

Annual Audit Report 2021 – Aneurin Bevan University Health Board

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Summary report

About this report

- 1 This report summarises the findings from my 2021 audit work at Aneurin Bevan University Health Board (the Health Board) undertaken to fulfil my responsibilities under the Public Audit (Wales) Act 2004. That Act requires me to:
 - examine and certify the accounts submitted to me by the Health Board, and to lay them before the Senedd;
 - satisfy myself that expenditure and income have been applied to the purposes intended and are in accordance with authorities; and
 - satisfy myself that the Health Board has made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources.
- 2 I report my overall findings under the following headings:
 - audit of accounts
 - arrangements for securing economy, efficiency, and effectiveness in the use of resources
- 3 This year's audit work took place at a time when public bodies continued responding to the unprecedented challenges presented by the COVID-19 pandemic, whilst at the same time recovering services. My work programme was designed to best assure the people of Wales that public funds are well managed. I have considered the impact of the current crisis on both resilience and the future shape of public services. I aimed to ensure my work did not hamper public bodies in tackling the crisis, whilst ensuring it continued to support both scrutiny and learning. On-site audit work continues to be restricted, and we continued to work and engage remotely where possible through the use of technology. This inevitably had an impact on how we deliver audit work but has also helped to embed positive changes in our ways of working.
- 4 As was the case in 2020, the delivery of my audit of accounts work was not without its challenges, not only in how and where we undertook the work, but also in taking account of considerations for financial statements arising directly from the pandemic. The success in delivering it reflects a great collective effort by both my staff and the Health Board's officers to embrace and enable new ways of working and remain flexible to and considerate of the many issues arising.
- 5 I have adjusted the focus and approach of my performance audit work to ensure its relevance in the context of the crisis and to enable remote working. My programme of work has provided focus on themes, lessons and opportunities relating to NHS governance and NHS staff wellbeing. I have reviewed the Test, Trace, Protect programme and the rollout of the COVID-19 vaccine. My local audit teams have commented on how governance arrangements have adapted to respond to the pandemic, and the impact the crisis has had on service delivery. I have also reviewed the governance arrangements of the Welsh Health Specialised Services Committee.

- 6 This report is a summary of the issues presented in more detailed reports to the Health Board this year (see **Appendix 1**). I also include a summary of the status of planned work currently being re-scoped.
- 7 **Appendix 2** presents the latest estimate of the audit fee that I will need to charge to cover the costs of undertaking my work, compared to the original fee set out in the 2021 Audit Plan.
- 8 **Appendix 3** sets out the financial audit risks set out in my 2021 Audit Plan and how they were addressed through the audit.
- 9 The Chief Executive and the Director of Finance have agreed the factual accuracy of this report. My team are presenting it to the Audit, Finance and Risk Committee on 3rd February 2022. The Board will receive the report at a later Board meeting and every member will receive a copy. We strongly encourage the Health Board to arrange its wider publication. We will make the report available to the public on the [Audit Wales website](#) after the Board have considered it.
- 10 I would like to thank the Health Board's staff and members for their help and co-operation throughout my audit.

Key messages

Audit of accounts

- 11 I concluded that the Health Board's accounts were properly prepared and materially accurate and issued an unqualified audit opinion on them. My work did not identify any material weaknesses in the Health Board's internal controls (as relevant to my audit). However, I placed an Emphasis of Matter paragraph in my report to draw attention to disclosures in the accounts in note 21 relating to the impact of a Ministerial Direction issued on 18 December 2019 to the Permanent Secretary of the Welsh Government.
- 12 The Health Board achieved financial balance for the three-year period ending 31 March 2021 and had no other material financial transactions that were not in accordance with authorities nor used for the purposes intended, so I have issued an unqualified opinion on the regularity of the financial transactions within the Health Board's 2020-21 accounts.
- 13 Alongside my audit opinion, I placed a substantive report on the Health Board's financial statements to set out further detail on the Emphasis of Matter paragraph that I included in my audit opinion.

