

Annual Audit Report 2021 – Cardiff and Vale University Health Board

Audit year: 2020-21

Date issued: January 2022

Document reference: 2792A2022

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Summary report

About this report

- 1 This report summarises the findings from my 2021 audit work at Cardiff and Vale 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 public bodies continued responding to the unprecedented challenges presented by the COVID-19 pandemic, whilst at the same time recovering services. My work programme 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. 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. On-site audit work continues to be restricted, and we continued to work and engage remotely where possible, using technology. This inevitably had an impact on how we deliver audit work but has also helped to embed positive changes in our ways of working.
- 4 As was the case in 2020, the delivery of my audit of accounts work was not without its challenges, not only in how and where we undertook the work, but also in taking account of considerations for financial statements arising directly from the pandemic. The success in delivering it reflects a great collective effort by both my staff and the Health Board's officers to embrace and enable new ways of working and remain flexible to and considerate of the many issues arising.
- 5 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. My programme of work has provided focus on themes, lessons and opportunities relating to NHS governance and NHS staff wellbeing. I have reviewed the Test, Trace, Protect programme and the rollout of the COVID-19 vaccine. 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. I have also reviewed the governance arrangements of the Welsh Health Specialised Services Committee.

- 6 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 planned work currently being re-scoped.
- 7 **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 2021 Audit Plan.
- 8 **Appendix 3** sets out the financial audit risks set out in my 2021 Audit Plan and how they were addressed through the audit.
- 9 The Interim Chief Executive and the Director of Finance have agreed the factual accuracy of this report. We presented it to the Audit and Assurance Committee on 8 February 2022. The Board will receive the report at a later Board meeting and every member will receive a copy. 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.
- 10 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

- 11 I concluded that the Health Board's accounts¹ were properly prepared and materially accurate and issued an unqualified audit opinion on them. My work did not identify any material weaknesses in the Health Board's internal controls (as relevant to my audit). However, I placed an Emphasis of Matter paragraph in my report to the Senedd, to draw attention to disclosures in note 21.1 of the accounts relating to the impact of a Ministerial Direction issued on 18 December 2019 to the Permanent Secretary of the Welsh Government.
- 12 I reported five audit issues, together with my audit recommendations, to the Health Board's Audit and Assurance Committee. I will review the Health Board's actions as part of my 2021-22 audit.
- 13 While the Health Board achieved financial balance for its capital expenditure for the three-year period to 31 March 2021, it did not achieve financial balance for its revenue expenditure for the same period. I therefore issued a qualified opinion on the regularity of the financial transactions within the Health Board's 2020-21 accounts.

¹ I audit and certify the Health Board's Performance Report, Accountability Report and Financial Statements. 'Accounts' is a generic term.

- 14 Other than the breach of the Health Board's revenue resource limit, I found no material financial transactions that were not in accordance with authorities in place, nor used for the purposes intended.
- 15 Alongside my audit opinion, I included an Emphasis of Matter (EoM) commentary that draws attention to note 21 of the audited accounts. The note describes the impact of a Ministerial Direction issued on 18 December 2019 to the Permanent Secretary of the Welsh Government. The Ministerial Direction covered the need for interim remedial action to address the impact of HM Treasury's changes to the tax arrangements on senior clinicians' pension contributions. While I did not modify my audit opinion in respect of this matter, I did place a substantive report on the Health Board's financial statements.

