



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Annual Audit Report 2017 – **Velindre NHS Trust**

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

The team who helped me prepare this report comprised Ann-Marie Harkin, David Thomas, Gillian Gillett, Katrina Febry and Stephen Lisle.

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Summary report

Summary

- 1 This report summarises my findings from the audit work I have undertaken at Velindre NHS Trust (the Trust) during 2017. I did that work to discharge my responsibilities under the Public Audit (Wales) Act 2004 (the 2004 Act) in respect of the audit of accounts and the Trust's arrangements to secure efficiency, effectiveness and economy in its use of resources.
- 2 My audit work focused on strategic priorities and the significant financial and operational risks facing the Trust, and which are relevant to my audit responsibilities. The separate reports I have produced during the year have more detail on the specific aspects of my audit. We discuss these reports and agree their factual accuracy with officers before presenting them to the Audit Committee. My reports are shown in [Appendix 1](#).
- 3 The Chief Executive and the Director of Finance have agreed the factual accuracy of this report, which we will present to the Audit Committee on 6 February 2018. The Board will receive the report at a subsequent Board meeting and every member will receive a copy. We strongly encourage the Trust to arrange wider publication of this report. Following Board consideration, we will make the report available to the public on the [Wales Audit Office website](#).
- 4 My audit work can be summarised under the following headings.

Section 1: audit of accounts

- 5 I have issued an unqualified opinion on the 2016-17 financial statements of the Trust, although in doing so, I have brought some issues to the attention of officers and the Audit Committee. The most significant of these related to the Welsh Risk Pool.
- 6 I have also concluded that the Trust's accounts were properly prepared and materially accurate. My work did not identify any material weaknesses in the Trust's internal controls relevant to my audit of the accounts.
- 7 The Trust achieved financial balance for the three-year period ending 2016-17, therefore meeting one of its two statutory duties under the 2014 NHS (Wales) Finance Act. [Section 2](#) of this report has more detail about the financial position and financial management arrangements.

Section 2: arrangements for securing efficiency, effectiveness and economy in the use of resources

- 8 I have examined the Trust's financial planning and management arrangements, its governance and assurance arrangements, and its progress on the improvement issues identified in last year's Structured Assessment. I did this to satisfy myself that the Trust has made proper arrangements for securing efficiency, effectiveness

and economy in the use of its resources. I have also undertaken a performance audit review on discharge planning at Velindre Cancer Centre (VCC), and assessed the Trust's use of the National Fraud Initiative (NFI). My conclusions based on this work are set out below.

The Trust delivered its 2016-17 savings target and is on track in 2017-18 but financial challenges have prompted a reactive approach to savings and it needs to focus on more sustainable savings in the longer term

- 9 The Trust over-delivered against its overall 2016-17 savings plan despite large variation in the achievement of individual savings schemes. The Trust's saving plans increasingly rely on non-recurrent savings and the Board has been informed about the potential for a year-end deficit for 2017-18.
- 10 The Trust recognises it needs to strengthen the way it plans savings in the future to ensure a more sustainable approach, based on service modernisation and the introduction of a new financial contracting model with commissioners.
- 11 With growing financial pressures, the Trust will need to improve the way it learns from the success and failure of previous savings schemes and consider tightening its scrutiny of savings.

The Trust has made some clear improvements to governance this year although progress on risk management is mixed, challenges have arisen in relation to funding and hosting and information governance needs further strengthening

- 12 **Strategic planning** – This year the Trust again secured Welsh Government approval for their Integrated Medium Term Plan although unmet funding assumptions and the resultant funding gap prompted a series of actions to reprioritise the objectives in their plan.
- 13 **Organisational structure** – The Trust is clarifying and strengthening its hosting arrangements following a critical report into incident reporting involving the NHS Wales Informatics Service and the Trust may need to think more strategically about how to create cohesive divisional working.
- 14 **Board and committee assurance and effectiveness** – The Trust has taken clear actions to improve Board and committee effectiveness and the new board assurance programme provides a key opportunity to further strengthen the assurance framework.
- 15 **Risk management** – There has been mixed progress in addressing my risk management recommendations and some of the significant challenges experienced by the Trust this year were not described clearly enough in the corporate risk register.

