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Auditor General for Wales



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Annual Audit Report 2015

Public Health Wales NHS Trust

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The team who assisted me in the preparation of this report comprised Anthony Ford, Ann-Marie Harkin, Jeremy Saunders, Gabrielle Smith and Dave Thomas.

Contents

Summary report	4
Detailed report	
About this report	7
Section 1: Audit of accounts	8
I issued an unqualified opinion on the 2014-15 financial statements of the Trust, although in doing so, I brought several issues to the attention of officers and the Audit Committee	8
Section 2: Arrangements for securing efficiency, effectiveness and economy in the use of resources	10
Financial management arrangements are sound and the Trust is on track to break even again	10
The Trust continues to strengthen its governance and assurance arrangements and is progressing work on integrated planning, risk management and service user experience, although development of the quality assurance framework has been slower than planned	11
My performance audit work found that the Trust is making good progress in workforce planning, organisational development and change management with scope to improve arrangements for data back-up and recovery and engagement with the clinical ICT agenda, training, integration and downtime record keeping	20
Appendices	
Reports issued since my last Annual Audit Report	24
Audit fee	25
Significant audit risks	26

Summary report

1. This report summarises my findings from the audit work I have undertaken at Public Health Wales NHS Trust (the Trust) during 2015.
2. The work I have done at the Trust 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 Trust'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 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 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. The factual accuracy of this report has been agreed with the Chief Executive and the Director of Finance. It was shared with the Audit Committee in January 2016. It will be presented to a subsequent Board meeting and a copy provided to every member of the Trust Board. We strongly encourage wider publication of this report by the Trust Board. Following Trust Board consideration, the report will be made available to the public on the Wales Audit Office's own website (www.audit.wales).
5. The key messages from my audit work are summarised under the following headings.

Section 1: Audit of accounts

6. I issued an unqualified opinion on the Trust's 2014-15 financial statements, although in doing so I brought several issues to the attention of officers and the Audit Committee.
7. In addition, I placed a substantive report on the Trust's financial statements alongside my audit opinion. My report explains the new financial duties introduced on 1 April 2014 by the NHS Finance (Wales) Act 2014, the Trust's performance against them, and the implications for 2015-16.
8. I have also concluded that:
 - the Trust's accounts were properly prepared and free from material misstatement; and
 - the Trust had an effective control environment to reduce the risk of material misstatements to the financial statements.
9. The Trust achieved financial balance at the end of 2014-15. I set out more detail about the financial position and financial management arrangements in [Section 2](#) of this report.

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

- 10.** I have reviewed the Trust's arrangements for securing efficiency, effectiveness and economy in the use of its resources. This includes my Structured Assessment work, which examined the robustness of the Trust's financial management arrangements and the adequacy of its governance arrangements, including arrangements to plan effectively and gauging progress on quality governance and arrangements since last year. I have also reviewed the arrangements to support good use of resources as part of the Structured Assessment work, and undertaken performance audit on specific areas of service delivery. This work has led me to draw the following conclusions.

Financial management arrangements are sound and the Trust is on track to break even again

- 11.** The Trust's financial planning and management arrangements ensure that it consistently meets its savings and statutory break-even targets. The Trust made a small surplus after brokering £432,000 back to the Welsh Government and successfully delivered more than £2.2 million of savings at the end of 2014-15.
- 12.** The Trust continues to operate a sound approach to financial management with robust arrangements for setting and monitoring the budget strategy and identifying potential savings. Financial planning is an integral part of the planning cycle for the Integrated Medium Term Plan (IMTP) with no standalone budget setting process. There is good in-year budgetary control and financial management, and at month seven, the Trust is on course to achieve overall financial balance in 2015-16.

The Trust continues to strengthen its governance and assurance arrangements and is progressing work on integrated planning, risk management and service user experience, although development of the quality assurance framework has been slower than planned

- 13.** The Trust has articulated its strategic priorities and is building organisational capacity to support delivery and developing a more integrated planning approach. Meanwhile, risk and board assurance frameworks are being transformed with board level information supporting scrutiny and assurance and action to reduce risks from impending non-executive director turnover taking effect. Arrangements for improving service user experience are progressing but the pace for developing a quality assurance framework has been slower than anticipated and there is more to do.

My performance audit work found that the Trust is making good progress in workforce planning, organisational development and change management with scope to improve arrangements for data backup and recovery and engagement with the clinical ICT agenda, training, integration and downtime record keeping

14. My Structured Assessment work reviewed how the Trust is managing a number of key enablers, in particular aspects of change management, organisational development and workforce planning.

I concluded that the Trust continues to strengthen the way it ensures efficient, effective and economical use of resources with good progress in workforce planning, organisational development and change management. I reached this conclusion because:

- strategic change programmes underpin the three-year IMTP and work to strengthen capacity and capability in change management is ongoing;
- organisational development is an integral part of the IMTP with the Trust making significant investment in management and leadership capability; and
- workforce planning has been strengthened and co-location of staff in new accommodation in 2016 should help facilitate greater collaboration and flexibility.