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

- 16 My programme of Performance Audit work has led me to draw the following conclusions:
- the Test, Trace, and Protect programme is making an important contribution to the management of COVID-19 in Wales. Whilst the programme struggled to cope with earlier peaks in virus transmission, it has demonstrated an ability to rapidly learn and evolve in response to the challenges it has faced.
 - in relation to the Welsh Health Specialised Services Committee Governance Arrangements: since the previous reviews in 2015, governance, management and planning arrangements have improved, but the impact of COVID-19 will now require a clear strategy to recover services and there would still be benefits in reviewing the wider governance arrangements for specialised services in line with the commitments within 'A Healthier Wales'.
 - the COVID-19 vaccination programme in Wales has been delivered at significant pace with local, national and UK partners working together to vaccinate a significant proportion of the Welsh population. A clear plan is now needed for the challenges which lie ahead.
 - all NHS bodies have maintained a clear focus on staff wellbeing throughout the pandemic and implemented a wide range of measures to support the physical health and mental wellbeing of their staff during the crisis. It is vital that these activities are built upon, and that staff wellbeing remains a central priority for NHS bodies as they deal with the combined challenges of recovering services, continuing to respond to the COVID-19 pandemic, and also managing seasonal pressures.
 - the Health Board's arrangements for developing operational plans are effective, but opportunities to strengthen arrangements for monitoring and reporting on delivery of operational plans remain.
 - the Health Board has effective Board and committee arrangements which are underpinned by maturing systems of assurance, but opportunities exist

to further strengthen public transparency of Board business. Whilst the Health Board has clear plans in place to support the recovery of services, its arrangements for monitoring and reporting on overall plan delivery need to be strengthened.

- there is robust oversight of the Health Board's finances which is supported by good quality reporting, but there are weaknesses in some financial controls. The pandemic continues to pose a risk to the Health Board's ability to break even.
- the Health Board has made good progress to address our 2017 recommendations relating to its radiology services, but there is further work necessary.

17 These findings are considered further in the following sections.

Detailed report

Audit of accounts

- 18 This section of the report summarises the findings from my audit of the Health Board's financial statements for 2020-21. These statements are how the organisation shows its financial performance and sets out its net assets, net operating costs, recognised gains and losses, and cash flows. Preparing the statements is an essential element in demonstrating the appropriate stewardship of public money.
- 19 My 2021 Audit Plan set out the financial audit risks for the audit of the Health Board's 2020-21 financial statements. **Exhibit 4** in **Appendix 3** lists these risks and sets out how they were addressed as part of the audit.
- 20 My responsibilities in auditing the Health Board's financial statements are described in my [Statement of Responsibilities](#) publications, which are available on the [Audit Wales website](#).

Accuracy and preparation of the 2020-21 financial statements

- 21 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 the Health Board's internal controls (as relevant to my audit). However, I placed an Emphasis of Matter (EoM) paragraph in my report to draw attention to disclosures in the accounts relating to note 21 of the accounts, which describes the impact of a Ministerial Direction issued on 18 December 2019 to the Permanent Secretary of the Welsh Government, instructing her to fund NHS clinicians' pension tax liabilities incurred by NHS Wales bodies in respect of the 2019-20 financial year. I did not qualify my audit opinion in respect of this matter.
- 22 I reported five issues and audit recommendations to the attention of officers and the Audit and Assurance Committee. The Health Board accepted all my recommendations and set out its intended actions and implementation dates. Four of the five issues related to information-technology (IT) matters, which my team therefore also presented to the Health Board's Digital Committee. I will review the Health Board's actions as part of my 2021-22 audit.
- 23 The Health Board submitted its draft accounts by the Welsh Government's deadline, and I met Welsh Government's timetable for audit certification.
- 24 I must report issues arising from my work to those charged with governance before I issue my audit opinion on the accounts. My team reported these issues to the Health Board's Audit and Assurance Committee, and its Board, on 10 June 2021. **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
Uncorrected misstatements	There were no significant uncorrected misstatements.
Corrected misstatements	I reported the correction of various material misstatements, within some ten areas of the financial statements.
Other significant issues	I reported five recommendations for improvement, with management's formal responses, which the Audit and Assurance Committee considered on 7 September 2021.

- 25 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 at 31 March 2021 and the return was prepared in accordance with the Treasury's instructions.
- 26 My separate audit of the charitable funds' financial statements is currently ongoing. I received the draft financial statements on 3 November 2021, and I am due to report my findings to the Health Board's Charitable Funds Committee on 20 January 2022.

