health Board did not achieve its deficit control total or savings target for 2023-24, it delivered significantly more savings than in prior years. However, given its financial position remains very challenging, the Health Board urgently needs to develop a longer-term financial plan focused on achieving recurrent savings from transformational service change, and further embed its savings approach through its Value and Sustainability Board.**

34 The Health Board has clear arrangements in place for identifying and analysing the areas that are driving its costs in the short to medium term. This includes but is not limited to variable (temporary) staff pay costs, Continuing Health Care, prescribing, energy, delayed transfers of care, growth in demand for services and capacity challenges. The Health Board uses evidence from a wide range of data sources to analyse and identify savings opportunities. This is a key element of the work of the Health Board's Value and Sustainability Board, which meets fortnightly to consider progress across defined savings workstreams (such as workforce, medicines management, and service redesign) using data from external intelligence sources, independent reviews, and audits. The identified opportunities are captured within the Health Board's Compendium², which provides a central repository for identifying and monitoring progress on both national and local savings opportunities.

35 The Health Board's Value and Sustainability Board oversees the organisation's arrangements for identifying and assessing the quality implications of savings schemes. The Health Board is also developing other mechanisms to assess impact, risks, and benefits for savings schemes that require investment, such as its

² Compendium is the Health Board's repository for savings and efficiency ideas and initiatives, drawn from a wide variety of sources.

Pre-Investment Panel. Despite these defined processes, there is an inconsistency in the extent to which they have been routinely applied across all identified savings schemes. The Health Board has made some positive initial steps to develop a short to medium-term financial plan. In July 2024, it approved a three-year route map which aims to achieve its £13 million control total by 2025-26 and deliver financial balance by 2026-27. The Health Board has also invested in developing financial skills and capabilities to support its savings delivery; however, there is scope to increase finance training for managers and leaders.

- 36 The Health Board has well-developed arrangements in place for monitoring the delivery of savings. The finance reports, which form the basis of its savings reporting, provide both a summary of progress against the key cost drivers and granular detail on savings performance across the divisions and directorates within in the report's appendices. However, there needs to be greater focus on the delivery and barriers getting in the way of longer-term transformational savings.

Structured assessment

- 37 My 2024 structured assessment work took place at a time when NHS bodies were continuing to respond to a broader set of challenges associated with the cost-of-living crisis, the climate emergency, inflationary pressures on public finances, workforce shortages, and an ageing estate. In addition, NHS bodies are still dealing with the legacy of the COVID-19 pandemic. More than ever, therefore, NHS bodies and their Boards need to have sound corporate governance arrangements that can provide assurance to themselves, the public, and key stakeholders that the necessary action is being taken to deliver high-quality, safe and responsive services, and that public money is being spent wisely.
- 38 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: Board transparency, effectiveness, and cohesion; corporate systems of assurance; corporate approach to planning; and corporate approach to managing financial resources. Auditors also paid attention to progress made to address previous recommendations.
- 39 At the time of my structured assessment work, the Health Board was subject to escalation under the Welsh Government's escalation and intervention arrangements. The position as of November 2023, is that the Health Board is escalated to Level 4 for finance, strategy and planning, and Level 3 for performance and outcomes related to urgent and emergency care pathways at the Grange University Hospital emergency department.

Corporate approach to planning

- 40 My work considered whether the Health Board has a sound corporate approach to planning. I paid particular attention to the organisation's arrangements for:
- producing and overseeing the development of strategies and corporate plans, including the Integrated Medium Term Plan; and

- overseeing the delivery of corporate strategies and plans.
- 41 My work found that the **Health Board’s approach to developing and delivering strategic plans is reasonably effective. However, the approach is not yet enabling it to deliver sustainable services that meet demand. As a result, it is imperative that its ongoing long-term strategy development provides the basis and ambition for planning and transforming services that meet current and future needs.**
- 42 The Health Board’s extant Clinical Futures Strategy has helped guide service sustainable developments and supporting infrastructure. However, the Health Board is facing performance and financial challenges, which means that it is struggling to sustainably meet population health needs. The development of a new long-term strategy is a clear priority for the Health Board, which it intends to publish in 2025. This will need to effectively consider and embed the requirements of the Well-being of Future Generations (Wales) Act 2015 and include a review of the organisation’s well-being objectives. The Health Board also demonstrates generally effective arrangements for developing strategic plans built on good engagement.
- 43 The Health Board is working to an Annual Plan for 2024-25 as it was unable to submit an approvable, financially balanced Integrated Medium Term Plan for 2024-27 to the Welsh Government. The Health Board received some challenge from the Welsh Government on the draft annual plan requiring it to demonstrate greater ambition for improvement and service recovery. Quarterly IMTP progress reporting has improved, but reports on the progress of some of the Health Board’s other key plans are sometimes difficult to read and gain assurance from.

