

Annual Audit Report 2021 – Velindre University NHS Trust

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Summary report

About this report

- 1 This report summarises the findings from my 2021 audit work at Velindre University NHS Trust (the Trust) 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 Trust;
 - satisfy myself that expenditure and income have been applied to the purposes intended and are in accordance with authorities; and
 - satisfy myself that the Trust 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 as far as possible considerations for financial statements arising directly from the pandemic. Delivery of the audit reflects a collective effort by both my staff and the Trust'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 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.
- 6 This report is a summary of the issues presented in more detailed reports to the Trust 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 Committee on 11 January 2022. The Board will also receive the report. We strongly encourage the Trust 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 Trust's staff and members for their help and co-operation throughout my audit.

Key messages

Audit of accounts

- 11 I concluded that the Trust's accounts were properly prepared and materially accurate with the exception of the Trust's inventory balance, as at 31 March 2021, of £95.564 million. As a result of the pandemic we were unable to obtain the necessary audit evidence, as mandated by professional Auditing Standard ISA501 for material inventory balances, and so issued a qualified 'limitation of scope' opinion. This qualification was not due to any shortcomings in the Trust's systems or actions and my work did not identify any material weaknesses in the Trust's internal controls (as relevant to my audit). In addition, I placed an Emphasis of Matter paragraph in my report to draw attention to disclosures in the accounts in note 24 relating to the impact of a Ministerial Direction issued on 18 December 2019 to the Permanent Secretary of the Welsh Government concerning Clinicians' Pension Tax Liabilities.
- 12 I identified no material financial transactions within the Trust's 2020-21 accounts that were not in accordance with authorities or not used for the purpose intended, and so I have issued an unqualified opinion on the regularity of the financial transactions within the Trust's 2020-21 accounts.
- 13 The Trust achieved financial balance for the three-year period ending 31 March 2021. The Trust has an approved three-year plan in place. I placed a substantive report on the Trust's financial statements to 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:
- 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 Trust's arrangements for developing operational plans and monitoring their delivery are effective and have the flexibility to respond to changing circumstances.
 - the Trust has good arrangements to conduct Board and committee business effectively, but opportunities to enhance public transparency remain.
 - the Trust achieved its financial duties at the end of 2020-21 and has a clear financial plan to deliver and services in 2021-22.
- 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 the Trust'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 the Trust'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 the Trust'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 Trust's accounts were properly prepared and materially accurate with the exception of the Trust's inventory balance, as at 31 March 2021, of £95.564 million. As a result of the pandemic, we were unable to obtain the necessary audit evidence, as mandated by professional Auditing Standard ISA501 for material inventory balances, and so issued a qualified 'limitation of scope' opinion. This qualification was not due to any shortcomings in the Trust's systems or actions and my work did not identify any material weaknesses in the Trust's internal controls (as relevant to my audit). In addition, I placed an Emphasis of Matter paragraph in my report to draw attention to disclosures in the accounts in note 24 relating to the impact of a Ministerial Direction issued on 18 December 2019 to the Permanent Secretary of the Welsh Government concerning Clinicians' Pension Tax Liabilities.
- 20 The Trust submitted its draft accounts within the required deadline. The accounts, and supported working papers, were of good quality, and officers of the Trust provided us with an appropriate level of support and engagement, in what were challenging circumstances, to enable us to complete the audit on a timely basis.
- 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 the Trust's Audit Committee on 8 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	Uncertainty existed in relation to a number of Welsh Risk Pool Structured Settlement cases where there was insufficient evidence to support the provision value of £20.5 million concerning these cases. We were satisfied that any potential over-statement of the provision value was not material to our opinion.
Corrected misstatements	There were some misstatements in the accounts that were corrected by management.
Other significant issues	Other than the Emphasis of Matter commented upon above no other significant issues were identified.

- 22 I also undertook a review of the Whole of Government Accounts return. I concluded that the counterparty consolidation information was consistent with the Trust's financial position as at 31 March 2021 and the return was prepared in accordance with the Welsh Government's instructions.
- 23 My separate audit of the charitable funds financial statements is currently ongoing and we anticipate this audit being completed by the Charity Commission deadline of 31 January 2022.