- 16 **Information governance** – Some information governance policies are under review and whilst the Trust is preparing for the new General Data Protection Regulation, this matter does not appear on the risk register. The Trust is also learning lessons following an internal investigation into a serious data breach.
- 17 **Performance reporting** – The picture of performance in the Trust remains generally positive and performance reporting continues to evolve although difficulties remain in benchmarking and measuring outcomes.
- 18 **Progress in addressing audit recommendations** – The Trust has made steady progress in addressing issues from previous structured assessments and the Audit Committee has increased its scrutiny of progress towards implementing audit recommendations.

The Trust is progressing ambitious change programmes and is strengthening discharge planning but it needs to work on its relationship with commissioners and make more effective use of the National Fraud Initiative

- 19 My work reviewing a number of key enablers of efficient, effective and economical use of resources is summarised in the paragraphs below.
- 20 **Arrangements to support the delivery of change** – The Trust is managing some major change programmes that are placing additional pressures on the organisation but have the potential to create significant benefits.
- 21 **Arrangements to manage the workforce efficiently, effectively and economically** – The Trust's workforce-related performance is mixed, workforce planning remains in its infancy and there have been difficulties with recruitment and appraisals.
- 22 **Stakeholder engagement and partnership working arrangements** – Funding issues have highlighted weaknesses in the relationship between the Trust and its commissioners, and issues remain in the effectiveness of the Local Partnership Forum.
- 23 **ICT and use of technology** – The Trust does not have an informatics strategy and there have been delays in adopting a Trust-wide approach to informatics. A new strategic outline programme for digital excellence is a key building block in strengthening the delivery of local and national requirements.
- 24 **Discharge planning review** – My work on discharge planning concluded VCC is taking steps to strengthen discharge planning arrangements although data for monitoring and reporting performance at Cancer Centre and Trust level is limited.
- 25 **NFI** – My work on the NFI found that the Trust has not made effective use of the NFI to detect fraud.
- 26 We would like to thank the Trust's staff and members for their assistance and co-operation during the audit.

Detailed report

About this report

- 27 This Annual Audit Report 2017 to the Board members of the Trust sets out the findings from the audit work that I have undertaken between December 2016 and December 2017.
- 28 I undertake my work at the Trust in response to the requirements set out in the 2004 Act¹. That act requires me to:
- a) examine and certify the accounts submitted to me by the Trust, and to lay them before the National Assembly;
 - b) satisfy myself that the expenditure and income to which the accounts relate have been applied to the purposes intended and in accordance with the authorities which govern it; and
 - c) satisfy myself that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 29 In relation to (c), I have drawn assurances or otherwise from the following sources of evidence:
- the results of audit work on the Trust's financial statements;
 - work undertaken as part of my latest Structured Assessment of the Trust, which examined the arrangements for financial management, governance and assurance;
 - performance audit examinations undertaken at the Trust;
 - the results of the work of other external review bodies, where they are relevant to my responsibilities; and
 - other work, such as data-matching exercises as part of the NFI.
- 30 I have issued a number of reports to the Trust this year. The messages contained in this Annual Audit Report represent a summary of the issues presented in these more detailed reports, a list of which is included in [Appendix 1](#).
- 31 The findings from my work are considered under the following headings:
- section 1: audit of accounts
 - section 2: arrangements for securing economy, efficiency and effectiveness in the use of resources
- 32 [Appendix 2](#) presents the latest estimate on the audit fee that I will need to charge to cover the actual costs of undertaking my work at the Trust, alongside the original fee that was set out in the 2017 Audit Plan.
- 33 Finally, [Appendix 3](#) sets out the financial audit opinion risks highlighted in my 2017 Audit Plan and how they were addressed through the audit.

