

# Annual Audit Report 2023 – Hywel Dda University Health Board

Audit year: 2022-23

Date issued: January 2024

Document reference: 3969A2023

This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and Audit Wales are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to Audit Wales at [infoofficer@audit.wales](mailto:infoofficer@audit.wales).

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

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

# Contents

Summary report	
About this report	4
Key messages	5
Detailed report	
Audit of accounts	7
Arrangements for securing efficiency, effectiveness, and economy in the use of resources	9
Appendices	
Appendix 1 – reports issued since my last annual audit report	18
Appendix 2 – audit fee	21
Appendix 3 – audit of accounts risks	22

# Summary report

## About this report

- 1 This report summarises the findings from my 2023 audit work at Hywel Dda University Health Board (the Health Board) undertaken to fulfil my responsibilities under the Public Audit (Wales) Act 2004. That Act requires me to:
  - examine and certify the accounts submitted to me by the Health Board, and to lay them before the Senedd;
  - satisfy myself that expenditure and income have been applied to the purposes intended and are in accordance with authorities; and
  - satisfy myself that the Health Board has made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources.
- 2 I report my overall findings under the following headings:
  - Audit of accounts
  - Arrangements for securing economy, efficiency, and effectiveness in the use of resources
- 3 This year's audit work took place at a time when NHS bodies were still responding to the legacy of the COVID-19 pandemic as they look to recover and transform services and respond to the additional demand in the system that has built up during the pandemic. Furthermore, health bodies were also dealing with 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. My work programme, therefore, was designed to best assure the people of Wales that public funds are well managed.
- 4 I aimed to ensure my work did not hamper public bodies in tackling the post-pandemic challenges they face, whilst ensuring it continued to support both scrutiny and learning. We largely continued to work and engage remotely where possible using 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 The delivery of my audit of accounts work has continued mostly remotely. Auditing standards were updated for 2022-23 audits which resulted in some significant changes in our approach. The specific changes were discussed in detail in my 2023 Audit Plan. The audited accounts submission deadline was extended to 31 July 2023. The financial statements were certified on 28 July 2023, meaning the deadline was met. This reflects a great collective effort by both my staff and the Health Board's officers.
- 6 I also adjusted the focus and approach of my performance audit work to ensure its relevance in the context of the post-pandemic challenges facing the NHS in Wales. I have commented on how NHS Wales is tackling the backlog of patients waiting for orthopaedic treatments. I have also published an NHS Workforce Data Briefing that brings together a range of metrics and trends to help illustrate the challenges

that need to be gripped locally and nationally. The data briefing complements my assessments of how the workforce planning arrangements of individual NHS bodies are helping them to effectively address current and future workforce challenges. My local audit teams have commented on the governance arrangements of individual bodies, as well as how they are responding to specific local challenges and risks. My performance audit work is conducted in line with INTOSAI auditing standards<sup>1</sup>.

- 7 This report is a summary of the issues presented in more detailed reports to the Health Board this year (see **Appendix 1**). I also include a summary of the status of work still underway, but not yet completed.
- 8 **Appendix 2** presents the latest estimate of the audit fee that I will need to charge to cover the costs of undertaking my work, compared to the original fee set out in the 2023 Audit Plan.
- 9 **Appendix 3** sets out the audit of accounts risks set out in my 2023 Audit Plan and how they were addressed through the audit.
- 10 The Chief Executive, Director of Finance and the Director of Corporate Governance have agreed the factual accuracy of this report. We presented it to the Board on 25 January 2024. 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 However, I qualified the regularity opinion. In line with prior years, the regularity opinion was qualified because the Health Board did not meet its revenue resource allocation over the three-year period ending 31 March 2023.
- 14 Alongside my audit opinion, I placed a substantive report on the Health Board's accounts to highlight the regularity issues.

<sup>1</sup> 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.

