



WALES **AUDIT** OFFICE

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Annual Audit Report 2013

Aneurin Bevan University Health Board

Issued: January 2014

Document reference: 686A2013

Status of report

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Summary report

1. This report summarises my findings from the audit work I have undertaken at the Aneurin Bevan University Health Board (the Health Board) during 2013.
2. The work I have done at the Health Board allows me to discharge my responsibilities under the Public Audit (Wales) Act 2004 (the 2004 Act) in respect of the audit of accounts and the Health Board's arrangements to secure efficiency, effectiveness and economy in its use of resources.
3. My audit work has focused on strategic priorities as well as the significant financial and operational risks facing the Health Board, 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 are discussed and their factual accuracy agreed with officers and presented to the Audit Committee. The reports I have issued are shown in [Appendix 1](#).
4. This report has been agreed for factual accuracy with the Chief Executive and the Director of Finance. It was presented to the Audit Committee on 19 December. It will then be presented to a subsequent Board meeting and a copy provided to every member of the Health Board. We strongly encourage wider publication of this report by the Health Board. Following Board consideration, the report will also be made available to the public on the Wales Audit Office's own website (www.wao.gov.uk).
5. The key messages from my audit work are summarised under the following headings.

Section 1: Audit of accounts

6. I have issued an unqualified opinion on the 2012-13 financial statements of the Health Board, although in doing so I have brought several issues to the attention of the Board and the Audit Committee. These relate to accounting practices and financial reporting of continuing healthcare costs and the public sector payment practice policy, and also the significant matters corresponded upon with management on financial pressures and funding.
7. I have also concluded that:
 - the Health Board's accounts were properly prepared and materially accurate;
 - the Health Board had an effective control environment to reduce the risks of material misstatements to the financial statements; and
 - the Health Board's significant financial and accounting systems were appropriately controlled and operating as intended.
8. The Health Board achieved financial balance at the end of 2012-13 underspending against its revenue resource limit by £0.034 million. It met the financial challenge of £48 million identified at the start of the year, by a combination of cash releasing savings, cost avoidance and cost reduction programmes plus additional Welsh Government funding of £10 million. In achieving financial balance, resource brokerage of £2.275 million was provided to the Welsh Government which it will receive back in 2013-14.

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

9. I have reviewed the Health Board's arrangements for securing efficiency, effectiveness and economy in the use of its resources. My Structured Assessment work has examined the robustness of the Health Board's financial management arrangements and the adequacy of its governance arrangements, including quality governance and arrangements for measuring and improving patient and service user experience. Performance audit reviews have also been undertaken on specific areas of service delivery. This work has led me to draw the following conclusions:

There is evidence of a sustainable approach to financial management being developed as the Health Board has for the first time introduced a medium-term strategy covering a three year horizon, of which 2013-14 forms the first year. However, at month seven of 2013-14 the Health Board remains without a balanced financial plan

10. The Health Board continues to face significant financial pressures and the outturn for the first seven months of 2013-14 is a deficit of £5.4 million, projected cost savings are not being achieved and the Health Board is forecasting that without further actions there would be a deficit of £8.4 million at the end of 2013-14.
11. The Health Board is reporting financial progress consistently and transparently, and the medium-term integrated plan identifies the service, financial and workforce requirements underpinning delivery of the Health Board's strategic objectives. However, further work is needed to ensure the sustainability of the planned approach, including the creation of a balanced financial plan.

The Health Board's governance arrangements have continued to mature and develop to meet its stated goal of being 'best in class'. If this aspiration is to be fully achieved there are some performance challenges that have to be met and some existing governance arrangements could be improved and developed further

12. The key areas identified in last year's structured assessment have improved because the Health Board's organisational structures and frameworks continue to develop and mature effectively. Going forward there are still opportunities to improve the information provided to Board members and in tracking the progress made in reducing risks.
13. The Health Board is clearly committed to providing quality services by learning from the experience of service users and staff. The key challenge is to ensure these arrangements become part of normal everyday working at all levels of the organisation, through improving the training given to staff, improving staff feedback about the learning coming from concerns and complaints in their workplace and becoming more sensitive to the needs of individuals with sensory impairment.