Corporate approach to managing financial resources

- 44 My work considered whether the Health Board has a sound corporate approach to managing its financial resources. I paid particular attention to the organisation’s arrangements for:
- achieving its financial objectives;
 - overseeing financial planning;
 - overseeing financial management; and
 - overseeing financial performance.
- 45 My work found that **Health Board is improving its financial controls and has a stronger focus on value and savings delivery. However, its significant and ongoing financial challenges suggest that it needs a longer-term and detailed financial strategy aligned to sustainable care models.**
- 46 Despite additional funding from the Welsh Government, the Health Board did not meet its key financial objectives and duties for 2023-24. In December 2024, the

Welsh Government announced a further additional £40.5 million allocation³, which if certain conditions are met, could result in this funding becoming recurring. This will help the Health Board substantially in the current year and could help to reduce the underlying deficit in future years. However, because the Health Board is required to achieve a rolling three-year breakeven position, its historical financial deficit will make it unlikely to achieve its key financial revenue targets for 2022-25.

- 47 The Health Board has improving arrangements for Board and committee oversight of financial planning. While there is improving engagement and oversight of financial planning, there is a clear need to develop a longer-term financial recovery plan linked to the emerging long-term strategy and three-year financial route-map.
- 48 The Health Board has strengthened its structures and resources to support divisional savings delivery and there is stronger accountability and shared ownership for savings led by the bi-weekly Value and Sustainability Board.
- 49 The Board reviews Standing Orders and Standing Financial Instructions frequently and its committees appropriately oversee and scrutinise financial performance, with finance reports providing sufficient information to enable appropriate scrutiny and oversight. Reports are transparent and supported by detailed explanation from the relevant Executive leads. The Audit, Risk and Assurance Committee gain a wide range of assurances on financial compliance, the programme of internal audit and counter fraud work. However, Standing Financial Instruction compliance and single tender actions monitoring could be strengthened.

Board transparency, effectiveness, and cohesion

- 50 My work considered whether the Health Board's Board conducts its business appropriately, effectively, and transparently. I paid particular attention to:
- Public transparency of Board business
 - Arrangements to support the conduct of Board business
 - Board and committee structure, business, meetings, and flows of assurance
 - Board commitment to hearing from staff, users, other stakeholders
 - Board skills, experiences, cohesiveness, and commitment to improvement
- 51 My work found that **despite reasonably effective Board and committee arrangements, the Health Board should increase the number of patient safety leadership walkarounds, and improve committee chairs' reporting to Board.**
- 52 The Board and committee structure is generally operating well. Board and committees continue to operate transparently with open discussion on key Health Board challenges. Board members hold open and frank discussions on the Health Board's performance, finance, and quality challenges. Meetings are well chaired and there are reasonably effective arrangements in place to support flows of assurance from committees to the Board and the referral of information between

³ £9.5 million is recurring and £31 million will be recurring funding if the Health Board achieves the conditions set out in its allocation letter.

committees. However, the Health Board could strengthen arrangements for committees to formally escalate issues to the Board.

- 53 Board and committee papers are generally clear and support effective decision making. The Health Board has increased capacity within the Corporate Governance Team this year, which has enabled improvements. This includes developing the new Risk Management Framework and updating other important policies. It estimates that around 55% of its policies are out of date, however, there is targeted work ongoing both to remedy the position and to determine the status and need for all of these policies.
- 54 The Board is cohesive and committed to continuous improvement, with good Board member induction and training opportunities. The Board has a stable cadre of Independent Members with good lines of communication and awareness of respective roles and responsibilities amongst its members. It also continues to demonstrate a positive commitment to hearing from staff and patients. However, it needs to improve Patient Safety Leadership Walkarounds. Between May 2023 and October 2024, only a third of the pre-arranged visits took place.

Corporate systems of assurance

- 55 My work considered whether the Health Board has a sound corporate approach to managing risks, performance, and the quality and safety of services. I paid particular attention to the organisation's arrangements for:

- overseeing strategic and corporate risks;
- overseeing organisational performance;
- overseeing the quality and safety of services; and
- tracking recommendations.

- 56 My work found that **while the Health Board is strengthening its assurance arrangements and its performance management approach is improving, further work is needed.**

- 57 Despite the Health Board's continued focus on refining the Board Assurance Framework, the Board still needs to more clearly link its strategic risks to the strategic objectives within its Annual Plan. The Health Board is continuing to strengthen its strategic risk approach by undertaking assurance mapping and identifying the assurances it needs for each strategic risk.

The Health Board's approach to performance management, accountability and oversight is improving. The Health Board introduced its Performance Management and Accountability Framework in September 2023, and it is demonstrating that it is appropriately using its approach to review and escalate (or de-escalate) services based on their performance.