Regularity of financial transactions

- 27 While the Health Board achieved financial balance for its capital expenditure for the three-year period to 31 March 2021, it did not achieve financial balance for its revenue expenditure for the same period, with a three-year deficit of £9.724 million. I therefore issued a qualified opinion on the regularity of the financial transactions within the Health Board's 2020-21 accounts.
- 28 Where a Health Board does not achieve financial balance, its expenditure exceeds its powers to spend and so I must qualify my regularity opinion. **Exhibits 2 and 3** show that the Health Board met its capital resource allocation but not its revenue resource allocation for the three-year period to 31 March 2021.

Exhibit 2: financial performance against the revenue resource allocation

	2018-19 £'000	2019-20 £'000	2020-21 £'000	Total £'000
Operating expenses	945,419	1,025,612	1,205,955	3,176,986
Revenue resource allocation	935,547	1,025,670	1,206,045	3,167,262
Under (over) spend against allocation	(9,872)	58	90	(9,724)

Exhibit 3: financial performance against the capital resource allocation

	2018-19 £'000	2019-20 £'000	2020-21 £'000	Total £'000
Capital charges	48,413	58,070	95,343	201,826
Capital resource allocation	48,487	58,159	95,447	202,093
Under (over) spend against allocation	74	80	104	267

Source: audited 2020-21 accounts

29 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. I found that, other than the Health Board's failure to meet financial balance for its revenue expenditure, it had no material financial transactions that were not in accordance with authorities nor used for the purposes intended.

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:

- examining how NHS bodies have responded to the challenges of delivering the Test, Trace, and Protect programme;
- reviewing the governance arrangements of the Welsh Health Specialised Services Committee;
- reviewing how well the rollout of the COVID-19 vaccination programme was progressing;
- reviewing how NHS bodies supported staff wellbeing during the COVID-19 pandemic;
- undertaking a phased structured assessment of the Health Board's corporate arrangements for ensuring that resources are used efficiently, effectively, and economically.

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

Test, Trace, Protect programme

32 My work examined how public services responded to the challenges of delivering the Welsh Government's Test, Trace, Protect Programme (TTP). As well as commenting on the delivery of TTP up to and including December 2020, my report set out some key challenges and opportunities that will present themselves as part of the ongoing battle to control COVID-19.

33 I found that the different parts of the Welsh public and third sector had worked together well together to rapidly build the TTP programme. The configuration of the system blended national oversight and technical expertise with local and regional ownership of the programme, and the ability to use local intelligence and knowledge to shape responses.

34 Arrangements for testing and contact tracing have evolved as the pandemic has progressed. But maintaining the required performance in these arrangements proved challenging in the face of increasing demand.

35 Despite increased testing and tracing activity, the virus continued to spread, and as in other parts of the UK and internationally, testing and tracing have needed to be supplemented with local and national lockdown restrictions in an attempt to reduce transmission rates.

36 While a range of support mechanisms exist, it remains difficult to know how well the 'protect' element of TTP has been working in supporting people to self-isolate.

Welsh Health Specialised Services Committee governance arrangements

37 In May 2021, I published my review on the governance arrangements of the Welsh Health Specialised Services Committee (WHSSC). WHSSC is a joint committee made up of, and funded by, the seven local health boards in Wales. On a day-to-day basis, the Joint Committee delegates operational responsibility for

commissioning to Welsh Health Specialised Services officers, through the management team. WHSSC, which is hosted by Cwm Taf Morgannwg University Health Board, has an annual budget of £680 million and makes collective decisions on the review, planning, procurement, and performance monitoring of specialised services for the population of Wales on behalf of health boards.