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- 14.** The Health Board is committed to providing quality services by continually strengthening its assurance arrangements for quality, safety and performance. The Quality and Patient Safety Committee, along with its supporting subcommittees are seen to be working well. There are opportunities to improve the existing arrangements by placing more emphasis on the lessons learnt and how these can be shared across the organisation and by placing more reports in the public domain.

My performance audit work has identified opportunities to secure better use of resources in a number of key areas

- 15.** The Health Board has a clearly stated aim of securing good quality services for patients, which it is generally doing when measured by currently available performance information. While meeting some targets such as waiting times and cancer treatment targets is more challenging, the Health Board recognises this and reports openly in publically accessible Board papers. Going forward the Board needs to periodically monitor the impact of areas such as DNA performance, elective length of stays and bed occupancy, which all have implications on the use of resources.
- 16.** My work on the Gwent Frailty programme concluded that the partners are strongly committed to the Gwent Frailty vision and have created a sound programme management framework to underpin it. At the time of the review Gwent Frailty was in the early stages of implementation and challenges remained to ensure it is sustainable, to change established behaviours and to demonstrate its impact.

Detailed report

About this report

17. This Annual Audit Report to the Board members of the Health Board sets out the key findings from the audit work that I have undertaken between December 2012 and November 2013.
18. My work at the Health Board is undertaken in response to the requirements set out in the 2004 Act. That Act requires me to:
 - a) examine and certify the accounts submitted to me by the Health Board, 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 Health Board has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
19. In relation to (c), I have drawn assurances or otherwise from the following sources of evidence:
 - the results of audit work on the Health Board's financial statements;
 - work undertaken as part of my latest Structured Assessment of the Health Board, which examined the arrangements for financial management, governance and accountability, and use of resources;
 - the Health Board's self-assessment against the Governance and Accountability module of the Standards for Health Services in Wales;
 - performance audit examinations undertaken at the Health Board;
 - 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.
20. I have issued a number of reports to the Health Board 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](#).
21. The findings from my work are considered under the following headings:
 - audit of accounts; and
 - arrangements for securing economy, efficiency and effectiveness in the use of resources.
22. [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 Health Board, alongside the original fee that was set out in the Annual Audit Outline.
23. Finally, [Appendix 3](#) sets out the financial audit risks highlighted in my Annual Audit Outline for 2013 and how they were addressed through the audit.

Section 1: Audit of accounts

- 24.** This section of the report summarises the findings from my audit of the Health Board's financial statements for 2012-13. 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.
- 25.** In examining the Health Board'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 Health Board and of its income and expenditure for the period in question;
 - whether they are free from material misstatement – whether caused by fraud or by 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.
- 26.** In giving this opinion, I have complied with my Code of Audit Practice and the International Standards on Auditing (ISAs).
- 27.** In undertaking this work, auditors have also examined the adequacy of the:
- Health Board's internal control environment; and
 - financial systems for producing the financial statements.

I have issued an unqualified opinion on the 2012-13 financial statements of the Health Board, although in doing so, I have brought several issues to the attention of the Board and the Audit Committee

The Health Board's accounts were properly prepared and materially accurate

- 28.** The tight timetable, set by the Welsh Government, places considerable pressure on the finance team. Following the experience of previous year-ends, the Board's finance team prepared a detailed closedown plan for 2012-13 which included a management review of the financial statements and preparation of supporting schedules for audit. This process helped to strengthen the financial statements production process.

