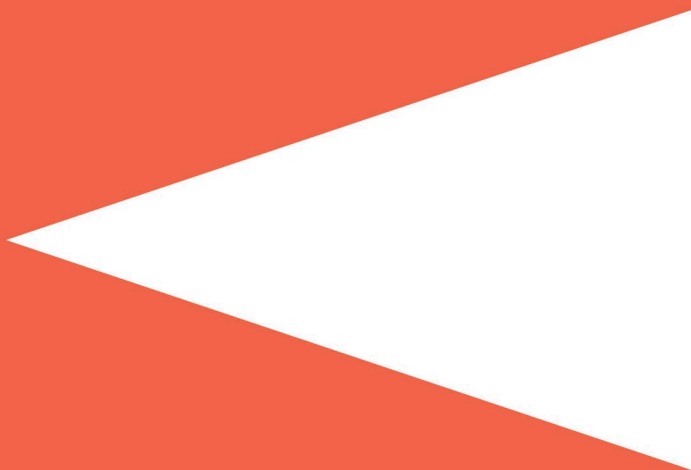


Annual Audit Report 2022 – Health Education and Improvement Wales

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Summary report

About this report

- 1 This report summarises the findings from my 2022 audit work at Health Education and Improvement Wales Special Health Authority (the Authority) 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 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 Authority 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; and
 - 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 remotely. The success in delivering it reflects a great collective effort by both my staff and the Authority'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 Authority 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 Interim Director of Finance have agreed the factual accuracy of this report. We presented it to the Audit and Assurance Committee on 6 February 2023. The Board will receive the report at a later Board meeting and every member will receive a copy. We strongly encourage the Authority 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 Authority's staff and members for their help and co-operation throughout my audit.

Key messages

Audit of accounts

- 12 I concluded that the Authority'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 two issues to the attention of officers and the Audit and Assurance Committee for improvement.
- 13 The Authority achieved financial balance for the year ending 31 March 2022, and all other material financial transactions were in accordance with authorities and used for the purposes intended, so I issued an unqualified opinion on the regularity of the financial transactions within the Authority's 2021-22 accounts.

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

- 14 My programme of Performance Audit work has led me to draw the following conclusions:
- I found that the Authority has a good approach to the annual commissioning of health education and training. This is enabled by strong stakeholder engagement, internal controls and contract variation processes. There is scope to improve the information upon which the Authority relies for commissioning and strengthen performance reporting and the quality of improvement action plans.

- my structured assessment found:
 - the Authority has good governance arrangements in place, a stable organisational structure and key systems of assurance continue to mature. But there is scope to enhance the transparency of Board business.
 - the Authority has robust strategic planning arrangements supported by wide reaching stakeholder engagement, and a clear monitoring framework and Board level scrutiny.
 - the Authority manages its finances well, has good systems of financial control, monitoring and scrutiny. Whilst it is improving financial reporting, there is scope to better explain the consequences of underspends.
 - the Authority has good arrangements to support staff wellbeing and is prioritising digital development. But there is scope to improve Performance Appraisal and Development Review (PADR) compliance rates.

15 These findings are considered further in the following sections.

Detailed report

Audit of accounts

- 16 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.
- 17 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**.
- 18 My responsibilities in auditing the accounts are described in my [Statement of Responsibilities](#) publications.

Accuracy and preparation of the 2021-22 accounts

- 19 **I concluded that the Authority’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 two issues to the attention of officers and the Audit and Assurance Committee for improvement.**
- 20 I must report issues arising from my work to those charged with governance (the Audit and Assurance Committee) for consideration before I issue my audit opinion on the accounts. My Financial Audit Engagement Lead reported these issues on 10 June 2022. **Exhibit 1** summarises the key issues set out in that report.

Exhibit 1: issues reported to the Audit and Assurance Committee

Issue	Auditors’ comments
Uncorrected misstatements	The were no uncorrected misstatements.
Corrected misstatements	The accounts were amended for one trivial misstatement: to correct VAT omitted from a year-end Welsh Government receivable of £22,000.
Other significant issues	Clinicians’ Pensions Tax Liabilities: please refer to detail in Appendix 3: Exhibit 4 .

Regularity of financial transactions

- 21 The Authority's financial transactions must be in accordance with authorities that govern them. The Authority 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 Authority does not have the powers to receive or incur.
- 22 Where an Authority does not achieve financial balance, its expenditure exceeds its powers to spend and so I must qualify my regularity opinion.
- 23 **The Authority achieved financial balance for the year ending 31 March 2022, and all other material financial transactions were in accordance with authorities and used for the purposes intended, so I issued an unqualified opinion on the regularity of the financial transactions within the Authority's 2021-22 accounts.**

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

- 24 I have a statutory requirement to satisfy myself that the Authority 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 Authority over the last 12 months to help me discharge that responsibility. This work has involved:
- reviewing the effectiveness of the Authority's commissioning arrangements; and
 - undertaking a structured assessment of the Authority's corporate arrangements for ensuring that resources are used efficiently, effectively, and economically.
- 25 My conclusions based on this work are set out below.

Review of Annual Commissioning Arrangements

- 26 My work examined whether the Authority has effective arrangements for the annual commissioning of health education and training in Wales. Specifically, my team looked at whether the annual commissioning of health education and training is well planned, supported by robust systems and appropriate resources, and underpinned by robust performance monitoring and oversight.
- 27 **I found that the Authority has a good approach to the annual commissioning of health education and training. This is enabled by strong stakeholder engagement, internal controls and contract variation processes. There is scope to improve the information upon which the Authority relies for**

commissioning and strengthen performance reporting and the quality of improvement action plans.

