



WALES AUDIT OFFICE
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Annual Audit Report 2010

Velindre NHS Trust

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Summary

1. This report summarises the findings from audit work I have undertaken at Velindre NHS Trust (the Trust) during the latter part of 2009 and throughout 2010. This work includes the audit of the Trust's financial statements for the year ended 31 March 2010.
2. The work I have done at the Trust allows me to discharge my responsibilities under the Public Audit (Wales) Act 2004 in respect of the audit of accounts and the Trust's arrangements to secure efficiency, effectiveness and economy in its use of resources.
3. I have adopted a risk-based approach to planning the audit, and my audit work has focused on the significant financial and operational risks facing the Trust, and which are relevant to my audit responsibilities. More detail on the specific aspects of my audit can be found in the separate reports I have issued during the year. These reports have been discussed and agreed with officers and presented to the Audit Committee. The reports I have issued are shown in Appendix 1.
4. The findings I have set out in this report need to be taken in the context of the major structural re-organisation, which has occurred in the NHS in Wales over the last 18 months, and the programme of nationally driven work that is underway to address health inequalities, mixed performance and financial sustainability. Collectively this represents a significant and extremely challenging change agenda for the Trust and its staff.
5. Whilst the Trust has retained its trust status, the NHS re-organisation has had a significant impact upon the Trust:
 - On 1 October 2009, Public Health Wales NHS Trust (Public Health Wales) was established which took on the responsibility for National Public Health Services (NPHS) and Screening Services, which were previously part of the former Velindre NHS Trust. Since that date, the Trust has been providing a variety of services to Public Health Wales as part of an agreed Corporate Support Services Service Level Agreement.
 - On 1 April 2010, the Trust gained a new hosted organisation called NHS Wales Informatics Service (NWIS).
6. The Trust has also seen a number of changes in senior management over the past two years, primarily as a result of the NHS re-organisation. Since January 2009, the Trust has had three chief executives (permanent, interim and acting) and two Directors of Finance (permanent and interim). Currently the Trust has an Interim Chief Executive and a Director of Finance who was appointed on a permanent basis on 1 February 2011.

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7. This report identifies a number of areas where arrangements and services can to be further developed. Given the scale of the change agenda within the NHS and locally within the Trust, it is inevitable that many corporate arrangements and service delivery areas within the Trust are going to be either under review, or in the process of change.
 8. It is important that that the key messages from my audit work, which are summarised in this report, are used as a stimulus and focus for management attention to ensure that where improvements are necessary, they are implemented as quickly as possible.
 9. The key messages from my audit work are summarised under the following headings.

Audit of accounts

10. My work on the audit of accounts has led me to give an unqualified opinion on the financial statements of the Trust. The Trust achieved a retained surplus of £49,000 at the end of 2009-10.
11. I have also concluded that:
 - whilst the Trust's accounts were materially accurate, the accounts preparation process could be further improved; and
 - the Trust has adequate accounting and internal control systems in place however there are some areas that require further strengthening.
12. In giving an unqualified opinion, I have drawn the Trust's attention to a number of issues. These relate to the year-end closedown process and the financial statements preparation process, in particular, the need to improve both the quality of the working papers to support the financial statements and the quality review process.

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

13. My work in this area has concluded that the Trust has adequate arrangements in place for securing economy, efficiency and effectiveness in the use of resources. Whilst my work has identified some areas of good practice, there are a number of areas where further improvements can be made.
14. My structured assessment work concluded that the Trust has appropriate arrangements in place to manage short and medium-term financial planning and forecasts to break even in 2010-11. The governance arrangements and the 'enablers' of effective, efficient and economic use of resources are appropriate but could be further strengthened in some important areas.
15. My other performance audit work at the Trust involved a review of the Trust's Hospital catering arrangements. This work has concluded that the Trust's catering service and nutrition management demonstrate many aspects of recognised good practice; however, both nutritional screening and communication between nursing and catering staff can each be improved.

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16. I reached this conclusion because:
- catering service planning is effective;
 - although the Trust actively monitors costs, more could be done to control the costs of catering services;
 - patients receive meals in good condition but arrangements for sharing information between nursing and catering staff need to improve;
 - the Trust's catering service is flexible enough to ensure patients receive the nutrition that they require but compliance with the nutritional pathway needs to improve; and
 - the Trust actively seeks patients' views and their participation in quality reviews, and patient satisfaction is relatively high.
17. The Trust has responded positively to the issues identified from the catering review and has action plans in place to address the areas of concern and to build on the good practice that was identified.
18. Work is also currently underway in a number of reviews on the following topics and these will be reported to the Trust in Spring 2011:
- realising the benefits of the new consultant contract;
 - health Solution Wales service delivery review; and
 - follow up of issues reported in the Legacy Report in 2009.