The Health Board continues to have reasonably effective arrangements for monitoring progress against internal audit, external audit, and Healthcare Inspectorate Wales recommendations.

Urgent and emergency care

- 58 My work examined different aspects of the urgent and emergency care system focused on patient flow out of hospital, progress against my previous discharge planning recommendations, and arrangements for managing demand. My work on arrangements for managing demand is due to be reported in May 2025 and will therefore be captured in next year's Annual Audit Report.

Patient flow out of hospital

- 59 My regional review examined whether the Health Board and its social services partners have effective arrangements to ensure the timely discharge of patients out of hospital. It focussed on the scale of the challenge, and the factors impacting on effective and timely flow out of hospital. My work also considered the action being taken by the Health Board and its statutory partners, including through the Regional Partnership Board, and what more can be done to reduce some of the challenges currently being experienced by the health and social care system.
- 60 My work found that **despite a clear focus on improving patient flow within the region, a significant number of medically fit patients are occupying hospital beds. This continues to have serious knock-on effects on other NHS pathways of care and creates risks for patients' physical and mental well-being. More timely assessments of patients, a less risk averse approach to discharge planning and more consistent application of discharge policy is needed. Workforce and IT system challenges continue to be key barriers that partners will need to focus on securing value from the investments they have made and achieving the improvements they recognise are needed.**
- 61 For the 12 months up to and including February 2024, each month there were an average of 250 medically fit patients in the Health Board's hospitals whose discharge was delayed equating to 55,685 bed days lost and potential resource loss of £27.8 million. The consequent impact on patient flow within hospitals and the urgent and emergency care system is significant, with waiting times in emergency departments and ambulance handovers falling well short of national targets. In February 2024, there were over 3,000 lost ambulance hours because of handover delays, and the average wait within the Health Board's emergency department was 8.5 hours.
- 62 Several factors are contributing to delayed discharges. Complexity and volume of demand are increasing in line with an ageing population, but the pressures may be exacerbated by being risk averse to, or delays in, patient discharge. Workforce capacity in both health and social care is a challenge for the region, impacting on joint and clinical assessments, although waits for social care assessments are less problematic than many other parts of Wales, and the care sector capacity across the region is generally meeting demand.
- 63 Financial resources are being targeted to support patient flow with positive outcomes, although the ability of the partners to match fund is increasingly challenging. There is clear oversight and scrutiny of actions being taken to improve

patient flow, although more could be done to gather patient and service user feedback and oversee compliance with current discharge policies. However, although there is a clear recognition by regional partners of the problems associated with discharge, the number of delayed discharges across the region has not significantly reduced.

Discharge planning: progress update

- 64 In undertaking my regional review of arrangements to support patient flow, I have also taken the opportunity to consider progress made by the Health Board in addressing my previous 2017 recommendations relating to discharge planning.
- 65 My work found that there has **been mixed progress against my previous recommendations**. My 2017 report made four recommendations that set out seven specific actions for the Health Board. Noting that the Health Board had accepted these recommendations, my follow-up work found that:
- no progress has been made against one of the actions;
 - work is still ongoing against four of the actions; and
 - two of the actions have been implemented.
- 66 The Health Board has made progress developing supporting tools for discharge, but these have not been developed with partners and the communication and monitoring of the tools needs improving. For example, it has developed a discharge policy but has missed the opportunity to develop an integrated approach across partners. I found clear guidance setting out when patient transport should be used. However, there is a lack of awareness of the transport booking policy, and communicating predicted waiting times continues to be reliant on local arrangements.
- 67 The Health Board has taken steps to improve its staff induction training in relation to discharge but needs to go further to improve refresher training and embed joint training with other partners. The Health Board's corporate induction programme includes the discharge policy, and discharge planning training is provided to all newly registered nurses, along with competency checks and ad-hoc training for new starters. However, the Health Board's programme of refresher training on discharge planning was impacted by the pandemic, and further work is required to ensure that this training is consistently implemented across each hospital site.
- 68 There is no access for health staff to up-to-date information about waiting times for needs assessments or services to commence, although there are examples of positive integrated working which provide information on a case-by-case basis. In addition, many staff are unaware of the complete range of community-based services that can support discharge planning and the associated waiting times for those services to commence.

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 2024.