15. My reviews of the Trust's arrangements for data backup and ICT capacity and resources found that:

- Appropriate controls are in place for back-ups and recovery of data hosted and maintained by the Trust, with scope to strengthen these in a number of areas, while back-up arrangements for data managed by third parties are less clear.
- Levels of investment in ICT in the Public Health Wales NHS Trust compare well with other Welsh NHS bodies, but our diagnostic work would indicate that engagement with the clinical ICT agenda, training, integration and downtime record keeping could be improved.

16. We gratefully acknowledge the assistance and co-operation of the Trust's staff and members during the audit.

Detailed report

About this report

17. This Annual Audit Report to the Board members of the Trust sets out the key findings from the audit work that I have undertaken between January 2015 and December 2015.
18. My work at the Trust is undertaken in response to the requirements set out in the 2004 Act¹. That act requires me to:
 - a) examine and certify the accounts submitted to me by the Trust, and to lay them before the National Assembly;
 - b) satisfy myself that the expenditure and income to which the accounts relate have been applied to the purposes intended and in accordance with the authorities which govern it; and
 - c) satisfy myself that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
19. In relation to c), I have drawn assurances or otherwise from the following sources of evidence:
 - the results of audit work on the Trust's financial statements;
 - work undertaken as part of my latest Structured Assessment of the Trust, which examined the arrangements for financial management, governance and 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 certification of claims and returns.
20. 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](#).
21. The findings from my work are considered under the following headings:
 - Section 1: Audit of accounts.
 - Section 2: Arrangements for securing efficiency, effectiveness and economy 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 Trust, alongside the original fee that was set out in the 2015 Audit Plan.
23. Finally, [Appendix 3](#) sets out the significant financial audit risks highlighted in my 2015 Audit Plan and how they were addressed through the audit.

¹ Public Audit (Wales) Act 2004.

Section 1: Audit of accounts

24. This section of the report summarises the findings from my audit of the Trust's financial statements for 2014-15.
25. These statements are the means by which the organisation demonstrates its financial performance and sets out its surplus or deficit, 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.
26. In examining the Trust's financial statements, I am required to give an opinion on:
- whether they give a true and fair view of the financial position of the Trust and of its income and expenditure for the period in question;
 - whether they are free from material misstatement – whether caused by fraud or by error;
 - whether they are prepared in accordance with statutory and other 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.
27. In giving this opinion, I have complied with my Code of Audit Practice and the International Standards on Auditing (ISAs).
28. 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 issued an unqualified opinion on the 2014-15 financial statements of the Trust, although in doing so, I brought several issues to the attention of officers and the Audit Committee

The Trust's accounts were properly prepared and free from material misstatement

29. 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 Trust's Audit Committee on 4 June 2015. **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
Concerns about the qualitative aspects of your accounting practices and financial reporting	We reported that there were no such concerns.
Significant difficulties encountered during the audit	We did not encounter significant difficulties during the audit.
Significant matters discussed and corresponded upon with management that we need to report to the Trust	We reported that there were no such concerns.
Other matters significant to the oversight of the financial reporting process	There were no such matters to report.
Material weaknesses in the Trust's internal controls	We did not identify material weaknesses in the Trust's internal controls.
Other matters	There were no other governance matters reported.

- 30.** 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 Trust at 31 March 2015 and the return was prepared in accordance with the Treasury's instructions; and
 - 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.

The Trust had an effective control environment to reduce the risk of material misstatements to the financial statements

- 31.** I reviewed the Trust's control environment including its risk assessment processes and information systems and controls relevant to the audit.
- 32.** My review found that the internal control environment provided a reliable basis for preparing the financial statements and this contributed to minimising the number of corrections to the financial statements.

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

- 33.** I have a statutory requirement to satisfy myself that NHS bodies have proper arrangements in place to secure efficiency, effectiveness and economy in the use of their resources. I have undertaken a range of performance audit work at the Trust over the last 12 months to help me discharge that responsibility. This work has involved:
- reviewing the Trust's 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 Trust's governance arrangements through my Structured Assessment work, including review of the progress made in identified improvement areas since last year;
 - specific use of resources work on arrangements for backing up information and ICT capacity and resources; and
 - reviewing the Trust's arrangements for tracking external audit recommendations.
- 34.** The main findings from this work are summarised under the following headings.

Financial management arrangements are sound and the Trust is on track to break even again

The Trust demonstrated sound financial management in 2014-15

- 35.** The Trust's financial planning and management arrangements ensure it consistently meets savings and statutory break-even targets. In 2014-15, the Trust made a small surplus (£30,000) after brokering £432,000 back to the Welsh Government. It also successfully delivered more than £2.2 million of savings at the end of 2014-15, of which, £1.8 million were recurring and £0.46 million were non-recurring.