Agreeing my findings with the Trust

19. This report has been agreed with the Chief Executive and the Director of Finance. It was presented to the Audit Committee on 23 February 2011. It will then be presented to a subsequent Board meeting and a copy provided to every member of the Trust.
20. The assistance and co-operation of the Trust's staff and members during the audit is gratefully acknowledged.

Detailed report

21. This Annual Audit Report to the Board Members of Velindre NHS Trust sets out the key findings from audit work undertaken between October 2009 and November 2010.
22. My work at the Trust is undertaken in response to the requirements set out in the Public Audit (Wales) Act 2004. The Act requires me to:
 - a) examine and certify the accounts submitted to me by the Trust;
 - b) satisfy myself that the expenditure to which the accounts relate has been incurred lawfully and is 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.
23. 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 structured assessment of the Trust examining the arrangements for financial management, governance and accountability, and management of resources;
 - 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 and certification of claims and returns.
24. 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.
25. The findings from my work are considered under the following headings:
 - Audit of accounts
 - Arrangements for securing economy, efficiency and effectiveness in the use of resources
26. Finally, Appendix 2 presents the latest estimate on the audit fee that I will need to charge to undertake my work at the Trust, alongside the fee that was set out in the Audit Strategy.

Section 1: Audit of accounts

27. This section of the report summarises the findings from my audit of the Trust's financial statements for 2009-10. These statements are the means by which the organisation demonstrates its financial performance and sets out its net surplus or deficit, recognised gains and losses, and cash flows. Examination of an organisation's financial statements is an essential element in demonstrating appropriate stewardship of public money.

My responsibilities

28. In examining the Trust's financial statements, auditors are 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 free from material misstatement – caused by fraud or other irregularity or error;
 - whether they are prepared in accordance with statutory and other applicable requirements and comply with all relevant requirements for accounting presentation and disclosure;
 - whether that part of the remuneration report to be audited is properly prepared; and
 - the regularity of the expenditure and income.
29. In giving this opinion, auditors are required to comply with International Standards of Auditing (ISAs).
30. In undertaking this work, auditors have also examined the adequacy of the:
- Trust's internal control environment; and
 - financial systems for producing the financial statements.

I have issued an unqualified opinion on the financial statements of Velindre NHS Trust, although in doing so I have identified some areas for improvement in the accounts preparation process, and within the accounting and internal control systems

Whilst the Trust's accounts were materially accurate, the accounts preparation process could be further improved

31. I concluded that the accounts give a true and fair view of the Trust's financial position and that some aspects of the Trust's accounts preparation and quality assurance mechanisms have improved since previous years. However, there still remain recurring issues, which continue to hamper the efficiency of the process.

32. I am required by ISA 260 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 Partner reported the key matters arising from our audit to the Trust's Audit Committee on 23 June 2010. Exhibit 1 summarises the reporting requirements set out in that report.

Exhibit 1: ISA 260 Reporting Requirements

Reporting requirements	Auditors comments
Expected modifications to the auditor's report.	There were no modifications to the Auditor General's certificate and report.
Unadjusted misstatements.	There were no unadjusted misstatements, other than those, which the auditor believes to be clearly trivial.
Material weaknesses in the accounting and internal control systems identified during the audit.	No material weaknesses in the accounting and internal control systems were identified during the audit.
Views about the qualitative aspects of the entity's accounting practices and financial reporting.	Some recommendations were made to further improve the accounts preparation process and minimise any amendments needed between the draft and audited accounts.
Matters specifically required by other auditing standards to be communicated to those charged with governance.	There were no matters specifically required by other auditing standards to be communicated to those charged with governance.
Any other relevant matters relating to the audit.	There were two matters that were brought to the attention of those charged with governance: <ul style="list-style-type: none"> • The timeliness of finalising the agreed Corporate Support Services Service Level Agreement (SLA) with Velindre NHS Trust. This SLA was finalised in September 2010. • The review of the Fixed Asset Revaluation Reserve, which remains outstanding since 2008-09. This review is currently ongoing.