- 38 In 2015, two separate reviews highlighted issues with WHSSC's governance arrangements. Considering the time passed since the two reviews, together with increasing service and financial pressures and the changing landscape of collaborative commissioning, I felt it was timely to review WHSSC's governance arrangements.
- 39 My review found a number of improvements have been made to the overall governance arrangements in WHSCC since 2015. Good progress has been made to strengthen arrangements for quality assurance of specialised services, although scope still exists to increase the attention given to finance, performance, and quality reporting at Joint Committee. There is also a need to review the arrangements for recruiting and remunerating independent members that sit on the Joint Committee given some of the challenges in filling these roles. Current Joint Committee members have a healthy working relationship and operate well together. However, the current model creates potential conflicts of interest due to the fact some Joint Committee members are also the Chief Officers of the health bodies commissioned to provide specialised services.
- 40 My review found that arrangements for planning commissioned services are generally good and there is an improving focus on value. However, some key new services such as new service models for major trauma and thoracic surgery have taken a long time to agree and implement. My review also found that the COVID-19 pandemic has significantly affected the delivery of specialised services, and that the development of a plan for the recovery of specialised services should now be a priority. The Welsh Government's long-term plan for health and social care, A Healthier Wales, signals the intention to review a number of hosted national functions, including WHSSC, with the aim of 'consolidating national activity and clarifying governance and accountability'.
- 41 Whilst the governance arrangements for WHSSC have continued to improve, my report shows that there are still a number of facets of the WHSSC model that merit further attention.

Vaccination programme

- 42 My audit focused on the rollout of the COVID-19 programme in Wales up to June 2021, the factors that affected the rollout and future challenges and opportunities.
- 43 The vaccine programme has delivered at significant pace. At the time of reporting, vaccination rates in Wales were the highest of the four UK nations, and some of the highest in the world. The milestones in the Welsh Government's vaccination

strategy provided a strong impetus to drive the programme and up to the time of reporting, the key milestones had been met.

- 44 The UK's Joint Committee on Vaccination and Immunisation guidance on priority groups was adopted but the process of identifying people within some of those groups has been challenging.
- 45 The organisations involved in the rollout have worked well to set up a range of vaccination models which make the best use of the vaccines available, while also providing opportunities to deliver vaccines close to the communities they serve.
- 46 Overall vaccine uptake to the time of reporting was high, but there was a lower uptake for some ethnic groups and in the most deprived communities. At the time of the audit, vaccine wastage was minimal, but concerns were emerging about non-attendance at booked appointments.
- 47 The international supply chain is the most significant factor affecting the rollout, with limited vaccine stock held in Wales. However, increasing awareness of future supply levels was allowing health boards to manage the vaccine rollout effectively.
- 48 As the programme moved into the second half of 2021, challenges presented themselves around encouraging take-up amongst some groups, vaccine workforce resilience and venue availability. A longer-term plan is needed to address these and other elements of the ongoing vaccination programme.

How NHS bodies supported staff wellbeing during the COVID-19 pandemic

- 49 My review considered how NHS bodies have supported the wellbeing of their staff during the pandemic, with a particular focus on their arrangements for safeguarding staff at higher risk from COVID-19.
- 50 NHS staff have shown tremendous resilience and dedication throughout the pandemic, despite facing huge strains to their mental and physical health.
- 51 The NHS in Wales was already facing a number of challenges relating to staff wellbeing prior to the pandemic, and the crisis has highlighted the importance of supporting the mental and physical health of the NHS workforce. Through my Structured Assessment work, I found that NHS bodies moved quickly at the beginning of the pandemic to enhance wellbeing initiatives to support staff through unprecedented times. As the pandemic unfolded, I found that NHS bodies in Wales implemented a range of measures to improve staff wellbeing, such as creating dedicated rest spaces, increasing mental health and psychological wellbeing provision, enhancing infection and prevention control measures, and enabling remote working.
- 52 My work also looked at how NHS bodies in Wales protected staff at higher risk from COVID-19. Amongst other safeguarding initiatives, I found that all bodies rolled out the All-Wales COVID-19 Workforce Risk Assessment Tool which identifies those at a higher risk and encourages a conversation about additional

measures to be put in place to ensure staff are adequately protected. Although NHS bodies promoted and encouraged staff to complete the assessment tool, completion rates varied between NHS bodies.