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29. Agreement with another Welsh NHS body regarding a disputed long-term agreement was reached later than anticipated. This meant that the planned finalisation of the accounts was delayed, leading to the working papers not being available in their entirety for the audit team on the planned date. However, the timely provision of key working papers allowed the audit to commence, with the remaining following soon after.
30. 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 Lead reported these issues to the Health Board's Audit Committee on 4 June 2013. **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
Accounting Practices and Financial Reporting	<p>Continuing Healthcare We have reviewed the basis for the estimates for provisions and contingent liabilities for these claims and are content that the bases of the estimates are reasonable.</p> <p>Public Sector Payment Policy The Health Board's level of compliance with the Welsh Government's payment target has been measured on a consistent basis for four years.</p> <p>However, across the Welsh Local Health Boards there is inconsistency in the methods used to compile the supplementary disclosure note. This issue is being taken forward by the NHS Wales Shared Services Partnership and new procedures to ensure consistency have been agreed Wales wide for 2013-14.</p>
Significant Matters corresponded on with management	<p>Financial Pressures and Funding The Health Board achieved financial balance at the end of 2012-13, as a result of additional, non-recurring funding from the Welsh Government of £10 million received in month eight, and the achievement of some £48 million cash releasing savings, cost avoidance and cost reduction programmes in the year.</p> <p>The Health Board underspent by £0.034 million against its 2012-13 revenue resource limit. In addition it provided resource brokerage of £2.275 million to the Welsh Government in 2012-13, which it will receive back in 2013-14.</p>

Issue	Auditors' comments
Other matters significant to the oversight of financial reporting process	<p>Annual Governance Statement</p> <p>The Annual Governance Statement was prepared on a timely basis, with a first draft considered by the Audit Committee in October 2012. However, at that stage the process of assessing the effectiveness of the assurance framework and evidence of achievements during the year was not in place. While acknowledging that the Annual Governance Statement accompanying the final accounts is a comprehensive document, the statement could be improved in future by reflecting the impact on the Board's activities of the various elements of the assurance framework.</p>

31. As part of my financial audit, I also undertook the following reviews:
- Whole of Government Accounts return – I concluded that the counterparty consolidation information was consistent with the financial position of the Health Board at 31 March 2013 and the return was prepared in accordance with the Treasury's instructions.
 - Summary Financial Statements and Annual Report – I concluded that the summary statements were consistent with the full statements and that the Annual Report was compliant with Welsh Government guidance. However, I noted that the first full draft Annual Report was prepared later than planned and was subject to several amendments in a short time. In addition, it was not always clear who was responsible for finalising the document. We will continue to work closely with Health Board staff to agree an achievable plan for the compilation of the Summary Financial Statements and the Annual Report to ensure we can develop and strengthen procedures and ensure any lessons learnt can be identified for 2013-14.
32. My separate audit of the Charitable Funds financial statements for 2012-13 is now complete and any issues arising were reported to the trustees on 27 November.

The Health Board had an effective internal control environment to reduce the risks of material misstatements to the financial statements

33. My work focuses primarily on the accuracy of the financial statements, reviewing the internal control environment to assess whether it provides assurance that the financial statements are free from material misstatement whether caused by error or fraud. I did not identify any material weaknesses in the Health Board's internal control environment.

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34. Following my review of the Audit and Assurance Service provided by the NHS Wales Shared Services Partnership, I concluded that the Audit and Assurance Service met the *2009 Internal Audit Standards for the NHS in Wales* and that there are some key areas where improvements are required to achieve further consistency. The new Internal Audit Charter was adopted by the Health Board on 18 April 2013 and other planned developments are already underway which will further improve the service provided to health bodies in Wales. This includes the preparation of an Internal Audit Quality Manual, on an all-Wales basis.
35. The work that I have undertaken supports the external auditor's opinion on the financial statements. This does not constitute an assessment of internal audit under the new Public Sector Internal Audit Standards (PSIAS). Under PSIAS (which came into effect on 1 April 2013) organisations are required, every five years, to conduct an external assessment of internal audit. This goes beyond the work that external audit undertake to place reliance upon, or take assurance from, the work of internal audit.
36. Furthermore, Internal Audit's *Assurance Statement and Annual Report* for the year ended 31 March 2013 provided 'reasonable' assurances to the Health Board. This reflects a generally sound system of internal controls and broad operational compliance.