33. I reported in the ISA 260 Report to the Trust that the working paper files, and the overall quality of the papers to support the accounts, had shown some improvement from those received in previous years. However, there remain areas where further improvement is required for future years. These include:
- stronger documentary evidence to support the exercise of management judgement when calculating figures for inclusion within the accounts;
 - improved cross-referencing of working papers within the audit files produced by the Trust;
 - improved audit trails between the figures in the accounts and financial systems; and
 - improved procedures to prevent recurring errors and to provide year-on-year consistency.

34. I also reported that there was limited evidence of a robust quality assurance review of the draft accounts by senior management, prior to their submission for audit. A thorough quality assurance review of both the financial statements and supporting working papers would have reduced the number of amendments that were made to the financial statements and also highlight to finance staff areas for improvement for future years.
35. Whilst I have identified a number of areas that can be further improved I recognise that this was a particularly busy year for the Trust, with significant additional workload for the Trust's Finance Department due to:
- the mid-year formation of Public Health Wales NHS Trust (Public Health Wales);
 - preparation of individual sets of financial statements for two statutory bodies;
 - preparation for the creation of NHS Wales Information Service (NWIS) from four separate bodies – a hosted organisation established on 1 April 2010;
 - the implementation of the transfer from the SUN financial accounting system to the Oracle system on 1 April 2010; and
 - the introduction of the Government Banking Service for both the Trust and Public Health Wales.
36. Recent discussions with the Interim Director of Finance have identified a number of changes that have already taken place, which should contribute towards improving the annual accounts process for 2010-11. These changes include earlier month-end closedown and a more even allocation of workload across the finance department.

The Trust has adequate accounting and internal control systems in place; however, there are some areas that require further strengthening

37. During the audit, we did not identify any material weaknesses in the accounting and internal control systems operated by the Trust. However, there were areas where improvements could be made, as set out in Exhibit 2, and we have made recommendations to the Trust that appropriate arrangements should be put in place to strengthen further the internal controls. Exhibit 2 also sets out the action taken to date by the Trust in response to our recommendations.

Exhibit 2: Key issues and action taken

Key issue	Action taken
Corporate Support Services SLAs:	
<ul style="list-style-type: none"> the SLAs with both Public Health Wales and NWIS need to be agreed and signed urgently; and appropriate monitoring procedures need to be established to ensure that the service provision is as agreed. 	<ul style="list-style-type: none"> both SLAs have been agreed and signed; and an SLA project has been set up to monitor accordingly.
Financial Control Procedures:	
<ul style="list-style-type: none"> the financial control procedures have not been updated to reflect: <ul style="list-style-type: none"> the creation of Public Health Wales and NWIS; and the transfer to the Oracle FMS financial accounting system. 	<ul style="list-style-type: none"> all procedures are in the process of being reviewed due to organisational change, the introduction of Oracle and the new Government Banking services.
Fixed Assets:	
<ul style="list-style-type: none"> ongoing review of Fixed Asset Revaluation Reserve; and implementation of appropriate systems for the consideration of de-recognition and impairment of assets in accordance with International Accounting Standard (IAS) 16. 	<ul style="list-style-type: none"> this review is currently ongoing; and procedures to be developed and review undertaken prior to the year-end.
Budgetary Control:	
<ul style="list-style-type: none"> improve format and explanations regarding budget changes reported to the Board. 	<ul style="list-style-type: none"> appropriate improvements to the format of internal financial reports have been made.
Internal Audit Reports and external recommendations:	
<ul style="list-style-type: none"> timeliness of finalised IA Reports; and completeness and accuracy of the report to Audit Committee of external recommendations and action taken. 	<ul style="list-style-type: none"> IA work has been brought forward; and the format of the report to Audit Committee is in the process of being reviewed.

38. During the year, I also conducted a review of the local controls over the Electronic Staff Record (ESR) payroll system. This review confirmed that the local Information Communication and Technology (ICT) infrastructure supporting the ESR Payroll system is, in the main, appropriate with good support arrangements in place; however, some environmental controls need to be improved.
39. Health Solution Wales, which became part of NWIS on 1 April 2010, provides a number of IT applications, which are used by other NHS organisations in Wales. As part of the Nationally Hosted Systems audit plan, the Wales Audit Office reviewed three of these (the Community Pharmacy System, the Welsh Demographics System and the Welsh Network Infrastructure) during 2009-10 and followed up our 2008-09 audit work on the Hospital Pharmacy System.