- 53 While the crisis has undoubtedly had a considerable impact on the wellbeing of staff in the short term, the longer-term impacts cannot be underestimated.
- 54 With a more emotionally and physically exhausted workforce than ever, NHS bodies in Wales must maintain a focus on staff wellbeing and staff engagement to navigate through the longer-term impacts of the crisis. My report, therefore, is accompanied by a checklist which sets out some of the questions NHS Board members should be asking to ensure their health bodies have good arrangements in place to support staff wellbeing.

Structured assessment

- 55 My structured assessment work was designed in the context of the ongoing response to the pandemic. I ensured a suitably pragmatic and relevant approach to help me discharge my statutory responsibilities, whilst minimising the impact on NHS bodies as they continue to respond to the pandemic. My team undertook the work into two phases this year:
- phase 1 considered the planning arrangements underpinning the development and delivery of the operational plan for quarters three and four of 2020-21.
 - phase 2 considered how corporate governance and financial management arrangements adapted over the year. Auditors also paid attention to progress made to address previous recommendations.

Operational planning arrangements

- 56 My work considered the Health Board's operational planning arrangements underpinning the operational plan for quarters three and four of 2020-21. The planning framework covered the maintenance of effective and efficient operational planning arrangements in health bodies to guide their response to the pandemic as well as responding to winter pressures and laying the foundations for effective recovery of services.
- 57 My work found **that the Health Board's arrangements for developing operational plans are effective, but opportunities exist to strengthen arrangements for monitoring and reporting on delivery of operational plans.**
- 58 The Health Board's operational plan for quarters three and four of 2020-21 satisfied Welsh Government planning guidance and was submitted within the required timeframe following effective engagement with Independent Members, Clinical Boards, enabler services (such as finance), and relevant external partners, such as the Community Health Council.

- 59 The plan was a progression of the previous two quarterly plans and was underpinned by robust modelling and high-quality operational, financial, and workforce data. Whilst the Health Board's planning arrangements are sufficiently flexible and agile to respond to changing circumstances, opportunities exist for it to strengthen its overall arrangements for monitoring and reporting on operational plan delivery.

Governance arrangements

- 60 My work considered the Health Board's ability to maintain sound governance arrangements while having to respond to the unprecedented challenges presented by the pandemic. The key focus of the work has been the corporate arrangements for ensuring that resources are used efficiently, effectively, and economically. We also considered how business deferred in 2020 was reinstated and how learning from the pandemic is shaping future arrangements for ensuring continued good governance and recovery.
- 61 My work found **that the Health Board has effective Board and committee arrangements which are underpinned by maturing systems of assurance, but opportunities to further strengthen public transparency of Board business remain. Whilst the Health Board has clear plans in place to support the recovery of services, its arrangements for monitoring and reporting on overall delivery of these plans need to be strengthened.**
- 62 The Health Board has good arrangements in place to conduct Board and Committee business effectively. The Health Board has taken positive steps to enhance public transparency of Board business, but there is scope to strengthen these arrangements further. The Health Board is committed to continuous improvement, as well as learning from the pandemic. The Health Board has a full and stable cadre of Independent Members. There have been significant changes to the Executive Team during the year, which the Health Board has managed well to ensure business continuity, maintain Board cohesion, and minimise disruption to staff and stakeholders.
- 63 The Health Board's approach to operational planning remains robust. It has clear plans in place, such as the Annual Plan, for responding to the ongoing pandemic, as well as for recovering services in the short and medium term, and redesigning services for the longer term. However, its arrangements for monitoring and reporting on overall delivery of these plans require strengthening to enable full scrutiny and assurance. The Health Board has further strengthened its approach to risk management and tracking recommendations, and its arrangements for providing assurance on quality and safety matters have improved.