The Health Board's significant financial and accounting systems were appropriately controlled and operating as intended

37. I did not identify any material weaknesses in the Health Board's significant financial and accounting systems which would impact on my opinion. There were a number of detailed issues arising from my financial audit work and these were reported to the Audit Committee in June 2013. These include matters referred to in **Exhibit 1** above. More detailed financial and accounting system observations were included in the Financial Statements Report which was reported to the Audit Committee in December 2013.
38. Internal audit identified some weaknesses in the design of controls and their application in the Health Board which could put the achievement of particular system objectives at risk. The specific weaknesses identified by Internal Audit financial system reviews affected payroll, procurement, accounts payable, stores and primary care contractor payments. Their reviews also identified scope for further improvements in a number of operational areas. Internal Audit's findings require ongoing management action. Health Board action plans have been developed to strengthen the control weaknesses identified and progress is scrutinised by the Audit Committee.

The Health Board achieved financial balance at the end of 2012-13 by a combination of cash releasing savings, cost avoidance and cost reduction programmes plus additional Welsh Government funding of £10 million

39. The Health Board had a partially successful approach to financial management in 2012-13, but made a decision to accept that the referral to treatment target would not be met in the interests of achieving financial balance. Additionally, emergency pressures led to a number of cancelled operations in the final quarter of the year which may have had some unintended positive financial effect.
40. The actions taken to achieve financial targets, however, did not include fortuitous gains, or technical accounting gains, and the Welsh Government observed the good work that the Health Board has done to look at their service models from a quality and safety perspective and then identify the financial impact rather than having the finances drive quality and safety.
41. The Health Board continues to face a significant financial challenge with cost pressures amounting to some £44 million in 2013-14. I will continue to monitor the financial position of all health boards in Wales as part of my 2013-14 programme of work.

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 Health Board over the last 12 months to help me discharge that responsibility. This work has involved:
- reviewing the Health Board's financial management arrangements, including the progress being made in delivering cost saving plans and their contribution to achieving financial balance;
 - assessing the effectiveness of the Health Board's governance arrangements through my Structured Assessment work, with a particular emphasis on quality governance and the robustness of arrangements for assessing patient/user experience; and
 - specific use of resources work on Gwent Frailty governance arrangements.
43. The main findings from this work are summarised under the following headings.

There is evidence of a sustainable approach to financial management being developed as the Health Board has for the first time introduced a medium-term strategy covering a three-year horizon, of which 2013-14 forms the first year. However, at month seven of 2013-14 the Health Board remains without a balanced financial plan

The Health Board continues to face significant financial pressures and the outturn for the first seven months of 2013-14 is a deficit of £5.4 million, projected cost savings are not being achieved and the Health Board is forecasting that without further actions there would be a deficit of £8.4 million at the end of 2013-14

44. An Annual Plan for 2013-14 was prepared and approved by the Board in July 2013, and this provided a draft financial plan for the year including cost avoidance and savings targets. However, the plan was not balanced. Although the total financial challenge was quantified in the plan at £44 million, only £19.9 million of cash-releasing savings and a further £6 million of cost avoidance plans were identified. This left the remaining £19 million as overcommitted.

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- 45.** The savings plans and cost avoidance target for the first seven months of 2013-14 was £11.6 million, and required the delivery of savings of approximately £1.7 million per month on average. However, it was noted that not all of the schemes planned would be delivered evenly through the year. It has reported at month seven of 2013-14 a total achievement of £8.5 million against a target of £11.6 million or 73 per cent. Savings delivery is currently around £3 million each month less than that required to achieve financial balance. This has led to a deficit of £5.4 million at the end of month seven, and a projected deficit of £8.4 million at the year-end. However, the Health Board is actively pursuing actions to recover the position.
- 46.** The Health Board considers that reported savings remain behind the approved plan because they have been profiled on a straight line basis rather than reflecting the profile of underlying savings plans. The savings achieved to date are however in accordance with the profile of the underlying savings plans and it is expected that these plans will generally deliver a higher value in the second half of the financial year. However, there continues to be risk associated with the continued achievement of savings throughout the remainder of the year.
- 47.** The Health Board will need to ensure that all potential savings identified are progressed and realised as soon as possible. Detailed progress monitoring as well as seeking to identify further opportunities for savings, or bringing forward later plans where necessary will also be crucial if the Health Board is to achieve breakeven this financial year. It may also be necessary to consider whether the desired model of care is affordable.