## 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:
- urgent and sustainable action is needed to tackle the long waiting times for orthopaedic services. There is a clear commitment to improve waiting times, however, it could take three years or more to return the orthopaedic waiting list to pre-pandemic levels.
  - there are generally good governance arrangements at the Mental Health and Learning Disabilities Directorate level with oversight at Board level. However, flows of information need improving, and further work is needed to strengthen relationships and engender a more open learning culture.
  - despite an increasing NHS workforce, there remain vacancies in key areas, high sickness and staff turnover resulting in over-reliance on agency staffing. More positively, NHS Wales is becoming a more flexible and equal employer.
  - the Health Board is clearly focusing its efforts on its significant workforce challenges and is taking pragmatic steps to help reduce risks. However, it needs to urgently develop a clear and consolidated workforce implementation plan and measure the impact it is having to help address the significant workforce challenges it faces.
  - the Health Board has generally effective corporate arrangements, however, it is facing significant performance and financial challenges.
  - the Health Board is making good progress in addressing my previous recommendations. It is improving the management of primary care services, providing additional capacity, and strengthening oversight of primary care challenges at Board. However, capacity remains stretched in some areas, and more work is needed to develop a financial baseline. Consideration of primary care, including oversight of performance, in routine committee business requires improvement.
- 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 2023 Audit Plan set out the key risks for audit of the accounts for 2022-23 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 2022-23 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 Engagement Lead reported these issues on 26 July 2023. **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 uncorrected misstatements.
Corrected misstatements	There were a number of adjustments made to the draft accounts, none of which impacted on the reported deficit.

Issue	Auditors' comments
Other significant issues	<p>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-year period 2020-23, nor have an approved three-year integrated medium-term plan in place for the period 2022-2025.</p> <p>I also reported improvements which could be made in the systems to calculate the Continuing Health Care (CHC) and Annual Leave liabilities.</p>

- 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 2023 and the return was prepared in accordance with the Treasury's instructions.
- 23 My separate audit of the charitable funds accounts is ongoing. No issues have arisen to date, and I intend to provide my audit opinion on 29 January 2024.

## 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 For 2022-23, the Health Board failed to meet both the first and the second financial duty. The first financial duty gives additional flexibility to Health Boards by allowing them to balance their income with their expenditure over a three-year rolling period. The three-year period being measured under this duty this year is 2020-21 to 2022-23.
- 27 The Health Board did not achieve financial balance for the three-year period ending 31 March 2023, exceeding its cumulative revenue resource limit of £3,199.59 million by £108.95 million, 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 2022-23 accounts.
- 28 The second financial duty requires Health Boards to prepare and have approved by the Welsh Ministers a rolling three-year integrated medium-term plan. This duty is an essential foundation to the delivery of sustainable quality health services. A Health Board will be deemed to have met this duty for 2022-23 if it submitted a



2022-23 to 2024-25 plan approved by its Board to the Welsh Ministers, who were required to review and consider approval of the plan. The Health Board did not meet its second financial duty to have an approved three-year integrated medium-term plan in place for the period 2022-2025.

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

29 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:

- commenting on how NHS Wales is tackling the backlog of patients waiting for orthopaedic treatments;
- reviewing the governance arrangements within the Mental Health and Learning Disabilities Directorate;
- publishing an NHS Workforce Data Briefing that brings together a range of metrics and trends to help illustrate the challenges that need to be gripped locally and nationally;
- reviewing the effectiveness of the Health Board's workforce planning arrangements;
- undertaking a structured assessment of the Health Board's corporate arrangements for ensuring that resources are used efficiently, effectively, and economically; and
- assessing the extent to which the Health Board has implemented my 2018 recommendations on primary care, as well as the extent to which the Board and/or its committees consider matters relating to primary care and there is appropriate capacity and capability to deliver priorities.

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

## Orthopaedic Services in Wales

31 In March 2023, I commented on orthopaedic services across Wales. My national report '[Orthopaedic Services in Wales – Tackling the Waiting List Backlog](#)' sets out the scale of orthopaedic waits, changes in demand, aspects of service capacity and some of the nationally co-ordinated work to modernise services. My report also set out key actions NHS Wales needs to take to tackle the challenges in orthopaedic services.

32 My work found that securing timely treatment for people with orthopaedic problems has been a challenge for the NHS in Wales for many years, with the COVID-19 pandemic making this significantly worse. Previous monies allocated by the Welsh

Government have resulted in short-term improvements but have not achieved the sustainable changes to services that were necessary with orthopaedic waiting list targets not met since they were first established in 2009.