¹ [Public Audit \(Wales\) Act 2004](#)

Section 1: audit of accounts

- 34 This section of the report summarises the findings from my audit of the Trust's financial statements for 2016-17. These statements are the means by which the organisation demonstrates its financial performance and sets out its net operating costs, recognised gains and losses, and cash flows. Preparation of an organisation's financial statements is an essential element in demonstrating appropriate stewardship of public money.
- 35 In examining the Trust's financial statements, I am required to give an opinion on:
- whether they give a true and fair view of the financial position of the Trust and of its income and expenditure for the period in question;
 - whether they are prepared in accordance with statutory and other requirements, and comply with relevant requirements for accounting presentation and disclosure;
 - whether that part of the remuneration report to be audited is properly prepared;
 - whether the other information provided with the financial statements (usually the annual report) is consistent with them; and
 - the regularity of the expenditure and income in the financial statements.
- 36 In giving this opinion, I have complied with my Code of Audit Practice and the International Standards on Auditing (ISAs).

I have issued an unqualified opinion on the 2016-17 financial statements of the Trust, although in doing so, I have brought some issues to the attention of officers and the Audit Committee

The Trust's accounts were properly prepared and materially accurate

- 37 The draft accounts were provided to us on time on the agreed date, and good quality working papers were generally provided to us.
- 38 I am required to 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 30 May 2017. The most significant of these related to the Welsh Risk Pool and I have made recommendations for improvement in respect of these and other less significant items. **Exhibit 1** summarises the key issue set out in that report.

Exhibit 1: issue identified in the Audit of Financial Statements Report

The exhibit summarises and provides comments on the key issue identified.

Issue	Auditors' comments
We identified that the unwinding of the discount on structured settlement cases was materially incorrect.	The draft financial statements submitted for audit included unwinding of discount on structured settlement cases of £20,266,000. This was a complex calculation due to the change in the discount rate from positive to negative. Our testing found that this had been calculated incorrectly for retail price index (RPI) cases and resulted in a material error. The figure was amended by £19,750,000 to £516,000. It should be noted that this adjustment had no impact on the level of accounting provisions, and no impact upon the Trust's year-end reported surplus.

- 39 As part of my financial audit, I also undertook a review of the Whole of Government Accounts return. I concluded that the counterparty consolidation information was consistent with the financial position of the Trust at 31 March 2017 and the return was prepared in accordance with the Treasury's instructions.
- 40 My separate audit of the charitable funds financial statements has been completed and an unqualified opinion issued.

My work did not identify any material weaknesses in the Trust's internal controls

- 41 I reviewed the Trust's internal controls that I considered to be relevant to the audit to help me identify, assess and respond to the risks of material misstatement in the accounts. I did not, however, consider them for the purposes of expressing an opinion on the operating effectiveness of internal control. My review did not identify any significant deficiencies in the Trust's internal controls.

Section 2: arrangements for securing efficiency, effectiveness and economy in the use of resources

- 42 I have a statutory requirement to satisfy myself that NHS bodies have proper arrangements in place to secure efficiency, effectiveness and economy in the use of their 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 the Trust's planning and delivery of financial savings and their contribution to achieving financial balance;

- assessing the effectiveness of the Trust's governance and assurance arrangements through my structured assessment work, including a review of the progress made in addressing structured assessment recommendations made last year; and
- work on key enablers of efficient, effective and economical use of resources, performance audit work on discharge planning arrangements at VCC and an assessment of the application of data-matching as part of the NFI.

43 The main findings from the work referenced above are summarised under the following headings.

The Trust delivered its 2016-17 savings target and is on track in 2017-18 but financial challenges have prompted a reactive approach to savings and it needs to focus on more sustainable savings in the longer term

44 In addition to commenting on the Trust's overall financial position, my structured assessment work in 2017 has considered the actions that the Trust is taking to achieve financial balance and create longer-term financial sustainability. I have assessed the corporate arrangements for planning and delivering financial savings in the context of the overall financial position of the organisation. My key findings are summarised below.