Financial planning and budgetary control remain robust in 2015-16 and the Trust is on course to break even again

- 36.** The Trust's arrangements for setting and monitoring the budget strategy remain robust. The Trust developed its budget strategy to achieve strategic priorities and financial balance and to create an investment reserve and set a balanced plan for 2015-16. The financial planning process is an integral part of the planning cycle for the IMTP with no standalone budget setting process. The Trust is considering how, in future, it can allocate budgets across strategic priorities rather than management structures.
- 37.** Appropriate arrangements are in place to identify potential savings at the start of the financial year and the Trust identified a savings requirement of £2.7 million as part of the budget strategy. The Trust has continued with its 'invest to save, save to invest'

approach and cost improvement plans continue to be set at 1.5 per cent of all budgets over the planning period. Savings plans are subject to scrutiny and challenge.

38. There is good in-year budgetary control and financial management and work is underway to review service level agreements to help streamline and standardise as many as possible. The Trust monitors its financial position monthly in a transparent and consistent way with finance reports setting out the reasons for under and over spends, enabling appropriate scrutiny by the Board.
39. At month seven, the Trust is on track to achieve overall financial balance in 2015-16 with 59 per cent of planned annual savings realised. Meanwhile, work on the 2016-17 budget strategy is underway with budget principles now finalised.

The Trust continues to strengthen its governance and assurance arrangements and is progressing work on integrated planning, risk management and service user experience, although development of the quality assurance framework has been slower than planned

40. This section of the report considers my findings on governance and board assurance, presented under the following broad themes:
 - organisational structures and strategic planning;
 - risk management and board assurance; and
 - quality governance.

The Trust has revised organisational structures and increased corporate capacity to better support delivery of its strategic priorities

41. In early 2015, the Trust considered the need to better align the organisational structures to support delivery of the new three-year IMPT and align the seven executive portfolios to IMTP work streams, improve the balance between public health expertise and corporate functions and consolidate the corporate infrastructure. The Board approved proposals to redesign and expand the executive team, including changing portfolio responsibilities following consultation with affected staff. Where additional responsibilities were acquired or the designation of the role changed, posts were subject to the job evaluation process and interview.
42. There are seven organisational directorates with a number of corporate functions consolidated into existing directorates to reduce fragmentation and clarify reporting lines. These changes are providing the necessary impetus to review divisional structures under each directorate and, where necessary, directorate leads are putting new divisional structures in place to improve efficiency and increase accountability.
43. The weekly executive team meetings continue to focus on corporate performance in relation to delivery of the IMTP and the operational plan with dedicated meetings on quality and risk and developing the organisation. The themes for discussion rotate on a weekly basis with divisional directors invited to the meetings focused on developing the organisation.

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44. There has been much-needed expansion in capacity and capability across a number of corporate functions to support delivery of strategic priorities, with further investment planned. During the year, the Trust successfully recruited to a number of key posts within the Workforce and Organisational Development (Workforce and OD) directorate and recently recruited a business continuity specialist to inform and support the development of an overarching business continuity plan. The Trust is also investing in other key posts but recruitment to these posts is taking longer than anticipated.

The three-year integrated medium-term plan articulates the Trust's strategic priorities and received Ministerial approval

45. NHS trusts are required to prepare an IMTP, reflecting longer-term planning and delivery objectives that support the safe and sustainable delivery of patient-centred quality services, as well as population-based health improvement and surveillance programmes. The IMTP is a three-year rolling plan that focuses on service planning, workforce and financial decisions. Last year, the Trust did not have an approved IMTP for 2014-15 to 2016-17 because it was insufficiently integrated with the plans of other NHS bodies. The Welsh Government did not request a resubmission but accepted, instead, a one-year operational plan for 2014-15 and the Trust was successful in delivering three-quarters of the plan's actions during the year.
46. The Trust continues to make good use of the NHS planning framework, and its IMTP for 2015-16 to 2017-18 received Ministerial approval in June. The IMTP reflects the Trust's vision for achieving a 'healthier, happier and fairer Wales', a vision that has been consistently articulated over the last five years. Three of the seven strategic priorities set out in the IMTP were agreed with local health boards to ensure a more integrated approach to public health delivery; the remaining four priorities are Trust specific.
47. The seven priorities are underpinned by a number of strategic objectives with several specific to partnership working. The Trust is dependent upon working in partnership with the public, communities and service providers to deliver the strategic priorities set out in the IMTP. In addition to agreeing strategic priorities with local health boards, the Trust is building partnership arrangements and recently agreed memorandum of understanding with South Wales Police and the Police and Crime Commissioner for South Wales and with Community Housing Cymru to improve the health and wellbeing of local communities.
48. There is clarity in relation to overall responsibility and accountability for the delivery of the IMTP strategic priorities, with annual milestones, high-level actions aimed at improving quality and effectiveness and a description of what success will look like by March 2018 clearly set out. The executive team identified a lead for each strategic priority. These leads are responsible for overseeing the development of relevant aspects of the IMTP, while divisional directors are accountable for delivery. The annual operational plan sets out the many actions to deliver against the milestones in the first year of the IMTP with responsibility clearly aligned to directorates, divisions and individual staff. The Trust engaged staff at a series of well-attended events called

'Mission Possible', where the current IMTP priorities and associated objectives were explained in order for individuals to understand their contribution to delivery.