- 33 Since the impact of the pandemic has lessened, orthopaedic services have been slow to restart, and while necessary infection control regimes will continue to have an impact on throughput, there is scope for current capacity to be used more efficiently. My scenario modelling indicates that it could take between three to five years to return orthopaedic waits to pre-pandemic levels across Wales. This is based on both a significant drive on community-based prevention and an increase in capacity and activity. Without this, services may never return to pre-pandemic levels.
- 34 My work found that there is a clear commitment to improve orthopaedic services. NHS Wales commissioned efficiency and effectiveness reviews both nationally and locally, which set out a suite of recommendations. A national clinical strategy for orthopaedics was also commissioned which sets out service options and a clear clinical voice on what needs to be done. However, urgent action is needed to secure short-term improvements in waiting times to minimise how long people wait in pain and discomfort, as well as creating more sustainable longer-term improvements.
- 35 In addition to my national report, my team set out how the Health Board's orthopaedic services compare to other health boards across Wales. My comparative report highlighted that the Health Board has:
- waits just below the average for Wales, with fewer patients waiting longer than a year for a first outpatient appointment, but a high proportion of patients on the waiting list for longer than two years;
  - the second highest level of potential latent or 'lost' demand as an impact of patients not going to their GP during the pandemic;
  - average levels of orthopaedic bed and medical workforce capacity;
  - average waits for radiology services, but some of the highest waits for physiotherapy; and
  - good uptake of patient-initiated follow-up outpatients to reduce unnecessary outpatient demand, but below average uptake of the use of see on symptom pathways.
- 36 My scenario modelling indicates that optimistically the waiting list for the Health Board could return to pre-pandemic levels by 2026, but without concerted effort it may take many more years to return to pre-pandemic levels, if at all.
- 37 My local report set out a series of prompts and questions for Board members to inform debate and obtain assurance that improvement actions at a local level are having the desired effect.

## Operational Governance Arrangements – Mental Health and Learning Disabilities

- 38 My work considered whether the Health Board has effective governance arrangements for its Mental Health and Learning Disabilities Directorate to enable it to carry out its role efficiently and effectively to ensure delivery of high-quality services. In undertaking the work, my team have tested the flows of assurance from floor to board using the learning disabilities service as a tracer.
- 39 My work found that there is good oversight of the performance and quality of mental health and learning disabilities at Board, with consideration of issues relevant to the Directorate routinely discussed across all committees. Performance reporting is in place, and this is being monitored routinely. Work by the Health Board to improve its performance has resulted in the de-escalation of performance within the Child and Adolescent Mental Health Service (CAMHS) from enhanced monitoring by the Welsh Health Specialised Services Committee (WHSSC). This is after the service being in escalation for a significant number of years. However, mental health and learning disabilities services remain under pressure with staff issues, including recruitment and sickness, affecting the delivery of timely services. There are also considerable challenges with the quality of the estate where the Directorate's services are delivered.
- 40 Governance arrangements at the Directorate level are clear, with arrangements in place to provide assurance on the management of risk, performance, and quality. Governance arrangements at the learning disabilities service level have also been improved, albeit that they remained on a temporary basis at the time of my review. But there is scope to improve flows of information between the Directorate and the Board, streamline Directorate agendas, reduce duplication of reporting, improve understanding of escalation of risks and provide greater clarity of mitigating actions being put in place. Clinical audit activity has also been affected by COVID-19 and needs to be restarted to support service improvements. Despite positive action being taken, there is also a need to strengthen relationships and rebuild trust within the Directorate, and between the Directorate and the executive, with some staff reporting poor relationships with senior management (both within the Directorate and at an Executive level), and a concern they are not listened to or valued.
- 41 The Health Board has a clear strategy in place for mental health. The strategy sets out the Health Board's contribution to the wider system, with partners and local people, to tackle the causes of ill-health through promotion of health and wellbeing, prevention and early intervention including for mental health and learning disabilities services. Plans are also in place to develop strategies for learning disabilities and other specialist areas, although there is a perception from staff that learning disabilities can sometimes be overlooked.
- 42 The Directorate has documented financial controls to support financial management but the ongoing and significant workforce challenges and uncertainty around Welsh Government funding are impacting on the ability to manage the finances. Historically, the vacancies within the Directorate have been a major contributing factor to underspends, recruitment remains very challenging and there

is a need for a more formal and targeted approach to address recruitment hotspots and ensure sustainability.