Managing financial resources

- 64 I considered the Health Board's financial performance, financial controls and arrangements for monitoring and reporting financial performance. I found that

there is robust oversight of the Health Board's finances which is supported by good quality reporting, but there are weaknesses in some financial controls. The pandemic continues to pose a risk to the Health Board's ability to break even.

- 65 The Health Board continued to operate within its capital resource allocation, but it failed to meet the duty not to exceed its resource revenue allocation over the rolling three-year period to 31 March 2021. The pandemic has severely hampered the achievement of cost savings, but the Health Board is working to improve this during 2021-22.
- 66 The Health Board has continued to operate within most of its existing financial controls. However, weaknesses in financial controls relating to major capital procurement and expenditure identified by the Health Board have resulted in systematic breaches. The Health Board has investigated these and is taking steps to strengthen its governance controls and arrangements in respect of capital schemes and expenditure. The Health Board's financial position receives robust scrutiny and is supported by good quality financial reports, but there is scope to improve public transparency of Board business in this area.

Radiology Services: Update on Progress

- 67 My work considered progress made by the Health Board to address the recommendations in our 2017 report on radiology services.
- 68 I found that **the Health Board has improved the way it plans and delivers radiology services through strong management of the service. Good progress has been made to address our 2017 recommendations, but there is further work necessary.**
- 69 The Health Board has achieved three of the recommendations made in 2017 and is making good progress in addressing a further four recommendations. However, insufficient progress has been made in relation to the recommendation on increasing appraisal rates for non-clinical radiology staff to at least the level of all other radiology staff.
- 70 In undertaking this assessment of progress, one new risk was identified in relation to radiology services, namely increased demand due to the pandemic. There is an unknown level of 'pent-up' demand as a result of patients having treatment delayed or not visiting their GP during the pandemic. This pent-up demand could significantly affect the radiology service's ability to respond to referrals and report images in a timely manner, leading to increased waiting times for both scans and reporting of scans. The Health Board, therefore, will need to make sure that it maintains oversight of this risk.

Appendix 1

Reports issued since my last annual audit report

Exhibit 4: reports issued since my last annual audit report

The following table lists the reports issued to the Health Board in 2021.

Report	Month
Financial audit reports	
Charitable Funds (2019-20 Accounts) – Audit of Financial Statements Report	January 2021
Audit of Financial Statements Report	June 2021
Opinion on the Financial Statements	June 2021
Audit of Financial Statements Report Addendum	August 2021
Performance audit reports	
Doing it Differently, Doing it Right? (Structured Assessment 2020 All-Wales themes, lessons and opportunities relating to NHS governance during COVID-19)	January 2021
Test, Trace, Protect in Wales: An Overview of Progress to Date	March 2021
Structured Assessment 2021: Phase 1 Operational Planning Arrangements	April 2021
Welsh Health Specialised Services Committee Governance Arrangement	May 2021

Report	Month
Rollout of the COVID-19 vaccination programme in Wales	June 2021
Taking care of the carers? (Structured Assessment 2020 All-Wales themes, lessons and opportunities relating to NHS staff wellbeing during COVID-19)	October 2021
Radiology Services: Update on Progress	December 2021
Structured Assessment 2021: Phase 2 Corporate Governance and Financial Management Arrangements	December 2021
Other	
2021 Audit Plan	January 2021

My wider programme of national value-for-money studies in 2021 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 5: 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
Unscheduled care	Phase 1 – January 2022 Timing of further work included as part of the 2022 plan still to be confirmed.
Orthopaedics	February 2022
Quality Governance Review	January 2022

Appendix 2

Audit fee

My 2021 fee letter of 5 March 2021 set out the fee estimate of £400,652 (excluding VAT, which is not chargeable). I currently expect the actual fee to be a little higher than the estimate, by some £3,000 to £4,000. I will write to you separately to confirm the final fee, which may result in a small additional charge.