49. The Trust continues to strengthen its approach to performance monitoring and reporting with lines of accountability in place at all levels of the organisation and clearly set out in the performance-reporting framework. Progress against the IMTP and annual operational plan is discussed at monthly divisional business meetings and at twice-yearly directorate performance reviews with progress reported regularly to the Board through the performance report.
50. Although the annual operational plan for 2015-16 briefly describes progress made last year, it does not clearly set out those actions carried forward where progress was slower than anticipated, or how ongoing monitoring would be carried out. It is unclear from the minutes of Board meetings whether the Board was sighted of overall progress at the end of the previous year with no formal report presented to the Board. The Trust has indicated that it plans in future to report on the actions carried forward in the quarter 4 performance report to the Board.

The Trust is strengthening arrangements to support a more integrated and bottom-up approach to planning

51. The Trust continues to strengthen its planning approach and based on lessons from last year's planning round, the planning cycle and Board engagement started earlier than previously. There is a clear timetable for refreshing² the IMTP by December 2015 and developing the 2016-17 operational plan.
52. Detailed planning guidance is supporting the Trust's move to an inclusive 'bottom-up' approach, with workforce and financial elements an integral part of the planning process. Executive directors along with directorate management teams oversee the development of divisional plans. Divisional management teams apply agreed planning principles when identifying the actions required for achieving year-2 milestones in the IMTP with these actions ultimately forming the 2016-17 operational plan. They are also responsible for engaging with staff, stakeholders and service users to inform operational plans, while the Trust's HR business partners support division management teams to identify workforce requirements.
53. The Trust is working to integrate improvement actions arising from self-assessments against the Health and Care Standards and legislative requirements, such as the Equality Act or Welsh Language Standards, within operational plans to streamline plans where possible.
54. A new integrated co-ordinating group meets fortnightly to oversee implementation of the Trust's planning framework and reports monthly on progress to the executive team. The group operates according to clear terms of reference agreed by the executive team and comprises representatives from across planning, workforce, finance, quality and service areas.

² The Welsh Government's NHS Planning Framework for 2016-17 makes it clear that if NHS organisations have and are delivering an approved IMTP, they can expect to refresh rather than rewrite the IMTP.

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55. The Trust is expanding capacity and capability in planning with two additional posts identified for co-ordinating the day-to-day planning process and managing performance reporting. Meanwhile, work is also underway to develop planning skills as part of wider organisational development. In addition, staff responsible for planning, are taking part in the all-Wales planning groups to share expertise and learning.

The Board remains committed to developing its effectiveness and work to address non-executive director appointment and succession requirements is taking effect

56. The Board remains committed to developing its effectiveness. The Board development programme is now well underway with a mix of formal and informal learning and development opportunities used to equip Board members with the necessary skills and knowledge. There are ongoing delays in appointing a non-executive director for local government and although filled on an interim basis in May 2014, impending turnover risks adding pressure to the time already given by existing non-executive directors and limiting time available for scrutiny and assurance. Action to address succession planning is underway and reflected in the IMTP and operational plan, and although success relies largely upon the Welsh Government, recent actions are taking effect.

The Trust is transforming risk management arrangements but it will be some time before they are embedded and reflected in a more dynamic board assurance framework

57. The Trust carried out a baseline assessment of its risk management arrangements using the HM Treasury risk-management assessment framework. Risk management arrangements were judged to be 'satisfactory' but weaknesses identified include a lack of training on risk management, no clearly stated risk appetite and no clear process for escalating and de-escalating risk. Following the baseline assessment, the Trust moved rapidly to develop a risk management framework, based on the ISO³ 31000 for risk management. The Board recently approved the risk management framework. It is supported by a high-level implementation plan and training programme to embed risk management in all organisational practices, including identifying and describing risks as well as processes for escalating and de-escalating risks. The Trust recognises that it will take time to transform risk management practices and processes and aims to demonstrate improvements, moving from 'satisfactory' to 'excellent', over the lifetime of the IMTP.
58. The Trust is 'building' a new board assurance framework (BAF) to ensure it is a dynamic, living document to support the Board in discharging its responsibility for managing key risks in relation to achieving the IMTP priorities. Although the BAF architecture is nearly ready, it will be sometime before it is populated fully with the strategic risks and supported by a risk appetite statement, relying as it does on improvements to the way in which risks are identified and recorded. In the meantime, the Board continues to rely on the corporate risk register and the Trust is developing a

³ International Organization for Standardization.

process of 'deep dives' to support more robust scrutiny of individual risks on the risk register.