40. I concluded that the ICT equipment and infrastructure on which these applications reside is, in the main, appropriate with adequate support arrangements in place. Although the Hospital Pharmacy application and some component parts of the Welsh Demographic System will be approaching the end of their useful life during the next few years and will need replacement.
41. In addition to our ICT audit work, we undertook additional work within the Community Pharmacy System to provide assurance to the external auditors of Local Health Boards (LHBs) that the systems providing community pharmacy data to LHBs was adequate for their intended purpose and not materially mis-stated.
42. Our work in this area provided assurance to the external auditors of the LHBs and identified some areas where improvements could be made regarding endorsed scripts and performance targets reported to the Assembly Government.

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

43. 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. To assist in meeting this requirement, auditors have undertaken a 'structured assessment' of the relevant corporate arrangements in the Trust. The findings from this work have considered the arrangements for:
 - financial management;
 - governance and accountability; and
 - using key 'enablers' to support the efficient, effective and economical use of resources.
44. Overall, I concluded that the Trust has appropriate arrangements in place to manage short and medium-term financial planning and forecasts to break even in 2010-11. The governance arrangements and the 'enablers' of effective, efficient and economic use of resources are appropriate but could be further strengthened in some important areas.
45. This section of the report also summarises the findings from an in-depth examination of hospital catering undertaken at the Trust over the last twelve months.

Appropriate arrangements are in place to manage and monitor finances within the short and medium-term, with some areas requiring improvements to enhance the process

46. In the current economic climate, high standards of financial management are more important than ever. This section of the report summarises auditors' findings on the Trust's financial management arrangements, and considers:
- financial planning arrangements;
 - cost control and budget monitoring arrangements; and
 - the progress being made with cost savings programmes, and the ability of the Board to keep spending within its resource limits and enable the Trust to achieve its breakeven target.

Whilst there is evidence of appropriate annual and medium-term financial planning, some improvements are needed to enhance the overall financial planning process

47. The Trust has produced a medium term financial plan (the plan) based on key Assembly Government's priorities and strategies. The plan comprises a detailed plan for each service division, including the corporate services division. The plan considers national and local priorities and targets, with separate identification of income and expenditure, and is based on service level agreements (SLAs) which have been agreed with commissioners, service providers and recipients of corporate services. The annual financial plan is linked to business and service planning.
48. We have concluded that the arrangements in place for financial planning appear adequate and have identified some areas where further improvements could enhance the planning process. These include:
- improved performance monitoring of SLAs (including SLAs with commissioners, service providers and recipients of corporate services), both from a cost and activity perspective; and improved timeliness of SLA agreement;
 - further development of the sensitivity analysis (which has only been introduced this year) to include impacts on service delivery; and
 - documentary evidence of discussions and meetings with stakeholders to demonstrate consideration of other bodies plans etc.

The Trust has appropriate arrangements in place to monitor performance against annual budgets and financial targets; however, challenge and scrutiny of financial performance needs to be documented more clearly

49. The Board receives regular monthly divisional finance reports incorporating financial and non-financial information. During 2010-11, there have been significant improvements in the format of internal financial reports.
50. Appropriate arrangements are in place within divisions to scrutinise performance against budgets in the annual financial plan, leading to corrective action for any significant variances identified. This information is included within the monthly divisional finance reports to the Board.
51. The level of scrutiny and challenge has increased with recent Non Executive Director appointments. However, the level of scrutiny is not always clearly evidenced in the minutes of the Board meetings and Audit Committee meetings.
52. There appears to be adequate arrangements in place regarding the reporting and monitoring of financial savings at Board level and below, in particular within the Cancer Centre.

The Trust is currently operating within its available spending resources and is forecasting to breakeven for 2010-11

53. The Trust achieved a surplus of £49,000 for the twelve-month period ending 31 March 2010. This was achieved through close financial management arrangements, which have been further developed in 2010-11. The Trust is currently operating within its available spending resources and is forecasting to breakeven for 2010-11.
54. The Cancer Centre continues to face financial challenges due to the nature of the service provided and the challenging cancer targets that the division is required to achieve. During 2010-11, the Trust has strengthened arrangements within the Cancer Centre to identify and monitor the savings required in 2010-11. Recent discussions between the Wales Audit Office and the Interim Director of Finance indicate that the Cancer Centre is on target to achieve financial balance for the 2010-11 financial year.
55. The Trust needs to continue with its careful and close management of finances not only to meet statutory targets but because of the increasing cost pressures within NHS Wales. All health bodies in Wales are required to make considerable efficiency savings over the next five years.