## NHS workforce data briefing

- 43 In September 2023, I published a [data briefing](#) which set out key workforce data for NHS Wales. My briefing highlighted continued growth of NHS Wales, and reflected that in some instances, the growth in staff levels, particularly in nursing and some medical specialties has not kept up with increasing demand.
- 44 The pandemic clearly had an impact on staff and the workforce remains under significant pressure. The recent key trends show increased staff turnover, sickness absence and vacancies. This has resulted in greater reliance on external agency staffing and notably increased agency costs to £325 million in 2022-23. Wales is growing its own workforce, with increased nurses and doctors in training.
- 45 Despite this, there is still a heavy reliance on medical staff from outside of Wales, demonstrating a need to both ensure that education commissioning is aligned to demand, but also that health bodies can recruit sufficient graduates once they have completed their training. My report also highlights some positive trends that show that the NHS is becoming a more flexible and equal employer.

## Workforce planning arrangements

- 46 My review examined whether the Health Board has effective arrangements to support workforce planning. It focussed on the strategic and operational workforce planning, how it uses workforce information and how it works with its stakeholders to develop solutions. The work also considered the organisation's capacity and capability to identify and address key short and long-term workforce challenges and how it monitors whether its approach is making a difference.
- 47 My work found that the Health Board is clearly focusing its efforts on its significant workforce challenges and is taking pragmatic steps to help reduce risks. However, it needs to urgently develop a clear and consolidated workforce implementation plan and measure the impact it is having to help address the significant workforce challenges it faces.
- 48 The Health Board has high vacancy numbers, mainly related to nursing, midwifery, medical and dental professions. This has caused a sharp rise in the use of agency staff, which cost the Health Board £38 million in 2022-23, further exacerbating an already pressured financial situation. Comparatively, the Health Board has lower than average staff turnover (10%) and sickness rates (6%) but these still present significant workforce issues to be managed.
- 49 The Health Board's Workforce Strategy is clearly focused on addressing the organisation's workforce risks. The Health Board has a robust understanding of its current and future service demands and trends, based on the current service model. The workforce technical documents set out extensive workforce analysis and service modelling, including scenario and service change mapping. The Health

Board is also working well with internal and external stakeholders to find shared solutions to workforce challenges. However, there is no overarching implementation plan to support the oversight and delivery of the Workforce Strategy.

- 50 The Health Board is strengthening investment in corporate workforce planning capacity and capability, but operational pressures mean that service leads do not have sufficient time to develop workforce planning solutions to help address operational challenges. The Health Board has a good understanding of the risks that might prevent the delivery of its workforce ambitions. These relate to workforce shortages, financial pressures, and a lack of clarity about a possible new major hospital building and related future clinical models. Workforce challenges are also limiting the Health Board's ability to meet the requirements of the Nurse Staffing Levels Act. The Health Board is taking steps to address these challenges through a range of recruitment, retention, and development activities. However, education commissioning is not yet supporting a sustainable workforce.
- 51 The People, Organisational Development and Culture Committee receive timely and comprehensive workforce performance reports. Whilst there is some alignment with the Workforce Strategy, without a clear implementation plan, it is hard to understand progress with delivery and what impact that action is having. There is also opportunity to better compare performance with organisations that have similar demographics and population characteristics.

## Structured assessment

- 52 My 2023 structured assessment work took place at a time when NHS bodies were continuing to deal with the legacy of the COVID-19 pandemic in terms of recovering and transforming services and responding to the additional demand in the system that built up during the pandemic. Furthermore, they were also dealing with 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.
- 53 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. At the time of my structured assessment work, the Health Board was subject to 'targeted intervention' by the Welsh Government for its planning and finance arrangements and 'enhanced monitoring' for aspects of its service performance.