Financial performance – The Trust over-delivered against its overall 2016-17 savings plan despite large variation in the achievement of individual savings schemes. The Trust's saving plans increasingly rely on non-recurrent savings and the Board has been informed about the potential for a year-end deficit for 2017-18

45 My work on the planning of financial savings reached the conclusion above because:

- during 2016-17, the Trust achieved £1.788 million in savings against a plan of £1.436 million.
- there was a high degree of variation in the success of individual savings schemes. This suggests there is further scope to improve the way the Trust plans and delivers savings.
- of the total amount of savings achieved by the Trust in 2016-17, 29% was through non-recurring savings. The savings plan for 2017-18 increases the Trust's reliance on non-recurring savings².
- at its September 2017 Board meeting, the Trust reported a potential year-end deficit of £0.54 million for 2017-18. The main contributory factor to this

² The Trust's savings plan for 2017-18 includes total planned non-recurrent savings of £450,000, representing an increase of £105,000 from the 2016-17 total of £345,000.

position is that one of the Trust's key funding assumptions in its Integrated Medium Term Plan has failed to materialise, causing uncertainty and complications in relation to the year-end position. The matter went to arbitration by the Welsh Government and the Trust was not successful (see [paragraph 46](#) for more detail).

Financial savings planning and delivery – The Trust recognises it needs to strengthen the way it plans savings in the future through service modernisation and the introduction of a new financial contracting model with commissioners

- 46 I came to the above conclusion on the planning and delivery of savings because:
- there were some marked differences between the savings schemes set out in the IMTP submitted to the Welsh Government and the schemes set out in the final 2016-17 savings plan. The extent of changes to the number and value of savings schemes at VCC reflects the challenging nature of identifying achievable and recurring savings at VCC.
 - whilst awaiting the outcome of the arbitration case, there was uncertainty in the Trust about the level of savings it would be required to make. This prompted a reactive approach to the planning and delivery of savings.
 - the majority of the savings schemes appear to focus on operational cost control and there is an increasing reliance upon non-recurrent savings. The Trust has recognised that this transactional approach is unsustainable and is actively focussing on identifying more sustainable, transformational savings through various programmes of work.
 - the Trust is planning to introduce a new financial contracting model, to provide more accurate analysis of activity costs and expenditure, in addition to creating the potential for increased benchmarking with comparator bodies.

Financial savings monitoring – With growing financial pressures, the Trust will need to improve the way it learns from the success and limitations of previous savings schemes and consider tightening its scrutiny of savings

- 47 I came to the above conclusion on the monitoring of savings because:
- the Trust has not undertaken a formal evaluation of the successes and limitations of the 2016-17 savings schemes. Therefore, there is limited evidence to suggest the Trust is learning from the experience of previous savings schemes to develop more effective schemes in future.
 - the Board and its Planning and Performance Committee are routinely provided with information on savings performance but the level of detail does not facilitate in-depth challenge and scrutiny.

Progress in addressing previous financial planning and management recommendations

48 In my Structured Assessment 2016, I recommended that the Trust should review the content of its finance reports to the Board. I said the review should consider whether the report would benefit from strengthened balance sheet monitoring information, a summary of risks and their potential impact and overspends linked to an analysis of the underlying issues. At the time of drafting, the Trust had not yet implemented this recommendation.

The Trust has made some clear improvements to governance this year although progress on risk management is mixed, challenges have arisen in relation to funding and hosting and information governance needs further strengthening

49 My Structured Assessment work has assessed the Trust's governance and assurance arrangements. This included the effectiveness of the Board and its governance structures and the progress made in addressing previous structured assessment recommendations. My findings are set out below.