Appropriate arrangements are in place to support good governance although further work is needed to strengthen these arrangements in some important areas

56. High standards of governance and accountability are fundamental requirements in demonstrating effective stewardship of public money and the efficient, effective and economical use of resources. Boards of NHS bodies need to ensure that they have an effective 'assurance framework' in place to support decision making and to scrutinise performance. As part of the Structured Assessment, auditors have examined the Trust's arrangements for governance and accountability.
57. I have drawn the conclusion set out above as result of the following findings.

The Trust's approach to setting, reviewing and implementing strategic objectives is not yet fully developed

58. Although the Trust has not set out a mission statement outlining its key purpose and the outcomes that it is seeking to achieve, the Trust has set out five high-level objectives in September 2009.
59. However, these strategic objectives are not yet linked to measurable and quantifiable outcomes although the objectives form the headings against which divisional performance reports are presented to the Board. The five strategic objectives are not fully reflected in the Trust's strategic or operational plans, such as the Trust's five-year Service, Workforce and Financial Framework (SWaFF).
60. At a divisional level, the Trust's five strategic objectives are reflected in the Welsh Blood Service SWaFF along with its mission and divisional objectives. The Cancer Centre SWaFF focuses on future demand and possible service options. It does not clearly refer to its divisional level objectives and does not make the connections to the Trust's strategic objectives.
61. Collectively these findings highlight the need for the Trust to develop an overarching strategy that clearly articulates the Trust's mission, purpose, organisational values and strategic objectives. An effective connection can then be made between the corporate and divisional priorities so they are adequately reflected at all levels in the organisation.

Although the Trust has a well established organisational structure and scheme of delegation, the Board will benefit from a period of stability in a number of key posts

62. The Trust's organisational structure is well established with a corporate centre and divisions. The Trust's corporate services provide acceptable support to the Cancer Centre and Welsh Blood Service. An effective scheme of delegation is in place, which is set out in the Trust's Standing Orders. The Board's Committees are well established, each with an agreed terms of reference. Mechanisms are in place through the committee structure to ensure compliance with key legislation.
63. The divisional management structures broadly reflect those of the Trust. Divisional senior management teams have terms of reference in place and divisional meetings use the Board meeting format with agendas aligned to the five organisational objectives. A non executive officer has been identified to act as the lead link with the Welsh Blood Service and Cancer Centre divisions.
64. However, the effectiveness of the Trust's Board could be further strengthened by stability in some keys posts. A number of long standing interim appointments to key positions have potentially had an unfavourable effect on the operation of the Board and the delivery of the Trust's strategic objectives. Board effectiveness has not been helped by the number of executive and non executive posts at Board-level, which have yet to be filled permanently.

Appropriate risk management arrangements are in place, although scope for improvement in some areas has been identified and is being addressed

65. The Trust has developed a risk management strategy, which is underpinned by a number of policies and supported by the DATIX web risk management system. Adequate governance structures have been established to manage risks.
66. The Trust extended the use of the DATIX web system to all staff in June 2010 when this system was implemented at the Cancer Centre. This system enables risk assessment information to be entered locally and fed up through the reporting structure as appropriate. Departments develop risk registers and profile risks across their areas of responsibility. Most key, but not all departments have completed risk assessments, which means that the Trust does not yet have a complete risk profile across the whole range of its responsibilities. The Trust is making progress against this activity as all staff across the organisation now have access to DATIX.
67. Risk registers are prepared at a divisional level and corporate level. The highest scoring risks from across the organisation are included in the Trust risk register, which contains approximately forty risks. The corporate risk register is presented quarterly to the Quality and Safety Committee.

68. I have identified some further improvements, which can be made in the way risks are reported in the Trust risk register, for example, information is kept up to date and movements in risk scores are clearly recorded. The Trust recognises these improvement areas and are taking actions to address them.