59. A review of Board committees is planned to ensure the structures, functions and membership provide appropriate oversight and scrutiny of the principal risks associated with each strategic priority set out in the IMTP. It is intended that once the BAF is complete, each strategic priority and the key risks will be assigned to an executive lead and allocated to a specific Board committee with the Audit Committee retaining overall responsibility for reviewing the corporate risk register and BAF.
60. As part of my commitment to help secure and demonstrate improvement through audit work, I have reviewed the effectiveness of the Trust's arrangements to manage and respond to recommendations made as part of my nationally mandated and local programme of audit work during 2015. This work has found that the Audit Committee's administrative process for tracking the implementation of audit recommendations appears generally sound. The Committee has also increased its level of scrutiny in situations where audit actions are not completed within required timescales or where extended deadlines are requested.

The information presented to the Board and key committees generally supports scrutiny and assurance with ongoing work to develop broader measures of service user experience and quality

61. The IMTP sets out the high-level performance indicators (the delivery framework) monitored as part of the Trust's performance management arrangements. Not all indicators are reported to the Board, although this is not made clear in the IMTP. During 2015, the Trust undertook work to refresh its performance reporting and management arrangements. As part of this process, existing performance indicators were reviewed and revised proposals developed for those that should be included in future monthly performance reports. The arrangements put in place are reflected in the Trust's Performance Framework for 2015-16. The Trust will need to refresh the delivery framework included in the IMTP for 2016-17 to reflect these changes, as well as setting out the indicators that will be reported to the Board.
62. Although not aligned explicitly to the seven strategic priorities, the performance indicators have been mapped against them. The performance indicators cover key services, national health improvement programmes, change management programmes, national public health targets, complaints and incidents, workforce and finance. Work is ongoing to develop a range of measures to demonstrate and track the impact of its work, particularly in relation to co-ordinating multisystem approaches to improving population health.
63. Performance reports are prepared monthly and shared with the Board at both formal and informal meetings. The continued and consistent use of the traffic light system ensures that poor performance is identified easily in relation to progress against key public health targets, service performance indicators and actions in the annual operational plan. The Trust is streamlining performance reports making them easier to

read and absorb but it needs to consider how it will summarise overall progress towards achieving IMTP milestones.

64. A simple dashboard easily identifies performance against the public health targets within the NHS Delivery Framework and progress against the actions in the operational plan is presented more succinctly compared with last year, with actions coded using the traffic light system. The service performance dashboard incorporated in the performance report compares monthly and/or quarterly performance against each indicator. There is ongoing work to address issues around the timeliness and quality of the data.
65. The service performance dashboard sets out issues affecting performance and the remedial action needed where performance is more than 10 per cent below target. A detailed appendix setting out all relevant service performance indicators, trajectories and exception reports, including trends, is set out in an appendix. Where performance remains particularly poor, the Trust has implemented recovery plans, which are regularly monitored by the executive team and reported to the Board. The Board recognises that performance against some key indicators and targets relies on delivery by other organisations. Although the Board is confident that the recovery plans will lead to improvements in performance, it seeks assurances that appropriate arrangements are in place to escalate risks to population health and well being if performance remains below target.
66. The Trust is working to strengthen performance reporting. It continues to explore how to incorporate broader measures of service user experience, other than indirect measures of complaints and incidents, within its performance reports. In addition, the Trust is working to capture and report in a meaningful way through the performance dashboard the lessons learned from service user feedback.

The Trust's arrangements for engaging service users and seeking feedback continue to evolve

67. In 2014, I recommended that the Trust consider including a service-user story at Board meetings and developing a way to publicise improvements arising from feedback. Service user stories remain a regular feature of the Quality and Safety Committee with the Chair of the Quality and Safety Committee sharing the messages from these stories, along with lessons learned and remedial actions, at subsequent Board meetings. The Trust continues working to identify the most effective way of exploring service user stories with the Board.
68. Service user stories shared with the Quality and Safety Committee originate within the screening services where service user experience is regularly discussed as part of regular programme meetings. 'Screening for Life', the screening division's website, continues to feature short video clips of individuals talking about their experiences of screening services. The website also publishes the action taken in response to service user feedback, as well as publicising compliments and positive experiences.
69. The Trust is benefiting from the appointment of a dedicated lead for service user experience to help deliver a more coherent and co-ordinated approach to engaging

service users and third-sector organisations in its work. The Trust's Annual General Meeting in September was well attended by more than 40 service users or third-sector representatives, making it a lively and informative event.