## Board transparency, effectiveness, and cohesion

- 54 My work considered whether the Health 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; and
  - Board skills, experiences, cohesiveness, and commitment to improvement.
- 55 My work found that the Board and its committees continue to operate effectively, maintaining focus on public transparency, good governance, and continuous improvement. There are opportunities to further enhance arrangements for patient safety walkabouts, and whilst the Board is cohesive, a period of significant change will need to be well managed to ensure this is maintained.
- 56 The Board continues to have a strong commitment to public transparency. Board meetings are well publicised, and members of the public can observe meetings in-person or virtually. Private Board and committee sessions are reserved for the most sensitive matters, with private Board agendas and a high-level summary of discussions published online. There is an opportunity for the Health Board to adopt this arrangement for committee meetings as well. Whilst committee meetings are not promoted in the same way as Board meetings, members of the public can observe committee meetings on request.
- 57 The Board and its committees continue to work effectively, with up-to-date terms of reference and work programmes, which are well aligned to the Health Board's strategic objectives, planning objectives and risks. Board and committee meetings are well chaired, follow agreed processes and run to time, with good support from the corporate governance team. The Board and committees continue to receive good quality and timely papers, and interactive tools to support effective scrutiny assurance and decision making. Robust arrangements remain to support the effective conduct of Board and committee business. However, whilst the Board is currently stable and cohesive, it will need to manage upcoming change within the Board membership. The robust approach to Board development and improvement provides good foundations to manage this change, and the Health Board is doing all it can to ensure a smooth transition.
- 58 The Board has maintained its commitment to hearing from patients and staff, through patient and staff stories, maintaining the Speaking Up Safely process and Working in Confidence platform, encouraging staff networks and promoting staff recognition schemes. Board members have maintained regular patient safety walkabouts, but we found opportunities to clarify the walkabout process with new Independent Members.

## Corporate systems of assurance

- 59 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.
- 60 My work found that the Health Board has continued to develop corporate systems of assurance related to risk and recommendation tracking, and there is appropriate Board oversight. The approach to overseeing the quality and safety of services is improving. Whilst corporate oversight of organisational performance is strong, there is scope to strengthen assurance on the effectiveness of performance management systems.
- 61 The Health Board continues to have a mature approach to overseeing its Board Assurance Framework and has further strengthened oversight and assurance on its risk management arrangements by renewing its Risk Management Strategy and introducing a six-monthly risk assurance report. Strong corporate level oversight and scrutiny of organisational performance have been maintained, and the Board has approved the Improving Together performance management framework, however, there is scope to strengthen assurance on the effectiveness of performance management systems.
- 62 The Health Board is improving its approach to overseeing the quality and safety of services and since last year has revised its Quality Improvement Strategic Framework. The Health Board is taking appropriate steps to ensure compliance with the new duties of quality and candour, and robust arrangements for tracking audit and review recommendations remain.

## Corporate approach to planning

- 63 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.
- 64 My work found that the Health Board has maintained its focus on its long-term vision, and development and delivery of the Annual Plan are supported by appropriate oversight. However, opportunities remain to strengthen the oversight of other corporate plans, further improve the planning objectives and review capacity to support planning activities.
- 65 The Health Board continues to have a focus on delivering its long-term vision, and development of plans, such as the Annual Plan and Clinical Services Plan, is supported by appropriate corporate oversight and Board scrutiny. However, given

the scale of the Health Board's challenges, its future planning requirements, and the need to support routine annual and service planning, we remain concerned about capacity to support these activities. The Health Board is taking steps to address these concerns, through an action plan developed in response to a Welsh Government commissioned independent review of the Health Board's planning arrangements.

- 66 The Health Board's arrangements to oversee delivery of its Annual Plan remain robust, supported now by a set of 23 streamlined planning objectives, instead of 75. The planning objectives are set against four domains and eight strategic planning goals; however, they do not explicitly align to the Health Board's six overarching longer-term strategic objectives, making monitoring arrangements less clear. Opportunities also remain to articulate expected outcomes for planning objectives and strengthen oversight of other corporate plans other than the Annual Plan.

### **Corporate approach to managing financial resources**

- 67 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.
- 68 My work found that despite a clear process for financial planning, and reasonable arrangements for managing and monitoring the financial position, the Health Board's financial position is extremely challenging for 2023-24.
- 69 The Health Board did not achieve its revenue financial duties for 2022-23 and will continue not to achieve them in 2023-24. Working to a planned financial deficit of £112.9 million for 2023-24, the Health Board was reporting an adverse variance of £15.6 million against its revenue resource limit at Month 6. In recent weeks, the Health Board has subsequently received additional monies which reduce the agreed deficit control total to £48 million. However, this is based on the Health Board delivering against its initial forecast position, which in October 2023 it formally recognised that it would be unlikely to achieve.
- 70 The Health Board has a clear process for financial planning, with good involvement from the Board, although the development and delivery of its savings plan are a challenge. The Health Board requires savings of £19.5 million, with a gap in identified savings of £6.6 million reported at Month 6. The Health Board has appropriate arrangements for financial management and controls, but ongoing pressures are resulting in overspends. The Health Board continues to have good arrangements for monitoring and scrutinising its financial position. Much of that scrutiny is focused on the Director of Finance. However, the approach to scrutiny



should recognise the collective responsibility the wider executive team has in respect of the financial position.