An appropriate internal control environment is in place to provide assurance to the Board

69. The Trust receives assurance from a number of areas with a good balance between internal and external sources. The key internal control mechanisms are routed through the sub-committee structure of the Board. There is a framework for compliance with legislation and regulation, which is reported to the relevant Board committees and the full Board.
70. The key sources of assurance that contribute to the Trust's internal control environment include:
- The Statement of Internal Control provides a clear understanding of the Trust's internal control framework and helps ensure the co-ordination of assurance processes.
 - Internal audit provides a satisfactory service to the Trust and is compliant with the Internal Audit Standards for the NHS in Wales. Internal audit work well with the Trust to develop an audit strategy and a risk assessed plan of work.
 - The Trust's Standing Orders and Standing Financial Instructions which set out how the Trust will make decisions and carry out its business.
 - An appropriate programme of clinical audit is in place to provide an assurance framework through to the Quality and Safety Committee. Clinical audit is a fundamental element of assuring the quality and safety of patient services.
 - Some parts of the Trust's business are subject to external regulation, for example, the Welsh Blood Service, which is regulated by the Medicines and Healthcare Products Regulatory Agency and receives regular inspections.
71. Over the last 12 to 18 months, the level of challenge and scrutiny provided by the Audit Committee has increased as the Committee has tackled its agenda. Although the Trust has been without a Board Secretary for most of 2010, internal control arrangements will be strengthened in early 2011 when the Trust's Board Secretary returns from maternity leave. The Board Secretary role provides support and advice to the Board on good governance and risk management. The Trust has acknowledged this situation and has put temporary arrangements in place by bringing in an acting Board Secretary for the first three months of 2011.

The Trust should rapidly complete its update of the Information Communication and Technology strategy following NHS re-organisation

- 72. The Trust's Information Communication and Technology (ICT) strategy is out of date and work to update the strategy has commenced and should be completed by March 2011. The Welsh Blood Service and the Cancer Centre have also updated their divisional ICT strategies during late 2010 and these will support the Trust's overarching ICT strategy.
- 73. As part of the development of the ICT strategy, a performance management framework should be developed which may include a balanced scorecard and key performance indicators. This will allow the Trust to assess the performance of ICT and Information Governance services against the ICT strategic objectives.
- 74. The Trust has adequate Information Governance arrangements. The Trust's Information Governance strategy was recently updated in 2010. There is an ICT and Information Governance Committee, which meets quarterly. It has clear terms of reference and there is a Non Executive Director with specific IT experience, who chairs the committee. Supporting the ICT and Information Governance Committee are two operational working groups led by staff from NWIS.

Corporate arrangements for monitoring and reviewing performance can be further strengthened by developing and reporting against a robust Trust performance management framework which includes key performance indicators

- 75. The Board has not yet fully developed a Trust-wide performance management framework that reflects the diverse nature of its business and external requirements. Although the Trust has mapped its key sources of assurance in relation to organisational objectives, it is not yet clear how these are collated to provide a single coherent view on performance.
- 76. The Welsh Blood Service has developed its own divisional performance balanced scorecard and this is reported at divisional level. The Welsh Blood Service prepares a monthly performance report to the Board. The Cancer Centre does not use a balance scorecard approach. Instead, it prepares monthly performance reports for the Board, including performance against the Trust's Annual Operating Framework targets for cancer waiting times. The Trust's five strategic objectives form the headings against which some corporate information and the divisional performance reports is presented to the Board. However, the strategic objectives are not yet linked to measurable and quantifiable outcomes, which can be used to assess performance.

77. The Trust would therefore benefit from establishing a more robust and comprehensive performance management framework. This performance management system could include the use of a balanced scorecard approach using key performance indicators supported by narrative to explain movements in performance. Whatever form the performance management system takes, it should support performance monitoring and reporting at all levels of the organisation, namely the corporate centre, the divisions and responsibilities for hosted services and partnerships. Such a system would fully support the Trust to clearly identify any variances against standard, targets and strategic objectives and establish appropriate improvement actions plans that supports the delivery and achievement of performance.

The Trust has well established arrangements to promote both probity and propriety in its conduct of business

78. The Trust's Standing Orders sets out the codes of conduct and probity expected of all staff. These are supported by a number of policies and procedures in relation to probity and propriety, such as the Register and Declarations of Interest Policy and Whistleblowing Policy.
79. Compliance with these policies is regularly monitored by the Trust. In 2010, Internal Audit have assessed in the internal control arrangements in relation to the Register and Declarations of Interest Policy. The Trust's Audit Committee regularly reviews the Trust's Register of Gifts and Hospitality and has sought some further improvements to the Register, in particular to the number of entries, information content and completeness of the register.
80. The Trust has appropriate arrangements in respect of counter fraud. The Trust has identified a Local Counter-Fraud Specialist and support for reviewing counter-fraud arrangements are in place. The Trust and its Audit Committee have approved the counter-fraud policy and an annual plan of counter fraud work. The counter-fraud specialist reports to the Trust's Audit Committee, where progress against the counter-fraud work plan is reviewed regularly and final reports scrutinised.