Regularity of financial transactions

- 24 I identified no material financial transactions within the Trust's 2020-21 accounts that were not in accordance with authorities or not used for the purpose intended, and so I have issued an unqualified opinion on the regularity of the financial transactions within the Trust's 2020-21 accounts.
- 25 The Trust's financial transactions must be in accordance with the authorities that govern them. It 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 Trust does not have the powers to receive or incur.
- 26 The Trust achieved financial balance for the three-year period ending 31 March 2021. The Trust has an approved three-year plan in place. I placed a substantive report on the Trust's financial statements to 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

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

COVID-19 vaccination programme

- 29 In June 2021, I published the findings from my initial review of the rollout of the COVID-19 vaccination programme in Wales. My work considered the factors that affected the rollout and future challenges and opportunities.
- 30 I found that the vaccine programme has been 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.
- 31 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.
- 32 The organisations across Wales 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.
- 33 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.
- 34 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.

35 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. I identified the need for a longer-term plan across Wales to address these challenges and other elements of the ongoing vaccination programme¹.

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

36 My review considered how NHS bodies in Wales 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.

37 NHS staff have shown tremendous resilience and dedication throughout the pandemic, despite facing huge strains to their mental and physical health.

38 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.

39 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.

40 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.

41 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.

¹ At the time of writing, the Trust's involvement in the vaccination programme has largely ceased.

Structured assessment

- 42 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

- 43 My work considered the Trust'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.
- 44 My work found that the Trust's arrangements for developing operational plans and monitoring their delivery are effective and have the flexibility to respond to changing circumstances.
- 45 The Trust's Quarters' Three-Four Plan 2020-21 (the Quarters' 3-4 Plan) was submitted to the Welsh Government within the required timeframe, covers all necessary areas within the planning framework guidance and received the required Board scrutiny.
- 46 The Trust has maintained the same approach for developing its quarterly plans as was the case for developing plans in previous years. The Quarters' 3-4 Plan is a progression from the previous two quarterly plans and is underpinned with the best possible information available given the uncertainty the pandemic presents. Arrangements to deliver the Quarters' 3-4 Plan are dynamic and have responded to the changing circumstances and supported the wider NHS.
- 47 The Trust has effective operational and strategic arrangements to monitor progress against operational plans. The Board regularly reviews progress in delivering the priorities set out in operational plans.

Governance arrangements

- 48 My work considered the Trust'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.

- 49 My work found that the Trust has good arrangements to conduct Board and committee business effectively, but opportunities to enhance public transparency remain.
- 50 The Trust has good governance arrangements which adapted well to the pandemic. The Trust has streamlined its Board committee structure, and postponed Board and committee business is being reactivated.
- 51 The quality and presentation of information at Board and committees is good, but on occasions, papers include content which is perhaps too detailed.
- 52 Transparency of Board business to the public is good, but there are some opportunities for improvements, including ensuring that video recordings and committee papers are uploaded to the website shortly after meetings.
- 53 The Trust has introduced improved risk management arrangements and is currently refreshing quality governance arrangements. The Trust is developing detailed plans to ensure ongoing business continuity and increase capacity to respond to increasing demand for services. However, not all strategic priorities are supported by specific, timebound actions for delivery.

Managing financial resources

- 54 I considered the Trust's financial performance, financial controls and arrangements for monitoring and reporting financial performance.
- 55 I found that the Trust achieved its financial duties at the end of 2020-21, and a clear financial plan to deliver services in 2021-22.
- 56 The Trust has good arrangements to manage its financial resources and continues year on year to meet its financial duties. Financial controls are effective, and the Trust uses clear, timely financial information to monitor and report its performance.

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 Trust in 2021.

Report	Date
Trust's 2020-21 financial statements	
Audit of Financial Statements Report	8 June 2021
Opinion on the Financial Statements	15 June 2021
Recommendations arising from our audit of the Trust's 2020-21 accounts	14 October 2021
Trust's 2020-21 charity accounts	
Audit of Financial Statements Report	22 December 2021
Opinion on the Financial Statements	6 January 2022 (planned)
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
Rollout of the COVID-19 vaccination programme in Wales	June 2021

Report	Date
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	December 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 are a number of performance audits that are still underway at the Trust. These are shown in the following table, with the estimated dates for completion of the work.