Strategic planning – This year the Trust again secured Welsh Government approval for their Integrated Medium Term Plan (IMTP) although unmet funding assumptions and the resultant funding gap prompted a series of actions to reprioritise the objectives in their plan

- 50 I came to the above conclusion on strategic planning because:
- the Independent Members spoke positively about the process for producing the IMTP. They described a process of iterative scrutiny, where Independent Members were given several opportunities to comment upon the content of the draft plan.
 - the Trust's capacity and capability for planning appear to be improving. The approach to planning is now less reliant on the corporate planning team, with greater involvement from divisional heads of service, as well as staff from Finance and Workforce and Organisational Development.
 - the IMTP for 2017-18 to 2019-20 was approved by the Welsh Government but included assumptions that the Trust's funding would increase in relation to four items. Commissioners agreed to increases in relation to two items but the decision on the remaining two items went to arbitration at the Welsh Government. The Welsh Government found in favour of the commissioners, which left a £1.345 million funding gap in the Trust's plan.
 - the Trust has used reserves to mitigate the impact of the funding gap, and has carried out scenario planning to consider which of its planned activities for this year may need to be paused.

- funding issues in the Transforming Cancer Services (TCS) programme have compounded the Trust's financial pressures. Whilst awaiting a decision on continued Welsh Government funding, the Board took the decision to meet the ongoing costs of the TCS programme. Uncertainty about when a decision on further funding would be received from the Welsh Government made it making it difficult to recruit and retain staff within the programme and was complicating planning within the TCS. During the clearance process of our report, the Welsh Government decided to release further funding for the TCS programme.

Organisational structure – The Trust is clarifying and strengthening its hosting arrangements following a critical report into incident reporting involving the NHS Wales Informatics Service (NWIS) and the Trust may need to think more strategically about how to create cohesive divisional working

51 I came to the above conclusion on organisational structure because:

- interviews with Independent Members suggest a continued lack of clarity around the governance of NWIS. The lack of clarity was reinforced by a report from the NHS Wales Delivery Unit in relation to the reporting and management of serious incidents between NWIS, the Trust and the rest of NHS Wales. An Internal Audit report also this year commented on the complicated nature of the governance arrangements for NWIS. My report on [Informatics Systems in NHS Wales](#) provides some further detail on the governance of NWIS.
- the Trust is now taking action to improve the governance arrangements related to NWIS. The Trust has drafted a set of requirements that aim to clarify and strengthen arrangements for governance and assurance in relation to NWIS.
- the Trust has taken further action this year to promote joint working between its divisions. However, my audit team's interviews revealed mixed opinions on the extent of progress.

Board and committee assurance and effectiveness – The Trust has taken clear actions to improve Board and committee effectiveness and the new board assurance programme provides a key opportunity to further strengthen the assurance framework

52 I came to the above conclusion because:

- there is now closer working between the corporate governance team and committee chairs. In addition, new standardised committee highlight reports are now adding value to Board updates from committee chairs.
- my team's observations this year noted that Board and committee meetings continue to be positive environments. We observed some specific examples of particularly effective discussions that are described later in this report.

- improvements are underway to the Organisational Learning Sub Committee although improvements to the Research and Development Committee have been delayed by the departure from the Trust of two key officers.
- the Trust has managed effectively the turnover of Independent Members. The new members settled quickly and are already having positive impacts.
- a board assurance programme is in its infancy. The aim is to develop a fully mapped board assurance framework, starting from the Trust's corporate objectives, identifying the risks to those objectives, then deciding the controls required to mitigate those risks. There is a need to raise awareness of the programme amongst Independent Members to ensure Board ownership of this important work.

Risk management – There has been mixed progress in addressing my risk management recommendations and some of the significant challenges experienced by the Trust this year were not described clearly enough in the corporate risk register

53 I came to the above conclusion on risk management because:

- the Trust has taken numerous steps over the last few years to strengthen its risk management approach. Discussions on risks at Board and committees are now more informed and purposeful. Nevertheless, progress has been mixed in implementing my recommendations on risk management.
- the Trust is continuing to develop its approach to risk appetite and an Internal Audit report gave a 'reasonable assurance' rating on risk management this year.
- whilst I recognise improvements over a number of years to the way that risk is discussed in the Trust, the corporate risk register could have included more explicit descriptions of the major challenges that have arisen this year. Examples of these challenges include funding problems in the TCS programme, difficulties recruiting junior doctors and governance issues in relation to NWIS. The board assurance programme now presents a key opportunity to consider the next steps for improving risk management.