Key 'enablers' for efficient, effective and economical use of resources are being appropriately managed but some arrangements could be strengthened and will need to evolve to underpin plans for cost savings and service developments

81. Sound management of key resources such as people and assets is an essential feature in achieving good value for money. Plans for service development and cost savings need to be underpinned by effective workforce planning, partnership working and engagement with the community. This section of the report summarises my findings in the following areas:
- workforce planning arrangements;
 - procurement;
 - asset management;

- working with partner organisations; and
- engaging with service users.

Adequate workforce plans have been developed that support current delivery models and financial goals and the Trust is working to refine these plans for the future

82. Each division of the Trust developed a workforce plan during early 2010. These plans are generally sound. Both clinical staff and other stakeholders have been engaged during the planning stage. The National Leadership and Innovation Agency for Healthcare endorsed the Trust's workforce plans.
83. The workforce plans support and reflect the Trust's financial goals, traditional working practices and service delivery patterns. Potential financial pressures are likely to mean that service delivery models and skill mixes will be further subject to change. The Trust acknowledge these developments and are aware that workforce plans will need to be refined further for the increased demand for services, service modernisation plans and as the Trust's strategic objectives develop.

Estates indicators show recent improvements in managing the hospital asset base but an estate asset strategy is yet to be developed

84. The Trust is required annually to submit data to Welsh Health Estates (WHE) on the hospital estate. The WHE condition and performance report indicators for 2009-10 showed small improvements in the way the Trust's hospital estate is managed.
85. Capital support is important to ensure the Cancer Centre's facilities can meet increasing demand in an efficient and effective way. The Trust has developed a Strategic Outline Case for the future requirements of the Cancer Services. The Trust will need to agree with the Local Health Boards (LHBs), the Assembly Government and the South Wales Cancer Network the way forward with these capital plans given the financial constraints faced by NHS Wales.
86. Due to the current status of the Strategic Outline Case, the Trust has not needed to develop a separate estate asset strategy. However, it should consider developing a strategy for its wider reaching estate in the future. The first phase in developing an asset estate strategy would be to assess all of the current estate and then both the current and future accommodation needs of the Trust.

The Trust has developed a sound approach to manage procurements although improvements can be made through the development of a procurement strategy and making progress on the key performance indicators measured

- 87. Adequate procurement management arrangements are in place, which act as the foundations for an effective procurement function.
- 88. The review of the Trust's procurement strategy was delayed while the proposals for an All-Wales NHS Shared Services agency, to include procurement, were completed by the Assembly Government. Currently, there is no up-to-date formal procurement strategy and associated action plan to drive a procurement improvement programme across the Trust. The Trust is addressing this area and a procurement strategy is now being drafted and is planned to be completed by the end of March 2011. This strategy should outline areas where procurement efficiencies could be made.
- 89. Monthly procurement key performance indicators and balanced scorecard are measured and reported within the Trust. These indicators show progress against agreed performance targets. While the Trust are meeting the 30 days invoice payment and invoices on hold targets, there is room for further improvement on many of these key performance indicators to increase the reach and influence of procurements across the Trust.

Arrangements for partnership working are well established and the Trust is in position to cope if these come under increasing pressures due to future financial constraints and service developments

- 90. The Trust and its divisions are actively working in partnership with stakeholders to deliver desired outcomes. Arrangements for partnership working are well established. The divisional Service, Workforce and Financial Frameworks (SWaFFs) recognise the importance of partnerships but they do not fully identify all key partners and their role in service delivery.
- 91. Divisional operational SWaFFs are informed by national and local priorities and through engagement with stakeholders. Strategic plans are discussed with stakeholders by engagement with these strategic partners, for example, the Welsh Health Specialised Services Committee. Partnerships are also being used to deliver new or alternative patient pathways.
- 92. The Trust's roles and responsibilities in relation to partnership working should be more clearly identified in terms of reference for partnership teams. Although the Trust has good elements of partnership arrangements with the voluntary and other sectors to deliver alternative services, it should be remembered that these can carry inherent risks.