Report	Estimated completion date
Quality governance review (2020 Audit Plan)	April 2022
Local work (2021 Audit Plan)	April 2022

Appendix 2

Audit fee

The 2021 Audit Plan set out the proposed audit fee of £227,996 (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.

In addition to the fee set out above, the audit work undertaken on the shared services provided to the Trust by the NHS Wales Shared Services Partnership cost £2,225.

Appendix 3

Financial audit risks

Exhibit 4: financial audit risks

My 2021 Audit Plan set out the financial audit risks for the audit of the Trust'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>The audit team will:</p> <ul style="list-style-type: none">• test the appropriateness of journal entries and other adjustments made in preparing the financial statements;• review accounting estimates for biases; and• evaluate the rationale for any significant transactions outside the normal course of business.	<p>Planned audit work completed and no issues arising.</p>

Audit risk	Proposed audit response	Work done and outcome
<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. In particular, the Trust and NWSSP have been integral in procuring and distributing PPE in response to the pandemic. The Trust has received in excess of £230 million funding from the Welsh Government to procure PPE to supply Welsh NHS bodies and social care providers. PPE was also supplied to other UK bodies.</p> <p>There are potential risks concerning the fact that much of the expenditure was incurred quickly and was approved via streamlined governance processes, as well as the accounting treatment of this arrangement, including the valuation of the related year-end inventory balance.</p>	<p>We will identify the key issues and associated risks and plan our work to obtain the assurance needed for our audit.</p>	<p>The Trust and Shared Services received significant additional funding from the Welsh Government as a result of the pandemic. Whilst this generated added complexity to the accounts and the disclosures, and to our audit, no significant issues arose and we were able to draw the necessary assurance for our opinion.</p> <p>Related to this however, as a result of the pandemic we were unable to obtain the necessary audit evidence, as mandated by professional Auditing Standard ISA501 upon the Trust's material inventory balances, of £95.564 million, and so issued a qualified 'limitation of scope' opinion. It is important to emphasise that this qualification was not due to any shortcomings in the Trust's systems or actions, but because of the impact of COVID-19 on one of our key audit procedures.</p>

Audit risk	Proposed audit response	Work done and outcome response
<p>NHS Trusts have a financial duty to break even over a three-year rolling period. Although the Trust is forecasting a break-even position for the year-end, this duty increases the risk that management judgements and estimates included in the financial statements could be biased in helping to achieve this financial duty.</p> <p>Where the Trust fails this financial duty, I will place a substantive report on the financial statements highlighting the failure.</p>	<p>The audit team will focus its testing on areas of the financial statements which could contain reporting bias.</p>	<p>The Trust achieved its break even duty – no issues arising.</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. Whilst the remote working arrangements operated well in the prior year, a risk remains that the quality of the accounts and supporting working papers may be compromised leading to an increased incidence of errors.</p>	<p>We will discuss your closedown process and quality monitoring arrangements with the accounts preparation team and monitor the accounts preparation process.</p>	<p>Despite the challenges posed by the pandemic, the Trust produced timely good quality accounts together with good quality working papers.</p>

Audit risk	Proposed audit response	Work done and outcome
<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. However, if any expenditure is made in year, we would consider it to be irregular as it contravenes the requirements of Managing Public Monies.</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>In common with other NHS Wales bodies, an Emphasis of Matter paragraph was included in our audit opinion concerning this matter.</p>
<p>Land transfers between the Trust and Cardiff and Vale University Health Board are expected to occur during 2020-21 in relation to the planned new Velindre Cancer Centre. The impact of this is expected to be material.</p>	<p>We will monitor progress of this and, if appropriate, review the associated accounting treatment.</p>	<p>The land transfer occurred during the 2020-21 financial year and evidence was obtained to provide assurance that this was appropriately accounted for within the 2020-21 financial statements.</p>



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