Information governance – Some information governance policies are under review and whilst the Trust is preparing for the new General Data Protection Regulation (GDPR), this matter does not appear on the risk register. The Trust is also learning lessons following an internal investigation into a serious data breach

54 I came to the above conclusion on information governance because:

- I found that the Trust has information governance policies and procedures in place although the Trust recognises that some other key policies are out of date and are under review.

- the Information Governance and Information Management and Technology Committee provides assurance to the Board but is not regularly attended by the Trust's Caldicott guardians.
- the Trust formally monitors its compliance with Caldicott requirements but does not maintain a record of information sharing protocols and data disclosure agreements.
- the Trust has set up a group to act upon the requirements of the GDPR. Given the financial and reputational risks associated with not complying with GDPR, the Trust should consider including this matter in its risk register.
- the Trust reported three suspected data breach incidents to the Information Commissioner's Office (ICO) this year. At the time of our audit, the ICO had closed two of the incidents but was yet to decide on the third, which related to a cyberattack on a radiation protection service. During our clearance process, the ICO closed the third incident and the Trust is now implementing recommendations for improvement following an internal investigation into this matter.

Performance reporting – The picture of performance in the Trust remains generally positive and performance reporting continues to evolve although difficulties remain in benchmarking and measuring outcomes

55 I came to the above conclusion on performance reporting because:

- performance levels described in the Trust's performance reports remain largely positive;
- the Trust's approach to performance reporting has continued to evolve this year, although further progress has probably been constrained by the departure of the member of staff leading a review of the Trust's performance management framework; and
- the Trust continues to find it difficult to benchmark itself against comparator bodies, and to develop meaningful outcome measures.

Progress made in addressing audit recommendations – The Trust has made steady progress in addressing issues from previous structured assessments and the Audit Committee has increased its scrutiny of progress towards implementing audit recommendations

56 My structured assessment work this year reviewed the Trust's progress in addressing the structured assessment recommendations made in 2016. Overall, I concluded that the Trust has completed the implementation of 8 out of 12 recommendations from 2016 (although issues remain in two recommendations). The Trust is progressing with the implementation of three other recommendations and has decided not to implement one recommendation.

57 In the Structured Assessment 2016, I recommended the Audit Committee should strengthen its scrutiny of management responses to audit reports, to ensure proposed actions are relevant and will resolve the issues referred to in the recommendations. The committee has this year increased its scrutiny of progress towards implementing audit recommendations. It has increased its level of focus on the Audit Action Plan and is now focusing almost exclusively on recommendations that are overdue or at risk of becoming overdue. The Trust has also used Internal Audit to review the content of the audit action plans and the new Audit Committee chair is focusing on challenging progress towards implementation.

The Trust is progressing ambitious change programmes and is strengthening discharge planning but it needs to work on its relationship with commissioners and make more effective use of the National Fraud Initiative

58 My structured assessment work reviewed a number of key enablers of efficient, effective and economical use of resources, specifically the arrangements for supporting the delivery of change, managing the workforce, stakeholder engagement and partnership working, and use of ICT and technology. I also reviewed discharge planning arrangements at VCC and the Trust's use of the NFI. My findings are summarised below.

Arrangements to support the delivery of change – The Trust is managing some major change programmes that are placing additional pressures on the organisation but have the potential to create significant benefits

- 59 I came to the above conclusion on arrangements to support the delivery of change because:
- the Trust is a relatively small organisation going through some ambitious change programmes. The extent of change is placing additional pressure on staff but is also providing opportunities for staff to challenge themselves and drive positive, long-term change.
 - progress has been slower than expected in implementing a recommendation from the 2015 structured assessment to risk assess the adequacy of the Trust's senior leadership capacity to deliver large-scale change.
 - the Transforming Cancer Services programme has been a major area of focus for the Trust this year and whilst it has taken some key steps forward (such as securing outline planning approval for the new hospital), it has also begun to experience challenges around finances, scheduling and stakeholder engagement.
 - in addition to Transforming Cancer Services, the Trust has launched an ambitious change programme at the Welsh Blood Service called Blood Supply Chain 2020, and is seeking to drive cultural change through its

Building Excellence organisational development strategy. Evaluation of Building Excellence suggests a need to accelerate its impacts and increase its visibility.

