

Annual Audit Report 2021 – Health Education and Improvement Wales

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Summary report

About this report

- 1 This report summarises the findings from my 2021 audit work at Health Education and Improvement Wales (HEIW) 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 HEIW, 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 HEIW 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 through the use of 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 HEIW'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 HEIW 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 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 7 February 2022. The Board will receive the report at a later Board meeting and every member will receive a copy. We strongly encourage HEIW 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 HEIW staff and members for their help and co-operation throughout my audit.

Key messages

Audit of accounts

- 11 I concluded that HEIW'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 HEIW's internal controls (as relevant to my audit). However, I placed an Emphasis of Matter paragraph in my report to draw attention to disclosures in the accounts in note 21.1 relating to the impact of a Ministerial Direction issued on 18 December 2019 to the Permanent Secretary of the Welsh Government.
- 12 HEIW achieved financial balance for the year period ending 31 March 2021 and had no other material financial transactions that were not in accordance with authorities nor used for the purposes intended, so I have issued an unqualified opinion on the regularity of the financial transactions within HEIW's 2020-21 accounts.
- 13 Alongside my audit opinion, I placed a substantive report on HEIW's financial statements set out further detail on the Emphasis of Matter paragraph that I included in my audit opinion.

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:
- 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.
 - HEIW's arrangements for preparing operational plans and monitoring their delivery are robust.
 - HEIW continues to have effective Board and committee arrangements and good systems of assurance and is improving its training and education quality management arrangements.
 - HEIW manages its financial resources well and has good arrangements to monitor and report its financial activity.
- 15 These findings are considered further in the following sections.

Detailed report

Audit of accounts

- 16 This section of the report summarises the findings from my audit of HEIW'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.
- 17 My 2021 Audit Plan set out the financial audit risks for the audit of HEIW'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.
- 18 My responsibilities in auditing HEIW'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

- 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 the Authority's internal controls (as relevant to my audit), however, I placed an Emphasis of Matter paragraph in my report to draw attention to disclosures in the accounts relating to note 21.1 of the financial statements 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.**
- 20 You are required by law to prepare accounts and it is of considerable testament to the commitment of your accounts team that you succeeded preparing a high-quality draft account, to deadline, in the face of the challenges posed by this pandemic. The working papers were of good quality and we identified no significant weakness within the systems and controls that produce the financial information.
- 21 I must report issues arising from my work to those charged with governance before I issue my audit opinion on the accounts. My Financial Audit Engagement Lead reported these issues to HEIW's Audit and Assurance Committee on 9 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 non-trivial uncorrected misstatements identified in the accounts.
Corrected misstatements	The accounts contained no corrections for misstatements, a number of disclosure amendments were made to the draft accounts.
Other significant issues	<p>Emphasis of matter – Clinicians' Pension Tax Liabilities</p> <p>Within the Audit Report we drew attention to Note 21.1 of the financial statements, which described the impact of a Ministerial Direction issued on 18 December 2019 to the Permanent Secretary of the Welsh Government. The opinion was not modified in respect of this matter.</p> <p>Substantive report – Clinicians' Pension Tax Liabilities</p> <p>All NHS bodies will be held harmless for the impact of the Ministerial Direction, however, the Auditor General's opinion was that any transactions included in the Authority's financial statements to recognise this liability would be irregular and material by their nature. This is because the payments are contrary to paragraph 5.6.1 of Managing Public Money and constitute a form of tax planning which will leave the Exchequer as a whole worse off. The Minister's direction alone does not regularise the scheme. Furthermore, the arrangements are novel and contentious and potentially precedent setting.</p>

- 22 I also undertook a review of the Whole of Government Accounts return. I concluded that the counterparty consolidation information was consistent with HEIW's financial position at 31 March 2021 and the return was prepared in accordance with the Treasury's instructions.

Regularity of financial transactions

- 23 **HEIW achieved financial balance for the year ending 31 March 2021 and had no other material financial transactions that were not in accordance with authorities nor used for the purposes intended, so I have issued an unqualified opinion on the regularity of the financial transactions within HEIW's 2020-21 accounts.**
- 24 HEIW's financial transactions must be in accordance with authorities that govern them. HEIW 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 HEIW does not have the powers to receive or incur.
- 25 Where HEIW does not achieve financial balance, its expenditure exceeds its powers to spend and so I must qualify my regularity opinion. In 2020-21, the Authority underspent £95,000 against its revenue resource allocation of £234,819,000 and underspent £21,000 against its capital resource allocation of £105,000.
- 26 **Alongside my audit opinion, I placed a substantive report on HEIW's financial statements setting out further detail on the Emphasis of Matter paragraph that I included in my audit opinion.**

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

- 27 I have a statutory requirement to satisfy myself that HEIW 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 HEIW over the last 12 months to help me discharge that responsibility. This work has involved:
- reviewing how NHS bodies supported staff wellbeing during the COVID-19 pandemic; and
 - undertaking a phased structured assessment of HEIW's corporate arrangements for ensuring that resources are used efficiently, effectively and economically.
- 28 My conclusions based on this work are set out below.

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

- 29 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.