The Health Board is reporting financial progress consistently and transparently, and the medium term integrated plan identifies the service, financial and workforce requirements underpinning delivery of the Health Board's strategic objectives. However, further work is needed to ensure the sustainability of the planned approach, including the creation of a balanced financial plan

- 48.** The Health Board's medium-term strategy incorporates a review of assets used in the business, workforce planning and clinical pathways as part of the Clinical Futures programme. It describes how as part of producing a balanced plan over a three-year period the costs of the current service model will be reduced to contribute to the delivery of a sustainable healthcare system.
- 49.** The plan allows each element of the service model to be modified so as to test and challenge the proposed changes if they do not deliver safe and sustainable services within the available financial envelope. For example, it may be the case that the desired model of care is not affordable. If so then changes to the model of care, reductions in demand, a further contribution of efficiency or a combination of all three would be explored.

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50. The Welsh Government has requested further work by the Health Board to reconcile service, workforce and funding plans, and a sensitivity analysis of key risks and deliverables including quality, safety and access related standards. This will strengthen the links between financial planning and wider service and workforce planning. It is also necessary for the Health Board to seek to prepare a balanced three-year financial plan to support the medium-term strategy, and until this is achieved the approach is unsustainable while maintaining the current levels of service provision.
 51. The Health Board has been consistent and transparent in the level of financial detail and the progress and conclusions it has reported both internally at board meetings and also to the Welsh Government and this provides confidence in the accuracy and clarity of the planning and reporting process.
 52. The Health Board has continued to improve the effectiveness of its budgetary control arrangements – holding frequent detailed budget management meetings across the organisation to track progress and address variances on outturn, forecast and savings schemes. This approach provides a timely and robust budget monitoring process.
 53. The Health Board is taking considered action to seek cost reductions rather than simply accepting the easiest course to stop doing new things and/or those for which funding has been removed this year. Therefore, stark choices now need to be made if the Health Board is to create a balanced financial plan and achieve breakeven for the year.

The Health Board's governance arrangements have continued to mature and develop to meet its stated goal of being 'best in class'. If this aspiration is to be fully achieved there are some performance challenges that have to be met and some existing governance arrangements could be improved and developed further

The key areas identified in last year's structured assessment have improved because the Health Board's organisational structures and frameworks continue to develop and mature effectively

54. My work last year identified that the Health Board had arrangements in place which should ensure it delivers effective governance and board assurance although these arrangements could still be improved further. The Health Board responded positively to my recommendations and over the last year has undertaken a review of its committee arrangements and functions which has resulted in new terms of reference and rotation of committee chairs.
55. The information received by the Board has continued to improve becoming more timely, which is supporting Board members in providing the necessary assurance and performance challenge to the organisation. Going forward there are still opportunities to improve the current information by including more on primary care and community services performance, increasing the focus on the patient experience and outcomes and better use of forecasting in setting out what management action will achieve.

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56. The Health Board's approach to risk management has continued to develop and mature with the Audit Committee taking lead responsibility in providing assurance to the Board that arrangements are working well. In addition, the Board along with its committees has increased the importance and prominence of risk management on their agendas and reporting arrangements. This includes publishing in the public domain the Corporate Risk Register and supporting reports as part of the Board's open and transparent approach.
 57. To help Board members maintain the balance between scrutiny, oversight and effective meetings, there is an opportunity to improve risk management reporting by introducing tracking charts. This will enable members to quickly identify progress being made and the issues needing more of their attention.
 58. Last year, my structured assessment found the Health Board had made a step change in improving workforce planning. This step change has been maintained and developed by the Health Board increasing workforce planning resources and ensuring the Divisions have operational ownership of their respective workforce 'road maps'. Another success has been the Health Board's 'Perfect Ward' project which continues to develop and inform the appropriate level of ward staffing. Going forward, while workforce planning has mainly had an acute focus there now needs to be the priority given to developing the community workforce model and reinvesting into community services.