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70. The Service User Experience and Learning Panel is now well established and the way in which the panel meetings are organised is changing to ensure adequate time for service users' contributions. The Panel provides a mechanism for identifying the groups or service users with whom the organisation regularly engages while the Trust's plan to establish a pan-Wales service user forum is well advanced. The Trust anticipates that this forum will be an example of effective co-production with the forum supporting the whole organisation to involve service users in its work.
71. The Trust is making progress to ensure a consistent approach for gathering feedback from the diverse users of its services. The Trust agreed the three core questions drawn from the national service user experience survey following testing. The frequency with which feedback is sought is dependent upon the service with staff encouraged to collect feedback at least annually. At this time, there is no agreement on the number of users services should aim to reach. The Trust recognises that more work is needed to support staff to gather feedback from non-typical service users, such as general practitioners or hospital ward staff requesting microbiological tests. In addition to developing a consistent approach for gathering feedback, the Trust is working to develop consistent ways of informing the public how their feedback is used, as well as understanding what information the public want and in what format.
72. The Trust is making progress to ensure that public-facing documents are more accessible. Easy-read versions of the IMTP and Annual Quality Statement (AQS) are available with the AQS available in British Sign Language and audio versions. The full AQS received the crystal mark for plain English.

Arrangements for learning from complaints and incidents continue to improve

73. The need to learn from complaints, incidents and claims is critical to improving quality and safety. Last year, I reported that the Trust was making good progress to strengthen arrangements for learning from concerns, and the annual review of the concerns and compensation claims standard by the Welsh Risk Pool showed continuous improvement. Comparisons with previous assessments are not possible because of a change in the assessment approach. Nonetheless, the score for learning from events was 77 per cent, the highest in Wales, compared with the Wales average (55 per cent). However, the Welsh Risk Pool noted that there is no system for assuring both the quality and completeness of information received on learning and the efficacy of actions taken to reduce the risk of recurrence. The Trust recognises that it is sometimes difficult to evidence that learning has been embedded given the reliance on other organisations to take and embed remedial actions and it is working to 'close this loop'.
74. Last year, the Trust introduced a reporting template to capture, in a consistent way, the learning and feedback from concerns and claims from across the diverse range of services and teams. The Trust has indicated that more work is needed to improve the quality of the information captured so it is clear how the lessons are learned and embedded. Meanwhile, plans are in place to audit lessons learned from concerns and claims.

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75. The Trust is working to make the complaints system more accessible to service users. The Trust's 'Mission Possible' events highlighted branding issues with individual screening services, for example, having their own 'brand' and webpage, with these webpages not accessible in 'one click' from the Trust's 'home page'. The Communications team is leading work to review the Trust's many webpages to assess consistency and to ensure that the process for service user feedback, including making a complaint, is more visible.

The development of a quality assurance framework and quality improvement process has been slower than anticipated

76. In 2014, I reported that the Trust was reviewing its quality and safety arrangements, as well as developing a quality governance framework, which it intended presenting to the Quality and Safety Committee in early 2015. Progress has been slower than anticipated because of difficulties recruiting additional capacity. Although unable to appoint earlier this year, the Trust is confident that a quality lead will be in post early in 2016. However, quality assurance and quality improvement are an integral part of the IMTP with a clear timetable for action over three years.
77. During 2015, the Trust mapped clinical audit activity across the organisation. It found that, with the exception of screening and microbiology services, clinical audit activity is generally ad hoc and reported inconsistently to the Quality and Safety Committee. The Trust's first annual clinical audit plan was presented to the Quality and Safety Committee in October with arrangements for forward planning being developed.
78. The Trust is continuing to build on its work to engage staff in reviewing quality and safety arrangements following governance failings in other organisations. The Trust used the recent 'Mission Possible' events to explore aspects of quality in relation to individuals' own work. Actions for the coming year include facilitating staff to pursue training and accreditation in 'Improving Quality Together' to support quality improvement initiatives across the Trust's services.
79. The Trust recently established a quality management group to oversee scrutiny and monitoring of quality on an organisational-wide basis. The group is comprised of divisional directors or nominated delegates with authority to make decisions. One of the group's first tasks is to assess quality measurements in use currently across the divisions, as well as assessing how the Trust might report these measures consistently, as part of quality governance arrangements.

My performance audit work found that the Trust is making good progress in workforce planning, organisational development and change management but has scope to improve arrangements for data back-up and recovery and engagement with the clinical ICT agenda, training, integration and downtime record keeping

The Trust is making good progress in workforce planning, organisational development and change management

80. My Structured Assessment work has reviewed how a number of key enablers of efficient, effective and economical use of resources are managed. The key findings are summarised in [Exhibit 2](#).

Exhibit 2: Structured Assessment – key enablers of effective use of resources

Summary of findings

Change management: Strategic change programmes underpin the three-year IMTP and work to strengthen capacity and capability in change management is ongoing.