## Primary care follow-up review

- 71 My review examined the extent to which the Health Board has implemented my previous 2018 recommendations relating to primary care. I also assessed the extent to which the Board and/or its committees regularly consider matters relating to primary care, and whether the Health Board's central primary care services team has the appropriate capacity and capability.
- 72 My work found that the Health Board is making good progress in addressing my previous recommendations. It is improving the management of primary care services, providing additional capacity, and strengthening oversight of primary care challenges at Board. However, capacity remains stretched in some areas, and more work is needed to develop a financial baseline. Consideration of primary care, including oversight of performance, in routine committee business requires improvement.
- 73 The Health Board has addressed previous audit recommendations relating to clusters and evaluating new ways of working and it is progressing work on workforce planning and engagement in planning. However, it has struggled to establish a financial baseline in respect of its primary care services from which further progress can be monitored.
- 74 Primary care features prominently in the Health Board's long-term strategy vision, and there is good oversight and scrutiny of some of the challenges facing primary care at Board. However, consideration at committees is not systematically embedded within routine business, and performance oversight is lacking.
- 75 Resources are kept under review, with some positive increases in central primary care capacity and good progress with succession planning. However, some of the Health Board's central primary care capacity is stretched due to the increasing number of managed practices and the limited time available for Cluster Leads to undertake their role in full.

# 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 2023.

Report	Date
<b>Financial audit reports</b>	
Audit of Financial Statements Report	July 2023
Opinion on the Financial Statements	July 2023
Our intention is to issue the Audit of Charitable Funds Financial Statements Report and Opinion on the Charitable Funds Financial Statements in January 2024	Audit opinion planned for 29 January 2024
<b>Performance audit reports</b>	
<a href="#">Orthopaedic Services in Wales – Tackling the Waiting List Backlog</a>	March 2023
<a href="#">Orthopaedic Services in Wales – Tackling the Waiting List Backlog: A comparative picture for Hywel Dda University Health Board</a>	March 2023
<a href="#">Operational Governance Arrangements – Mental Health and Learning Disabilities</a>	April 2023
<a href="#">Review of Workforce Planning</a>	July 2023

Report	Date
<a href="#">NHS Workforce Data Briefing</a>	September 2023
Structured Assessment 2023	November 2023
Primary Care Follow Up Review	December 2023
<b>Other</b>	
2023 Audit Plan	April 2023

My wider programme of national value-for-money studies in 2023 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
Unscheduled Care: Flow out of Hospital – West Wales Region	February 2024
Discharge Planning: Progress Update	February 2024
Review of Financial Efficiencies	March 2024
Review of Operational Governance Arrangements	April 2024
Unscheduled Care: Arrangements for Managing Access	June 2024
Review of Planned Care Services Recovery	July 2024
Review of Arrangements for Estates and Capital Prioritisation	July 2024

# Appendix 2

## Audit fee

The 2023 Audit Plan set out the proposed audit fee of £392,540 (excluding VAT). My latest estimate of the actual fee, on the basis that some work remains in progress, is in keeping with the fee set out in the outline.