- 30 NHS staff have shown tremendous resilience and dedication throughout the pandemic, despite facing huge strains to their mental and physical health.
- 31 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.
- 32 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.
- 33 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.
- 34 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

- 35 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 in 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

- 36 My work considered HEIW'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.
- 37 My work found that **HEIW's arrangements for preparing operational plans and monitoring their delivery are robust.**
- 38 HEIW submitted its Quarters 3-4 Plan and relevant Minimum Data Set to the Welsh Government within the specified timeframe. The plan was approved via Chair's action following Board engagement and executive level endorsement. Whilst much of the Welsh Government operating framework does not directly apply to HEIW, it responded positively by converting the framework to fit the organisation's remit and strategic objectives and by setting out its contribution to the COVID-19 response and recovery, and winter planning.
- 39 HEIW's planning arrangements are robust. There was far-reaching engagement with stakeholders despite the time constraints, and a review of strategic objectives in the context of immediate requirements and available resources was undertaken. HEIW has maintained a focus on learning, staff wellbeing and partnership working. HEIW is reviewing planning resource levels as its current capacity is insufficient to deliver its ambition of functioning as a programme management office.
- 40 HEIW has effective arrangements to oversee delivery of its operational plans, which are now embedded in its recently approved Performance Framework. In accordance with that Framework, the Board receives performance reports quarterly.

Governance arrangements

- 41 My work considered HEIW'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.
- 42 My work found that **HEIW continues to have effective Board and committee arrangements and good systems of assurance and is improving its training and education quality management arrangements.**
- 43 HEIW continues to have good arrangements to conduct Board and committee business effectively and is proactively managing current and future expected independent member vacancies.

- 44 HEIW has good systems of assurance. It has continued to improve its risk management arrangements and maintained oversight of strategic and operational risks. The organisation has strengthened its Board Assurance Framework by developing a Strategic Risks Control Framework, which identifies and maps the controls and key sources of assurance against HEIW's strategic risks. Arrangements for tracking the progress of audit recommendations continue to be robust.
- 45 The organisation is also taking steps to improve its training and education quality management processes by developing a quality framework spanning all health professions. The framework aims to standardise quality management processes, ensure consistent terminology, and allow information to be shared more effectively. This is a positive development, though early days.
- 46 The 2021-22 Annual Plan received appropriate Board approvals, reflecting Welsh Government requirements and feedback. As with HEIW's 2020-21 quarterly plans, the Annual Plan sets out the organisation's aims for supporting wider NHS Wales COVID-19 recovery alongside ensuring the delivery of training and education. The organisation continues to have effective arrangements to oversee delivery of its operational plans.

Managing financial resources

- 47 I considered HEIW's financial performance, financial controls and arrangements for monitoring and reporting financial performance. I found that **HEIW manages its financial resources well and has good arrangements to monitor and report its financial activity.**
- 48 The organisation met its financial duties at the end of 2020-21 and has a clear financial plan for 2021-22. HEIW continues to have strong and transparent systems of financial control to monitor financial activity and prevent and respond to fraud. Financial monitoring and reporting are clear and timely, but there is an opportunity to analyse and report on cost benefits, outcomes, and the impact of spending.

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 HEIW in 2021.

Report	Date
Financial audit reports	
Audit of Financial Statements Report	June 2021
Opinion on the Financial Statements	June 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
Structured Assessment 2021: Phase 1 Operational Planning Arrangements	May 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
Structured Assessment 2021: Phase 2 Corporate Governance and Financial Management Arrangements	October 2021
Other	
2021 Audit Plan	March 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 3: performance audit work still underway

There is one performance audit that is still underway at HEIW. This is shown in the following table, along with the estimated date for completion of the work.

Report	Estimated completion date
Review of annual commissioning arrangements	February 2022

Appendix 2

Audit fee

The 2021 Audit Plan set out the proposed audit fee of £165,500 (excluding VAT). My latest estimate is that the actual fee is likely to be a little lower than this. I will update the position in the coming weeks. Where the actual fee is lower than the estimate, HEIW will receive a refund.

Appendix 3

Financial audit risks

Exhibit 4: financial audit risks

My 2021 Audit Plan set out the financial audit risks for the audit of HEIW'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.</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 team completed all planned work and identified no issues.</p>
<p>The COVID-19 national emergency continues and the pressures on staff resource 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</p>	<p>We will discuss your closedown process and quality monitoring arrangements with the accounts preparation team and monitor the accounts preparation process. We will help to identify areas where there may be gaps in arrangements.</p>	<p>My audit team completed all planned work. Both the draft accounts submission and supporting working papers were of high quality and submitted to deadline. We did not identify any significant weaknesses in internal control and quality review arrangements were sufficient.</p>

Audit risk	Proposed audit response	Work done and outcome
<p>incidence of errors. Quality monitoring arrangements may be compromised due to timing issues and/or resource availability.</p>		
<p>Under the terms of the NHS Wales student bursary scheme,</p> <p>students are required to commit to working in NHS Wales for two years after completing their course. Where an individual does not meet this condition, they are required to repay a proportion of the bursary.</p> <p>2020-21 is the first year in which the recovery process applies. The financial amounts are not material currently, but there is a risk that the transactions could be incorrectly recorded within the financial statements.</p>	<p>We will discuss your processes for the recovery of the bursary and proposed accounting treatment to ensure it adheres to applicable accounting and disclosure standards and the NHS Manual for Account.</p>	<p>My audit team concluded that the accounting treatment and disclosures complied with accounting and disclosure standards and the NHS Manual for Account.</p>



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