The Trust has effective arrangements for engagement with service users and patients

93. The Trust's divisions have traditionally engaged well with their service users and donors due to the nature of the services provided. The Trust actively seeks the views of service users and donors and the wider community as part of service improvement and developments. Engagement with the charitable sector and voluntary organisations is also well developed.
94. The Trust's Board has approved the strategy for service user and patient involvement. The strategy acknowledges and reflects the diversity of the divisions in relation to service user, patient and donor involvement. The roles and responsibilities for staff in relation to service user and patient involvement are clearly set out in the strategy. However, the strategy does not fully identify the resources needed to carry these out.

Whilst individual performance audit reviews have highlighted aspects of recognised good practice, the Trust faces specific challenges in a number of areas of service delivery

95. This section of the report summarises the findings from other performance audit work, looking at specific areas of service delivery within the Trust. It draws on work carried out on the hospital catering study.

The Trust's catering service and nutrition management demonstrate many aspects of recognised good practice; however, both nutritional screening and communication between nursing and catering staff can each be improved

96. I have reached this conclusion because:
- Catering service planning is effective in that:
 - the Trust has a well established approach for the provision of catering services, supported by catering and nutrition policies; and
 - the Nutrition Inpatient Improvement Group provides an appropriate means of reviewing plans and service delivery.
 - Although the Trust actively monitors costs, more needs to be done to control the costs of catering services:
 - expenditure is actively monitored by the Trust and steps are taken to improve efficiency;
 - net costs for catering services per patient day are the lowest in Wales but un-served food waste is high; and
 - the Trust is subsidising non-patient meals by £106,000 per annum.

- Patients receive meals in good condition but arrangements for sharing information between nursing and catering staff need to improve so that:
 - patients are helped to prepare for their meals and are given the opportunity to wash their hands prior to eating;
 - food is well presented and received in good condition with patients being served their meals quickly and efficiently; and
 - arrangements for sharing information about patients' dietary needs are more effective.
 - The Trust's catering service is flexible enough to ensure patients receive the nutrition that they require but compliance with the nutritional pathway needs to improve, in that:
 - menus provide a wide choice of food and patients are generally satisfied with the choice available;
 - protected mealtimes are generally working well;
 - patients are not always screened on admission in relation to nutritional risk;
 - specialist dietetic advice is not always available for some patients at high risk of malnutrition; and
 - there is an inconsistent approach to nutritional care plans.
 - The Trust actively seeks patients' views and their participation in quality reviews, and patient satisfaction is relatively high, as:
 - patients' views and participation in quality reviews are actively sought to improve services; and
 - patients are generally satisfied with the food they receive.
- 97.** Work is currently underway in a number of other performance audit reviews on the following topics and the results of these reviews will be reported to the Trust in Spring 2011:
- Realising the benefits of the new consultant contract
 - Health Solutions Wales service delivery review
 - Follow up of issues reported in the Legacy Report in 2009
- 98.** In early 2011, Auditors will also undertake some focused scoping work to assess whether potential exists to secure greater efficiencies and more effective use of resources. The aim of this scoping work will be to determine whether a more detailed audit examination would add value and should thus be included in the audit strategy for 2011. The scoping work will look specifically at the following two areas:
- radiotherapy staffing arrangements; and
 - prescription pricing.

Appendix 1

Reports issued since my last Annual Audit Letter

Report	Date
Financial Audit reports	
Financial Accounts Audit and Report to those Charged with Governance	23 June 2010
Financial Statements Memorandum Report 2009-10	6 October 2010
Performance Audit reports	
Hospital Catering	24 November 2010
Structured Assessment	23 February 2011
Other reports	
Audit Strategy	11 March 2010
Annual Audit Report	23 February 2011

Appendix 2

Audit fee

The Audit Strategy for 2010 set out the proposed audit fee of £180,967 (excluding VAT). The table below sets out my latest estimate of the actual fee, recognising that some work remains in progress.

Analysis of proposed and actual audit fee

Code area	Planned fee (£)	Estimated actual fee (£)
Audit of accounts	£98,549	£105,760*
Performance audit	£82,418	£82,418
Total	£180,967	£188,178

Notes

* The additional fee of £7,211 arose due to the additional time required to complete the audit of the 2009-10 financial statements.



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