The Health Board is clearly committed to providing quality services by learning from the experience of service users and staff. The key challenge is to ensure these arrangements become part of normal everyday working at all levels of the organisation

59. The Health Board at all levels is unequivocal that it must, should and wants to learn from the patient, user and staff experience. Since 2011, a regularly reviewed and updated Patient Experience Framework has been in place and the 'patient experience' regularly features at departmental, Quality and Patient Safety and Board meetings. These arrangements are supported by an Operational Learning Strategy and 'Patient Stories' have been used for some time to enhance training.
60. The Health Board has adopted and built an inclusive, open and honest approach to complaints and concerns management with the Board and Executive Team demonstrating clear leadership to capturing and learning from patient, service user and staff feedback. Supporting structures include the Independent Member chaired patient Experience Strategy Group and the Nurse Director chaired Operational Patient Experience Group with both seen and reported to be working well.
61. At an operational level, there are a number of comprehensive and accessible policies in place to support the effective management of complaints and concerns. In managing concerns and complaints the expectations of the Chief Executive, Nurse Director and Medical Director are clearly known and understood right down to the majority of frontline staff and managers.

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- 62.** The Health Board is fully committed to listening and responding positively to issues raised by staff. In obtaining these views the Health Board uses a variety of different ways including planned and unannounced Board and Executive team visits, use of social media, working through third parties and taking anonymous disclosures equally seriously. In addition to these arrangements, there is an effective Partnership Forum in place with staff side organisations and the Health Board is seen to respond positively to concerns raised through these organisations.
- 63.** The Health Board has an up-to-date Whistleblowing policy in place and there is no evidence of whistleblowing being inappropriately addressed through the Health Board's complaints and grievance procedures. While information on the whistleblowing policy is available the Health Board will now need to more actively promote this material to counteract negative perception and concerns some staff have about whistleblowing. However, this negative perception is counterbalanced by the general confidence in the existing raising concerns arrangements.
- 64.** The Health Board has fostered a positive attitude to learning from experience throughout the organisation and as evidence of this has established an organisational Learning Committee. However, this committee meets too infrequently to be effective and more needs to be done to feed back organisational learning and outcomes to staff where concerns and issues have been raised in their work areas.
- 65.** A particular strength in the Health Board is the working relationship with the Community Health Council which is generally seen by both organisations as a healthy, mature and an effective working relationship. In this partnership, the Health Board actively works with the Community Health Council to understand the views of its patients on a range of issues and welcomes their research and investigation findings, which are used to inform service improvement and are regularly reported at Board meetings.
- 66.** My audit work has recognised that while there is a significant commitment across the organisation to responding positively and effectively to concerns raised by patients and staff, there is still more that can be done to ensure the approaches are fully embedded into normal everyday working practices. This includes:
- ensuring the Health Board's training programmes support staff and managers to confidently manage concerns and complaints when they are raised;
 - although lead clinicians and managers are clearly identified when conducting investigations into complaints and concerns, more could be done to co-ordinate investigations when several staff are involved; and
 - ensuring that the Health Board and its staff become more sensitive to the needs of individuals with sensory loss.

The Health Board is committed to providing quality services by continually strengthening its assurance arrangements for quality, safety and performance