- 28 The Authority has a clear approach for developing its annual commissioning plan. It is strengthening this further by aligning commissioning planning and strategic planning processes and strengthening the capacity of the Education Commissioning and Quality (ECQ) Team. The Authority engages stakeholders well as part of the annual commissioning approach and is working to improve the accessibility of benchmarking data to better inform the commissioning process.
- 29 The Authority applies appropriate internal controls to support annual commissioning. There are clear arrangements to review and vary education and training contracts each year and improving arrangements for ongoing contract management.
- 30 The Authority is planning to strengthen the information provided in the quarterly integrated performance report, which should further support the Board's scrutiny and oversight role. However, there is scope to improve reporting to the Education, Commissioning and Quality Committee, by standardising assurance reporting when reporting on the different health professions.

Structured assessment

- 31 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.
- 32 My team focussed on the Authority'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. My team also paid attention to progress made to address previous recommendations.

Governance arrangements

- 33 My work considered the Authority'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.
- 34 My work found that **the Authority has good governance arrangements in place, a stable organisational structure and key systems of assurance continue to mature. But there is scope to enhance the transparency of Board business.**

35 The Authority has good governance arrangements in place, with a clear commitment to learning. It has a stable executive team and organisational structure, which it is looking to continually strengthen. The organisation has good systems of assurance and has received substantial assurance internal audit reports on risk and performance management. It is in the latter stages of implementing its multi-professional education and training quality framework and has made considerable progress on information governance. There are, however, opportunities to further enhance the transparency of Board business, and improve the timeliness of the reviews it undertakes on Board and committee effectiveness.

Strategic planning arrangements

- 36 My work considered the Authority'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.
- 37 My work found that **the Authority has robust strategic planning arrangements supported by wide-reaching stakeholder engagement, and a clear monitoring framework and Board level scrutiny.**
- 38 The Authority has a clear, Board-approved vision and strategic aims aligned to key national strategies and Ministerial priorities. This is supported by robust planning arrangements underpinned by good scrutiny, and wide-reaching internal and external stakeholder engagement and involvement. The Authority also has clear monitoring frameworks for plans with set deliverables and intended outcomes, with the Board receiving quarterly progress updates on delivery.

Managing financial resources

- 39 My work considered the Authority'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.
- 40 My work found that **the Authority manages its finances well, has good systems of financial control, monitoring and scrutiny. Whilst it is improving financial reporting, there is scope to better explain the consequences of underspends.**
- 41 The Authority achieved its financial duty for 2021-22 and has a clear financial plan which spans five years (between 2022-23 and 2026-27). It continues to have good systems of financial control and is taking steps to strengthen the procurement

service it receives. The organisation's financial reports are clear and regularly scrutinised by the Board. While the Authority is in the process of improving financial reporting to Board, there is an opportunity to better explain the consequences of underspends.

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

- 42 My work considered the Authority'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.
- 43 My work found that **the Authority has good arrangements to support staff wellbeing and is prioritising digital development. But there is scope to improve Performance Appraisal and Development Review (PADR) compliance rates.**
- 44 The Authority has good arrangements in place to support the wellbeing of its staff as well as the wider NHS. However, Performance Appraisal and Development Review (PADR) compliance is not achieving the set target. The organisation is prioritising digital development and is aiming to have its first digital strategy in place by March 2023. We found that digital initiatives and plans receive good Board level oversight. The Authority manages a small capital budget well, although the risk is lower than we see in other NHS bodies because it has few physical assets.

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 Authority in 2022.

Report	Date
Financial audit reports	
Audit of Financial Statements Report	June 2022
Opinion on the Financial Statements	June 2022
Performance audit reports	
Review of annual commissioning arrangements	February 2022
Structured Assessment 2022	September 2022
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 is one performance audit review that is underway at the Authority. This is shown in the following table, with the estimated date for completion of the work.

Report	Estimated completion date
Review of workforce planning arrangements	February 2023

Appendix 2

Audit fee

The 2022 Audit Plan set out the proposed audit fee of £167,173 (excluding VAT). My latest estimate of the actual fee is in keeping with the fee set out in the outline.

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 Authority'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
<p>Management Override</p> <p>The risk of management override of controls is present in all entities. Due to the unpredictable ways in which such override could occur, it is viewed as a significant risk.</p>	<p>We 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>My audit work did not identify any instances of management override of controls.</p>
<p>Clinicians' Pensions Tax Liabilities</p> <p>The implementation of the 'scheme pays' initiative in respect of the NHS pension tax 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. Application to the scheme will close on 31 March 2022, and if</p>	<p>We will review the evidence one year on around the take-up of the scheme and the need for a provision, and the consequential impact on the regularity opinion.</p>	<p>Officers reviewed the terms of eligibility for the scheme and determined that as clinicians must 'be employed or engaged in a clinical role delivering care to NHS patients that requires registration with an appropriate healthcare regulatory body', that no individuals employed by HEIW fall under this definition. We agreed with the officers' assessment and that no provision for future</p>

Audit risk	Proposed audit response	Work done and outcome
<p>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>liabilities was required within the accounts. However, as the Welsh Government are yet to finalise the allocation of cases, we recommended the inclusion of a contingent liability disclosure within Note 21.1, which officers accepted.</p>



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