Arrangements to manage the workforce efficiently, effectively and economically – The Trust's workforce-related performance is mixed, workforce planning remains in its infancy and there have been difficulties with recruitment and appraisals

60 I came to the above conclusion on arrangements to manage the workforce because:

- structured assessments going back to 2014 have highlighted scope to strengthen workforce planning in the Trust. Modelling of the long-term workforce needs is not yet commonplace in the Trust.
- data on workforce metrics suggest Velindre spends comparatively less than other health bodies on agency staff and the Trust performs comparatively well in relation to time taken to recruit staff. Whilst sickness absence rates are lower than the NHS Wales average, the Trust is not meeting the Welsh Government target.
- a sustained management focus on performance and development reviews (PADRs) has contributed to a general improvement in completion rates. However, the Trust continues to perform below its target on completed PADRs.
- the Trust has suffered complications with recruitment this year. Difficulties in recruiting junior doctors have led to plans to revise the clinical model at VCC. There have also been problems in recruiting staff for the TCS programme, as well as in recruiting pharmacists and scientists at VCC and the Welsh Blood Service.

Stakeholder engagement and partnership working arrangements – Funding issues have highlighted weaknesses in the relationship between the Trust and its commissioners, and issues remain in the effectiveness of the Local Partnership Forum

61 I came to the above conclusion on stakeholder engagement and partnership working because:

- the arbitration case and its associated funding issues have highlighted weaknesses in the relationship between the Trust and its commissioning health boards; and
- I also found that whilst the Trust has reviewed the terms of reference of the Local Partnership Forum, problems remain in relation to poor attendance and engagement at the forum.

ICT and use of technology – The Trust does not have an informatics strategy and there have been delays in adopting a Trust-wide approach to informatics. A new strategic outline programme for digital excellence is a key building block in strengthening the delivery of local and national requirements

62 I came to the above conclusion on ICT and use of technology because:

- the Trust has been without an up-to-date digital strategy or informatics strategy in recent years. However, a strategic outline programme for Informatics Digital Excellence was approved by the Board this year.
- the Trust is planning to develop a digital strategy and to carry out an organisation-wide review of informatics to identify areas where a corporate approach to informatics can be adopted.

Discharge planning review – Velindre Cancer Centre is taking steps to strengthen discharge planning arrangements although data for monitoring and reporting performance at Cancer Centre and Trust level is limited.

63 My discharge planning report was presented to the Audit Committee in November 2017, and the Health Board finalised the management response in December 2017. There are four recommendations for the Trust to action. My main conclusions were that:

- VCC is taking steps to improve discharge planning with policies and discharge pathways at an early stage of development;
- cancer centre staff are developing processes and resources that support effective discharge planning; and
- the Trust has insufficient information to monitor discharge arrangements although clear accountability arrangements are set out in the draft discharge policy.

National Fraud Initiative – The Trust has not made effective use of the NFI to detect fraud

64 The NFI is a biennial data-matching exercise that helps detect fraud and overpayments by matching data across organisations and systems to help public bodies identify potentially fraudulent or erroneous claims and transactions. It is a highly effective tool in detecting and preventing fraud and overpayments, and helping organisations to strengthen their anti-fraud and corruption arrangements.

65 Participating bodies submitted data to the current NFI data matching exercise in October 2016. The outcomes were released to participating bodies in January 2017.

66 The Trust is a mandatory participant in the NFI. In January 2017, the Trust received 4,411 data-matches through the NFI web application. Data-matches highlight anomalies which when reviewed can help to identify fraud and error.