Appendix 3

Financial audit risks

Exhibit 6: financial audit risks

My 2021 Audit Plan set out the financial audit risks for the audit of the Health Board's 2020-21 financial statements. 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 240.31-33].</p>	<p>I 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; • evaluate the rationale for any significant transactions outside the normal course of business; and • add additional procedures to address any specific risks of management override which are not addressed by the mandatory work above. 	<p>I reviewed a number of the accounting estimates and a sample of transactions that included journal entries. I again undertook considerable extended audit work in respect of the Health Board's current liabilities. My audit findings were materially satisfactory.</p>
<p>Under the NHS Finance (Wales) Act 2014, health boards ceased to have annual resource limits with effect from 1 April 2014. They instead moved to a rolling three-year resource limit, for revenue and</p>	<p>I will continue to monitor the Health Board's financial position for 2020-21 and the cumulative three-year position to 31 March 2021, for both the revenue and capital-resource limits. This review will also consider the impact of any</p>	<p>As set out in this report, my audit confirmed that the Health Board met its three-year capital resource allocations; and did not meet its three-year revenue resource allocations. I therefore qualified my regularity opinion.</p>

Audit risk	Proposed audit response	Work done and outcome
<p>capital net expenditure, with the first three-year period running to 31 March 2017.</p> <p>The Health Board has exceeded its rolling three-year <u>revenue</u> limit in the past four years, and I therefore qualified my regularity opinion on its financial statements for those years.</p> <p>For 2020-21, the Health Board expects to break even. If achieved, the Health Board would still have a cumulative deficit of £9.8 million for the three years to 31 March 2021 because of the deficit of £9.8 million in 2018-19.</p>	<p>relevant uncorrected misstatements over those three years.</p> <p>If the Health Board fails to meet the three-year resource limits for revenue and/or capital, I would expect to qualify my regularity opinion on the 2020-21 financial statements. I may also place a substantive report on the financial statements to explain the basis of the qualification and the circumstances under which it had arisen.</p>	
<p>The COVID-19 national emergency continues and the pressures on staff resources and of remote working may impact on the preparation and audit of accounts. There is a 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</p>	<p>I will discuss your closedown process and quality monitoring arrangements with the accounts preparation team and monitor the accounts preparation process. I will help to identify areas where there may be gaps in arrangements.</p>	<p>I regularly monitored and evaluated this risk and I am pleased to report that no significant problems arose.</p>

Audit risk	Proposed audit response	Work done and outcome
<p>timing issues and/or resource availability.</p>		
<p>The increased funding streams and expenditure in 2020-21 to deal with the COVID-19 pandemic will 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 hospitals and their associated costs; fraud, error, and regularity risks of additional spending; valuation of year-end inventory, including PPE; and estimation of annual leave balances.</p>	<p>I will identify the key issues and associated risks and plan our work to obtain the assurance needed for our audit.</p>	<p>I examined transactions and balances relating to COVID-19. I applied a lower materiality to the Health Board's field hospitals, which resulted in some extended testing. My audit findings were satisfactory.</p>
<p>With regard to the Health Board's inventory at the financial-year-end, last year I qualified my audit opinion, stating that: 'Due to the impact of the COVID-19 pandemic and the statutory lockdown arrangements that took effect from 23 March 2020, I was unable to observe and re-perform parts of the Health's Board's count of its inventories on 31 March 2020. As I</p>	<p>I will continue to assess the impact of the COVID-19, and lockdown arrangements on my audit of the Health Board's year-end inventory.</p>	<p>While my team was again unable to observe and re-perform parts of the Health's Board's year-end count of its inventories, for 2020-21 the Health's Board's year-end inventory balance was immaterial. I did undertake extended audit testing of the year-end balance to gain assurance that it was not immaterial to my audit (ie. that the balance was not understated). The results of my audit work were satisfactory</p>