# Appendix 3

## Audit of accounts risks

### Exhibit 4: audit of accounts risks

My 2023 Audit Plan set out the risks of material misstatement and/or irregularity for the audit of the Health Board's 2022-23 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"> <li>• test the appropriateness of journal entries and other adjustments made in preparing the financial statements;</li> <li>• review accounting estimates for bias; and</li> <li>• evaluate the rationale for any significant transactions outside the normal course of business.</li> </ul>	<p>My audit team:</p> <ul style="list-style-type: none"> <li>• tested journal entries;</li> <li>• reviewed accounting estimates, particular primary care payments; and</li> <li>• did not identify any transactions outside of the normal course of business.</li> </ul> <p>No material issues arose from the work carried out.</p>
<p>Under the NHS Finance (Wales) Act 2014, health boards moved to a rolling three-year resource limit for both revenue and capital. For 2022-23 and the three years to 31 March 2023, the Health Board forecasts to exceed its revenue resource limit by £59 million. This outcome could affect my</p>	<p>I will monitor the Health Board's financial position for 2022-23 and the cumulative three-year position to 31 March 2023. My review will also consider the impact of any relevant uncorrected misstatements over the three years. If the Health Board fails to meet the three-year resource limits for revenue and/or capital, I would expect to</p>	<p>I placed a substantive report on the financial statements explaining the failure to meet the three-year revenue resource limit and the circumstances under which it arose.</p>

Audit risk	Proposed audit response	Work done and outcome
<p>regularity opinion, as the Health Board has experienced for some of its past financial years.</p>	<p>qualify my regularity opinion on the 2022-23 financial statements. I would also expect to place a substantive report on the statements to explain the basis of the qualification and the circumstances under which it had arisen.</p>	
<p>As stated above, for 2022-23 the Health Board expects to exceed its revenue resource limit by £59 million. The Health Board would have reported this forecast to the Welsh Government and would be expected to deliver this outturn position.</p>	<p>I will focus my testing on areas of the financial statements which could contain judgements such as provisions. We will also focus on year-end accruals with a focus on ensuring transactions have been reported in the correct accounting period.</p>	<p>My audit team reviewed year-end transactions, in particular accruals and cut-off. No material matters arose from the work carried out.</p>
<p>The quinquennial valuation of the NHS estate took place as at 1 April 2022. There is a risk that assets are not valued on appropriate bases and that movements in the carrying values of assets are not appropriately accounted for and disclosed. Given the current economic climate, there is a further risk that the carrying values of assets have changed during 2022-23 and</p>	<p>I will:</p> <ul style="list-style-type: none"> <li>• consider the appropriateness of the work of the Valuation Office as a management expert;</li> <li>• test the appropriateness of asset valuation bases;</li> <li>• review a sample of movements in carrying values to ensure that movements have been accounted for and disclosed in accordance with the Welsh Government's</li> </ul>	<p>My audit team:</p> <ul style="list-style-type: none"> <li>• considered the appropriateness of the work of the Valuation Office as a management expert;</li> <li>• tested the appropriateness of the asset valuation bases;</li> <li>• reviewed a sample of movements in carrying values; and</li> <li>• considered whether the carrying value of assets at 1 April 2022 remains materially appropriate or whether additional in-year</li> </ul>

Audit risk	Proposed audit response	Work done and outcome
<p>that 1 April 2022 valuations are materially misstated at the balance sheet date of 31 March 2023.</p>	<p>Manual for Accounts; and</p> <ul style="list-style-type: none"> <li>consider whether the carrying value of assets at 1 April 2022 remains materially appropriate or whether additional in-year adjustments are required due to the impact of current economic conditions.</li> </ul>	<p>adjustments are required due to the impact of current economic conditions.</p> <p>No material issues arose from the work carried out.</p>
<p>I audit some of the disclosures in the remuneration report to a far lower level of materiality, as set out on page 8. The disclosures are therefore more prone to material misstatement. I therefore judge the 2022-23 disclosures to be at risk of misstatement.</p>	<p>I will examine all entries in the remuneration report to verify that they are materially accurate, and that remuneration is at the approved levels.</p>	<p>My audit team reviewed the remuneration report and verified their accuracy.</p> <p>No material matters arose from the work carried out.</p>
<p>I also audit the disclosure of related party transactions and balances to a far lower level of materiality.</p>	<p>I will verify that all the necessary signed declarations have been received, evaluated, and disclosed appropriately and accurately. My examinations also include other means of testing, such as my review of Companies House records using data analytics.</p>	<p>My audit team reviewed declarations of interest and Companies House records to ensure that the entries within the related party disclosures were accurate.</p> <p>No material matters arose from the work carried out.</p>







Audit Wales

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: [info@audit.wales](mailto:info@audit.wales)

Website: [www.audit.wales](http://www.audit.wales)

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