- 67 Whilst we would not expect an organisation to review all data-matches, some of the matches are categorised as 'recommended matches'. These are matches considered to be of high risk and therefore recommended for early review. The data-matches received by the Trust included 419 recommended matches.
- 68 The NFI web-application, which records the findings of the Trust's review of its data-matches shows that as at 20 November 2017 only one data-match had been reviewed by the Trust. It is of significant concern that the Trust has failed to make effective use of NFI as part of its arrangements to prevent and detect fraud. The Trust is due to provide data for the next NFI exercise (NFI 2018-19) in October 2018. The Trust should put in place an action plan to ensure that the matches it receives from that exercise are reviewed and where necessary investigated in a timely manner.

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 2017.

Report	Date
Financial audit reports	
Audit of Financial Statements Report	May 2017
Opinion on the Financial Statements	June 2017
Management Letter	July 2017
Audit of FHOT Financial Statements Report	November 2017
Opinion on the FHOT Financial Statements	November 2017
Performance audit reports	
Review of Discharge Planning	November 2017
Structured Assessment 2017	January 2017
Other reports	
2017 Audit Plan	March 2017

Exhibit 3: performance audit work still underway

There is one performance audit still underway at the Trust, as shown in the table below.

Report	Estimated completion date
Management of clinical equipment	Draft report in February 2017

Appendix 2

Audit fee

The 2017 Audit Plan set out the proposed audit fee of £200,829 (excluding VAT). My latest estimate of the actual fee, (on the basis that some work remains in progress), is in accordance with the fee set out in the outline.

Appendix 3

Opinion audit risks

Exhibit 4: opinion audit risks

My 2017 Audit Plan set out the financial audit opinion risks for 2017. The table below lists these risks and sets out how they were addressed as part of the audit.

Significant audit risk	Proposed audit response	Work done and outcome
<p>Management override of controls</p> <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>My audit team proposed to:</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>We considered the risk factors set out in ISA240 and completion of our proposed audit work did not identify any evidence of management over-ride of controls.</p>
Other audit risks	Proposed audit response	Work done and outcome
<p>Break even duty</p> <p>The financial duty on NHS Trusts to break even taking one year with another is deemed to be a three-year rolling duty. A breach of this break-even duty may result in a qualification of the Auditor General's regularity opinion or the issue of a narrative report alongside his audit opinion.</p> <p>Based on our review of the Trust's financial reporting and our discussions with senior officers, the Trust is forecasting financial balance at the year end.</p>	<p>My audit team proposed to continue to monitor the Trust's financial position for the 2016-17 financial year, and also for the cumulative position for the three years to 31 March 2017.</p>	<p>Completion of our proposed audit work did not identify any issues arising from the Trust's financial position.</p>

Significant audit risk	Proposed audit response	Work done and outcome
<p>Accounting for clinical negligence</p> <p>A number of issues were identified within the Trust's processes for accounting for clinical negligence provisions and structured settlement liabilities in 2015-16 which resulted in material amendments in the financial statements.</p>	<p>My audit team proposed to test the reconciliation processes undertaken by the Welsh Risk Pool, and liaise with Health Board auditors to gain assurance over the accuracy of the consolidated figures.</p>	<p>Completion of our proposed audit work did not identify any issues arising from the Trust's processes for accounting for clinical negligence provisions. We found that issues identified in 2015-16 had been addressed.</p>
<p>Valuation of clinical negligence provisions</p> <p>Clinical negligence provisions are revalued annually and consolidated into the Trust's accounts. The discount rate used to estimate future personal injury liabilities has recently been changed, which increases the risk that the estimate of the provision is not robust.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • review the processes and assumptions used in calculating this estimate; • test the estimates made to ensure they reflect the correct discount rate and are input correctly into the quantums; and • liaise with Health Board auditors to gain assurance that the consolidated figures are robust. 	<p>Completion of our proposed audit work did not identify any issues arising from the change in the discount rate.</p>

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