Audit risk	Proposed audit response	Work done and outcome
<p>have been unable to obtain the required audit assurance by alternative means, I am therefore unable to determine whether the Health Board's reported year-end inventory balance of £16.784 million is materially true and fair.'</p> <p>If the Health Board's inventory remains material, and I am again unable to attend parts of the Health Board's count of its inventories, I would expect again to qualify my opinion.</p> <p>It is important to emphasise to you, as I did last year, that qualification would not be due to shortcomings in the Health Board's systems or actions, but because of the impact of COVID-19 on one of our key audit procedures.</p>		<p>and I therefore did not qualify my audit opinion.</p>
<p>The Dragon's Heart field hospital is material to the financial statements, with an estimated cost of some £70 million. The hospital was commissioned in Spring 2020 and it is now being decommissioned and 'made good'. This work</p>	<p>I have engaged regularly with the Health Board to keep abreast of the key issues. The Health Board has flagged that it expects to provide me with all its documentation in March, for my review. Further to this audit review, the hospital will be a key part of my testing of the financial statements and</p>	<p>I undertook the planned audit work, which resulted in a satisfactory outcome.</p>

Audit risk	Proposed audit response	Work done and outcome
<p>is scheduled to be done during 2020-21. The novel and complex nature of this project, together with its high value, does give rise to an inherent risk of misstatement in the financial misstatements.</p>	<p>the annual governance statement.</p>	
<p>Last year, as a result of COVID-19, and in accordance with specific guidance issued by their professional institute, the Health Board's property valuer declared a 'material valuation uncertainty' in four of their valuation reports. The four reports had a total valuation of £65 million as at 31 March 2020. The Health Board had used these valuation reports to inform the measurement of certain of its property asset values in the financial statements at that date. Last year I included an 'Emphasis of Matter' paragraph in my audit opinion drawing attention to your disclosure of the material uncertainty. There could be similar valuations this year that contain the valuer's material</p>	<p>I will review all valuations during 2020-21 of the Health Board's land and property and consider the impact on my audit of any reported material uncertainties.</p>	<p>I undertook my planned audit work which found that material uncertainties were not reported by valuers for 2020-21. Therefore, for 2020-21 I did not need to report an emphasis of matter.</p>

Audit risk	Proposed audit response	Work done and outcome
<p>uncertainties due to COVID-19.</p>		
<p>The implementation of the 'scheme pays' initiative in respect of the NHS pension tax arrangements for clinical staff is ongoing. Last year I included an 'Emphasis of Matter' paragraph in my audit opinion drawing attention to your disclosure of the contingent liability. However, if any expenditure is made in-year, I would consider it to be irregular as it contravenes the requirements of 'Managing Welsh Public Money'.</p>	<p>I will review the evidence one year on in respect of the take-up of the scheme and the need for a provision, and the consequential impact on the regularity opinion.</p>	<p>As set out in this report, I added an Emphasis of Matter text alongside my audit opinion, and I placed a substantive report on the accounts. I did not qualify my regularity opinion as there was no expenditure within the 2020-21 accounts.</p>
<p>I audit some of the disclosures in the Remuneration Report, such as the remuneration of senior officers and independent members, to a low level of materiality. The disclosures are therefore inherently more prone to material misstatement. In past audits I have identified material misstatements in the remuneration report submitted for my audit, which the Health</p>	<p>I will review all entries in the Remuneration Report to verify that the Health Board has reflected all known changes to senior positions, and that the disclosures are complete and accurate.</p>	<p>I undertook my planned audit work, which resulted in a number of material corrections.</p>

Audit risk	Proposed audit response	Work done and outcome
Board then corrected. I therefore judge the 2020-21 disclosures to be at risk of misstatement.		



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We welcome correspondence and telephone calls in Welsh and English.
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