- 67.** The Health Board has a clear and stated aim above all else of maintaining and delivering the highest possible quality services. In ensuring this aim is met, the Quality and Patient Safety Committee is the key instrument in providing the necessary scrutiny and challenge on behalf of the Board. My work this year has identified that in this role the Committee is working well. Meetings are well conducted and contributors for the most part are open and honest in addressing and raising concerns and issues. In particular, the Independent Members are very engaged and raise appropriate and pertinent questions when discussing agenda items of significant concern. The Committee has established a programme of annual divisional and directorate reviews which are working well and are supported by comprehensive performance reports and clinical and general manager presentations, which provide a good and detailed overview of current issues and performance.
- 68.** The work of the Quality and Patient Safety Committee is supported by an operational subcommittee and by divisional quality and patient safety arrangements. In general these arrangements are working well. The Quality and Patient Safety Committee's work is reported appropriately to Board meetings and important issues can be escalated quickly to the Board as necessary, and will feature on the Corporate Risk Register.
- 69.** At every meeting the Quality and Patient Safety Committee receives a comprehensive and well written organisational quality report which provides a good overview of Health Board performance and the actions being taken to address issues. As this report develops and matures the Committee should seek to place more emphasis on the lessons learnt and how this can be shared across the organisation and wider NHS. This should include placing more of the reports received by the Committee on quality and patient safety issues into the public domain and aligning performance with the Annual Quality Statement.
- 70.** The Health Board produced and published its first Annual Quality Statement on time, which was freely, accessible and publically available on its internet site. While the document had a well written summary with clearly identifiable objectives, the detailed section was often very detailed and overly technical for the lay reader. In addition, while the document set out and described what is done well, less prominence was given to what is not done well and what is being done about it.
- 71.** Going forward, the Health Board's approach could be strengthened by developing a more patient and service user focused summary which identifies key performance and what improvements have been delivered and where more needs to be done. In the more detailed sections greater prominence needs to be given to the work of the Quality and Patient Safety Committee and the independent assurances received by the Health Board.

The Health Board has made effective use of the National Fraud Initiative to detect fraud

72. The National Fraud Initiative (NFI) is a biennial data-matching exercise that helps detect fraud and overpayments. It matches data across organisations and systems to help public bodies identify potentially fraudulent or erroneous claims and transactions. The Auditor General Conducts data-matching exercises in Wales under statutory powers contained in Part 3A of the 2004 Act. The NFI is a highly effective tool in detecting and preventing fraud and overpayments, and helping organisations to strengthen their anti-fraud and corruption arrangements.
73. Participating bodies submitted data to the current NFI exercise in October 2012. The data was matched and the outcomes were released to participating bodies in January 2013.
74. The Health Board continues to fully engage in NFI and is making good progress in the majority of areas.

My performance audit work has identified opportunities to secure better use of resources in a number of key areas

The Health Board has a clearly stated aim of securing good quality services for patients which it is generally doing when measured by currently available performance information. Meeting some targets has proved challenging, this is recognised and openly reported in publically accessible Board papers

75. This year's Structured Assessment has included an analysis of centrally available performance data on key service targets. This data has been used to assess the extent to which the Health Board is delivering good-quality, economical and accessible services for patients.
76. Based on a review of performance against a number of key indicators, the Health Board's performance generally compares well to the rest of Wales, and where performance is declining or not sufficiently improving these are highlighted and reported in publically accessible Board papers. The most notable areas requiring improvement include:
 - the percentage of patients waiting for treatment beyond 26 weeks is the second highest in Wales and had increased throughout the year, although, the rate of increase has now slowed because of the priority being given by directorate management teams to securing compliance; and
 - for cancer treatments on the urgent pathway the Health Board has comparatively the lowest performance, although for urgent cases coming from the non-urgent pathway performance is comparatively better, this has still declined slightly throughout the year.

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77. My work has identified some key service utilisation indicators that are not routinely reported to the Board and where performance could be improved and resources used more effectively. These are:
- New outpatient and follow up 'did not attend' (DNA) rates. While the poor DNA rates have been mainly attributed to problems that have not been resolved with the Myrddin patient administration system there are still opportunities to explore the reasons behind this performance and optimise services.
 - The Health Board has the highest bed occupancy rates in Wales and above average elective surgery lengths of stay. While the reasons for this can be complex, for example, case mix and day surgery rates, if performance could be improved in these areas it may have an impact on waiting times.
78. These issues and how services are being optimised should feature more prominently in performance reporting to the Board until improvements have been sustainably delivered.