Report	Date
Financial audit reports	
Audit of Financial Statements Report	July 2024
Opinion on the Financial Statements	July 2024
Audit of Accounts Report Addendum	October 2024
Audit of Charitable Funds Audit of Financial Statements Report and Opinion of the Financial Statements	January 2025
Performance audit reports	
Structured Assessment 2024	December 2024
Review of Cost Savings Arrangements	December 2024
Unscheduled Care: Flow out of Hospital	January 2025
Discharge Planning: Progress Update	January 2025
Other	

Report	Date
2024 Audit Plan	April 2024

My wider programme of national value-for-money studies in 2024 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 several 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
Review of Quality Governance	March 2025
Review of Planned Care Services Recovery	March 2025
Eye care services	April 2025
Urgent and Emergency Care – Arrangements for Managing Demand	June 2025
Review of Digital Transformation	June 2025

Appendix 2

Audit fee

The 2024 Audit Plan set out the proposed audit fee of £454,611 (excluding VAT). My latest estimate of the actual fee, on the basis that some work remains in progress, is that there will be a refund on the accounts work. This is currently being finalised and we will update the Director of Finance once completed.

Appendix 3

Audit of accounts risks

Exhibit 4: audit of accounts risks

My 2024 Audit Plan set out the risks of material misstatement and/or irregularity for the audit of the Health Board's 2023-24 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
<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 240.32-33].</p>	<p>The audit 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 bias; and • evaluate the rationale for any significant transactions outside the normal course of business. 	<p>No material issues arose from the work completed.</p>
<p>Financial Duty: the position at month 11 shows a year-to-date deficit of £47.6 million and a forecast year-end deficit of £49.9 million which is in excess of the Minister's published control total. This, combined with the outturns for 2021-22 and 2022-23, predicts a three-year deficit of £86 million.</p> <p>Where you fail this financial duty, we will place a substantive report on the financial statements highlighting the failure and qualify your regularity opinion.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • continue to monitor the Health Board's financial position for 2023-24 and the cumulative three-year position to 31 March 2024; • undertake testing on areas of the financial statements which contain judgements, such as, year-end accruals to ensure transactions have been reported in the correct reporting accounting period; and • consider the impact of any relevant uncorrected misstatements over the three years. 	<p>My audit team reviewed year-end transactions, in particular accruals and cut-off. No matters arose from the work carried out.</p> <p>I chose to place a substantive report on the financial statements explaining the failure to break even over a three period and the circumstances under which it arose.</p>

Audit risk	Proposed audit response	Work done and outcome
<p>From 1 December 2023, the Losses and Special Payments Register (LaSPaR), used to calculate the losses and many of the provisions balances in the accounts, has been de-commissioned.</p> <p>For the remainder of 2023-24, a model Excel spreadsheet will be used to record losses, special payments and to calculate year-end balances.</p> <p>There is a risk that the transactions and balances related to losses and special payments are materially misstated due to:</p> <ul style="list-style-type: none"> • the data transfer between the LaSPaR system and the Excel model not being complete and accurate; and/or • the Excel model miscalculating balances, due to spreadsheet/modelling errors and/or incorrect data entry. 	<p>The audit team will:</p> <ul style="list-style-type: none"> • test the completeness and accuracy of data transfer from the LaSPaR system to the Excel-based spreadsheets; • consider the design and implementation of controls (if any) in place to mitigate error; • review the year-end spreadsheet to ensure that there are no significant errors or issues in the compilation of figures for the accounts; and • review transactions back to supporting evidence (eg Quantum reports) on a sample basis. 	<p>No material issues arose from the work completed.</p>

Audit risk	Proposed audit response	Work done and outcome
<p>Some of the disclosures in the financial statements, such as related parties and the remuneration report, are judged to be material by nature, with a far lower level of materiality. These disclosures are therefore inherently prone to material misstatement.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • examine all entries in the remuneration report to verify that they are materially accurate, and that remuneration has been paid at the approved levels; and • verify that all necessary signed declarations have been received, evaluated and disclosed appropriately and accurately. 	<p>Our work in this area identified some issues relating to both related parties and the remuneration report. These were reported to those charged with governance in the Audit of Accounts report prior to the accounts being approved and signed off.</p>
<p>In the previous two audits, issues have been identified regarding the verification of existence of non-current assets held on the balance sheet, particularly those held at nil Net Book Value. There is, therefore, a risk that the balance sheet is materially misstated.</p>	<p>My audit team will undertake testing to verify the existence of assets on the balance sheet.</p>	<p>No material issues arose from the work completed.</p>
<p>Provisions and contingent liabilities are measured as the best estimate of the expenditure required to settle present obligations. Due to the level of estimation involved in the calculation of provisions, there is a risk that provisions are susceptible to management over-ride. The audit of the 2022-23 financial statements identified misclassification of some provision and contingent liability balances. This is, therefore, an area of audit risk.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • test the appropriateness of these balances; • review the estimates for bias; and • test the appropriateness of the classification of balances. 	<p>No material issues arose from the work completed.</p>



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We welcome correspondence and telephone calls in Welsh and English.
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.