1. The Trust is strengthening capacity and capability in programme and change management across the organisation. Programme management functions were incorporated within the operations and finance directorate as part of recent changes in directorate structures, ensuring good linkage to key corporate services to support change.
2. The Trust's change management approach is underpinned by appropriate programme management methodologies, including detailed implementation plans, dedicated programme management resource and clear lines of accountability and reporting. A number of formal and ambitious strategic change programmes support the delivery of the IMTP, for example, the relocation of more than 500 staff to a single site in Cardiff. Progress with the strategic change programmes supporting the IMTP is reported at Board meetings by exception with six-monthly updates reported through the operational plan performance report.
3. The Trust is working to equip staff with skills in good project management and to lead and manage change as part of its organisation development programme. Workshops to support managers leading change are underway with early indications that the feedback is positive. Where organisational development needs are identified as part of change management projects, these needs feed into the wider organisation development programme to ensure there is a coherent programme of work.

Summary of findings

Organisational development: Organisational development is an integral part of the Integrated Medium-Term Plan with the Trust making significant investment in management and leadership capability.

1. A ten-point plan for 'Developing the Organisation' is an integral part of the IMTP with each point representing a strategic objective and covering a broad range of elements. Last year, the Board established the Organisational Development Committee to provide oversight and scrutiny.
2. The 2013 NHS staff survey identified management development as a weakness and at that time, I reported that the Trust was working to strengthen management and leadership capability. Since then, the Trust has completed a learning needs analysis on management and leadership capability and commissioned a management and leadership development programme, which rolled out in January 2015. The programme covers a range of modules and master classes. The Trust has indicated that feedback has been positive with demand outstripping supply and subsequently has allocated additional funding to run more foundation modules to meet demand. A programme for aspiring managers as part of talent management and growing future managers and leaders is planned for later this year.
3. In addition to formal learning modules and master classes, the Trust has purchased access to an online knowledge support tool via the British Institute for Learning and Development that all staff, not just managers, can access. The Trust is also developing in house 'how to' guides on key HR and workplace related policies.

Workforce planning: Workforce planning has been strengthened and co-location of staff in new accommodation in 2016 should help facilitate greater collaboration and flexibility.

1. In 2013, I reported that the Trust was making good progress with workforce planning and it was confident that it would have a robust workforce plan to support delivery of strategic objectives at that time. The subsequent requirement to develop the IMTP accelerated further progress in workforce planning, with directorates and divisions looking critically at workforce requirements beyond absolute numbers and skill mix. The Trust has developed three workforce plans aligned to the IMTP and it has asked Internal Audit to review the robustness of these plans and the adequacy of workforce planning arrangements in early 2016.
2. The Trust recognises that it needs to build greater collaboration and flexibility through better team working across traditional boundaries. Greater collaboration will be easier to achieve when a significant number of staff move to new office accommodation in 2016.
3. The Workforce and OD team are preparing a costed plan for learning and development to address skill requirements identified as part of the IMTP process and are developing a succession planning and talent management framework. The Trust has recently appointed a recruitment and talent manager to help take this work forward.
4. Recruitment to the Workforce and OD team has helped to strengthen the Trust's capability in using the electronic staff record system (ESR) in compiling regular workforce information and to support the roll out of the ESR manager and employee self-serve. Although there were delays with the roll out earlier in the year, the Trust anticipates roll out will be complete by the end of March 2016. The Trust is working to increase the number of staff with expert skills in the use of the ESR to build resilience across the organisation.

Summary of findings

Workforce planning: Workforce planning has been strengthened and co-location of staff in new accommodation in 2016 should help facilitate greater collaboration and flexibility.

5. The Trust is launching 'My Contribution', the new appraisal system, in 2016. The new system will strengthen the link between the appraisal process and the IMTP priorities and the application of the NHS Wales Pay Progression Policy. Training workshops and training materials are in development and informed by feedback gathered as part of the staff survey conducted in July. More than three-quarters of staff responding to the survey had had an appraisal in the last 12 months but the response rate was extremely low and the Trust is treating the findings cautiously. Despite these caveats, the findings suggest improvement in compliance compared with the findings from the 2013 NHS staff survey when just over half the staff responding had had an appraisal.
6. Compliance with statutory and mandatory training remains consistently below the Trust's target (90 per cent). The Trust aims to drive up minimal compliance with the core skills, as set out in the NHS Knowledge and Skills Framework, by the end of March 2016 with compliance included in the performance delivery framework for the first time. The Quality and Safety Committee continues to monitor compliance and seek assurance that remedial actions to improve compliance are effective.
7. The Quality, Nursing and Allied Health Professionals directorate has a well-advanced programme of work in place to support nursing staff prepare for nurse revalidation, which the Nursing and Midwifery Council is introducing from April 2016. The directorate organised a series of workshops to set out the new process and the requirements on individuals and managers. At the time of writing, just over half the staff in nursing roles had attended these workshops. Work is ongoing to identify registered nursing staff working in non-nursing roles to provide support for revalidation and to identify non-nursing managers who help them fulfil their role in the revalidation process.
8. Work to identify staff working in roles as healthcare support workers is nearing completion. This will ensure the Trust benefits from funding to support the implementation of the recently agreed NHS Wales Skills and Career Framework for Healthcare Support Workers, which will be introduced from April 2016.
9. Previously, the Trust had two service level agreements (SLAs) with health boards for the provision of occupational health services while occupational health services were provided on a fee-per-visit basis in other health boards. The Trust agreed an SLA with the Welsh Ambulance Trust to provide occupational health services on an all-Wales basis. The new service was introduced from September 2015 for one year. Although it is too early to assess the impact, the Trust has indicated that feedback has been relatively positive.