The Gwent Frailty programme has sound programme management framework and the challenge is to ensure it delivers sustainable services

79. In reviewing how resources are used, my work on the Gwent Frailty programme concluded that the partners are strongly committed to the Gwent Frailty vision and have created a sound programme management framework to underpin it. At the time of the review Gwent Frailty was in the early stages of implementation and challenges remained to ensure it is sustainable, to change established behaviours and to demonstrate its impact. Specifically:
- whilst there is a clear vision for the Gwent Frailty, which all agencies are strongly committed to, some operational and stakeholder tensions could affect the pace of change and full realisation of potential benefits;
 - the Gwent Frailty is becoming embedded in the everyday working of community teams, although this early progress is not yet consistently underpinned by wider changes needed to support and sustain it, and services to users vary;
 - programme management for implementing Gwent Frailty is sound but some elements of performance management require strengthening to support governance structures and processes; and
 - there are early indications that Gwent Frailty is making some positive progress, although its overall impact will be difficult to evaluate unless its contribution to improving outcomes for frail people can be more clearly defined and measured.
80. During 2014, I plan to revisit the project to assess the progress being made with delivery of the agreed action plan.

Appendix 1

Reports issued since my last Annual Audit Report

Report	Date
Financial audit reports	
Audit of Financial Statements Report	June 2013
Opinion on the Financial Statements	June 2013
Audit of the Charitable Funds Financial Statements Report	October 2013
Opinion on the Charitable Funds Financial Statements	December 2013
Performance audit reports	
Gwent Frailty Programme	March 2013
Overview of the Arrangements for Information Backup	November 2013
Structured Assessment 2013	December 2013
Other reports	
Outline of Audit Work for 2013	April 2013

There are also a number of performance audits that are still underway at the Health Board. These are shown below, with estimated dates for completion of the work.

Report	Estimated completion date
Review of Primary Care Prescribing	January 2014
Review of District Nursing Services	January 2014
Follow up Review of Operating Theatres	March 2014
Review of Clinical Coding	March 2014

Appendix 2

Audit fee

The Outline of Audit Work for 2013 set out the proposed audit fee of £455,486 (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

Financial audit risks

My Outline of Audit Work for 2013 set out the key financial audit risks for 2013. The table below lists these risks and sets out how they were addressed as part of the audit.

Financial audit risk	Work done and outcome
<p>The annual accounts are compiled under International Financial Reporting Standards (IFRS) and the NHS Manual for Accounts. The Health Board must have a full understanding of these requirements, keeping up to date with changes and ensuring that risks and issues are identified and dealt with appropriately.</p> <p>Specific risk areas include:</p> <ul style="list-style-type: none"> Property, plant and equipment, depreciation and the revaluation reserve, given the revaluation of the NHS estate on 1 April 2012. 	<p>We have tested the figures in the draft accounts and test checked depreciation and revaluation calculations. We concluded that the figures in the accounts provide a true and fair view.</p>
<ul style="list-style-type: none"> Estimates, particularly for the continuing healthcare provision, primary care expenditure and specialised services. 	<p>We have reviewed the basis for the estimates for provisions and contingent liabilities and are content that the bases of the estimates are reasonable.</p>
<ul style="list-style-type: none"> Public Sector payment policy and 'Hutton' median pay disclosures, given concerns last year that Welsh Government guidance had not been complied with. 	<p>We reviewed the approach adopted by the health board and noted that while the approach is consistent with previous years, the guidance is not being complied with. However, we noted that this issue is being taken forward by the NHS Wales Shared Services Partnership and new procedures have been agreed Wales wide for 2013-14.</p>
<ul style="list-style-type: none"> Accuracy and completeness of the Remuneration Report, given a number of changes in Executive and Non-Executive Directors during the year. 	<p>We checked the detailed disclosures in the Remuneration Report to source documentation, and concluded that the details disclosed were accurate and complete.</p>
<ul style="list-style-type: none"> On 1 June 2012 several services transferred from the Health Board to the NHS Wales Shared Services Partnership. The Health Board must properly account for the transfer in its annual accounts. 	<p>We checked the return required by the Welsh Government setting out the balances with the Welsh Risk Pool (WRP) at 1 June 2012. We concluded that the WRP balances were properly accounted for at the date of transfer to the NHS Wales Shared Services partnership.</p>



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