Appropriate controls are in place for back-ups and recovery of data hosted and maintained by the Trust, with scope to strengthen these in a number of areas. Back-up arrangements for data managed by third parties are less clear

81. In 2013, I reported that expected data back-up controls were only partially in place. My follow-up work found that improvements have been secured with appropriate controls in place for back-ups and recovery of data hosted and maintained by the Trust, although there is scope to strengthen these in a number of areas. Meanwhile, back-up arrangements for data managed by third parties are less clear. The main conclusions from my review of information back-up are:

- the overall approach to informatics policy development is inconsistent with both informatics teams developing and implementing their own policies;
- responsibilities for data back-ups and recovery are not always clear, particularly in relation to third parties;
- informatics risks are captured on Datix but there is less clarity about how these risks are minimised;
- data back-up procedures at the Trust are generally up to date but formal testing is inconsistent between teams; and
- controls for physical access to back-ups are appropriate with data back-ups safely stored off site with adequate resilience.

Levels of investment in ICT in the Public Health Wales NHS Trust compare well with other Welsh NHS bodies, but our diagnostic work would indicate that engagement with the clinical ICT agenda, training, integration and downtime record keeping could be improved

82. The main conclusions from my diagnostic review of ICT capacity and resources are:

- the total level of spend on ICT is higher than the recommended two per cent of total revenue expenditure; at 3.8 per cent it is the highest in Wales;
- staffing levels for ICT are the highest of the health boards and trusts in Wales, 29.3 whole-time equivalents (WTE) per 1,000 staff compared with the Wales average, 8.8 WTE per 1,000 staff;
- although staff are generally positive, the level of commitment to clinical ICT is lower than other health bodies and there may be scope for greater integration;
- availability of PCs compares favourably with other Welsh health bodies and staff are content with their access to them;
- staff perceived problems with the reliability of systems and there is a lack of downtime records for many systems;
- despite gaps in training arrangements, staff generally feel proficient in the use of systems and are able to rely on the information held on them; and
- clinical ICT systems are supporting staff to undertake their roles, although in comparison, staff perceive the systems to be difficult to use.

Appendix 1

Reports issued since my last Annual Audit Report

Report	Date
Financial audit reports	
Audit of Financial Statements Report	June 2015
Opinion on the Financial Statements	June 2015
Financial Statements Memorandum	September 2015
Performance audit reports	
Information Back-up Review	June 2015
Diagnostic Review of ICT Capacity and Resources	December 2015
Structured Assessment for 2015	December 2015
Other reports	
2015 Audit Plan	April 2015

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

Report	Estimated completion date
Follow-up Review of Consultant Contract	June 2015

Appendix 2

Audit fee

The 2015 Audit Plan set out the proposed audit fee of £151,155 (excluding VAT). My latest estimate of the actual fee is in accordance with the fee set out in the Audit Plan.

Appendix 3

Significant audit risks

My 2015 Audit Plan set out the significant financial audit risks for 2015. The table below lists these risks and sets out how they were addressed as part of the audit.

Significant audit risk	Proposed audit response	Work done and outcome
<p>The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> test the appropriateness of journal entries and other adjustments made in preparing the financial statements; review accounting estimates for bias; and evaluate the rationale for any significant transactions outside the normal course of business. 	<p>My audit team reviewed and tested these areas as part of the opinion audit work and did not identify any material misstatements.</p>
<p>The financial duty of the Trust is to ensure it breaks even year on year. This is a statutory target and a significant risk.</p>	<p>My audit team will review the basis of accounting estimates and year-end accruals to ensure they are complete and reliable.</p>	<p>My audit team reviewed and tested these areas as part of the opinion audit work and did not identify any material misstatements with the Trust meeting its savings and statutory break-even targets.</p>
<p>The Trust is preparing to let a contract for the provision of a managed service microbiology contract for approximately £1.2 million. The Trust intends to account for the contract as an 'off balance sheet' transaction based on technical advice it has received.</p>	<p>My audit team will follow up these matters during the audit, including whether:</p> <ul style="list-style-type: none"> where necessary Welsh Government approval for the contract has been sought; and the accounting treatment is appropriate. 	<p>The Trust did not let the contract during the 2014-15 financial year. Accordingly, my team will consider this matter as part of the 2015-16 audit.</p>

Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: info@audit.wales

Website: www.audit.wales

Swyddfa Archwilio Cymru
24 Heol y Gadeirlan
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn Testun: 029 2032 0660

E-bost: post@archwilio.cymru

Gwefan: www.archwilio.cymru