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

14 My programme of Performance Audit work has led me to draw the following conclusions:

- the Test, Trace, Protect programme is making an important contribution to the management of COVID-19 in Wales. Whilst the programme struggled to cope with earlier peaks in virus transmission, it has demonstrated an ability to rapidly learn and evolve in response to the challenges it has faced.
- in relation to the Welsh Health Specialised Services Committee Governance Arrangements: since the previous reviews in 2015, governance, management and planning arrangements have improved, but the impact of COVID-19 will now require a clear strategy to recover services and there would still be benefits in reviewing the wider governance arrangements for specialised services in line with the commitments within 'A Healthier Wales'.
- the COVID-19 vaccination programme in Wales has been delivered at significant pace with local, national and UK partners working together to vaccinate a significant proportion of the Welsh population. A clear plan is now needed for the challenges which lie ahead.
- all NHS bodies have maintained a clear focus on staff wellbeing throughout the pandemic and implemented a wide range of measures to support the physical health and mental wellbeing of their staff during the crisis. It is vital that these activities are built upon, and that staff wellbeing remains a central priority for NHS bodies as they deal with the combined challenges of recovering services, continuing to respond to the COVID-19 pandemic, and managing seasonal pressures.
- the Health Board has gone through a period of high turnover amongst its senior leaders at Board-level whilst also holding a number of Independent Member vacancies. The Health Board needs to manage the risks associated with this turnover, particularly given the significant operational challenges it is facing.
- the Health Board has adequate arrangements in place to conduct Board and Committee business, however, there are opportunities to improve these arrangements.
- the Health Board is embedding its new governance structure and strengthening its assurance mechanisms, but it will need to continually monitor and review them to ensure they are functioning as intended.
- the Health Board has achieved its financial objectives and has generally effective financial controls and monitoring and reporting arrangements in place. However, it will need to manage its underlying deficit to ensure its financial sustainability going forward.

- the Health Board has reasonable planning arrangements in place which align to wider corporate and regional strategies. The Annual Plan, while providing clarity around the Health Board's strategic objectives, lacks the target milestones needed to enable effective monitoring. Plans to introduce a monitoring and outcomes framework have been delayed due to the pandemic, resulting in limited scrutiny and assurance by the Board and Committees on delivery against the priorities in the Annual Plan.
- the Health Board has significantly improved the way it plans and delivers radiology services through strong leadership and using demand and capacity modelling to identify and implement solutions to respond to increasing demand and changes to service delivery and patient pathways.

15 These findings are considered further in the following sections.

Detailed report

Audit of accounts

- 16 This section of the report summarises the findings from my audit of the Health Board's financial statements for 2020-21. These statements are how the organisation shows its financial performance and sets out its net assets, net operating costs, recognised gains and losses, and cash flows. Preparing the statements is an essential element in demonstrating the appropriate stewardship of public money.
- 17 My 2021 Audit Plan set out the financial audit risks for the audit of the Health Board's 2020-21 financial statements. **Exhibit 4** in **Appendix 3** lists these risks and sets out how they were addressed as part of the audit.
- 18 My responsibilities in auditing the Health Board's financial statements are described in my [Statement of Responsibilities](#) publications, which are available on the [Audit Wales website](#).

Accuracy and preparation of the 2020-21 financial statements

- 19 I concluded that the Health Board's accounts were properly prepared and materially accurate and issued an unqualified audit opinion on them. My work did not identify any material weaknesses in the Health Board's internal controls (as relevant to my audit). However, I placed an Emphasis of Matter paragraph in my report to draw attention to disclosures in the accounts relating to a Ministerial Direction to fund NHS clinicians' pension tax liabilities in respect of the 2019-20 financial year.
- 20 We acknowledge the significant achievement of the Finance team in preparing the financial statements to a good standard, in the face of the challenges posed by the pandemic.
- 21 I must report issues arising from my work to those charged with governance before I issue my audit opinion on the accounts. My Financial Audit Engagement Lead reported these issues to the Health Board's Audit Committee on 8 June 2021. **Exhibit 1** summarises the key issues set out in that report.

Exhibit 1: issues identified in the Audit of Financial Statements report

Issue	Auditors' comments
Uncorrected misstatements	There were no uncorrected misstatements.
Corrected misstatements	There were several corrected misstatements which corrected classification errors or provided additional narrative disclosure.
Other significant issues	We requested that the Health Board sets out in Note 21.1 - Contingent liabilities - additional narrative to disclose the potential liability resulting from the Ministerial Direction to the Welsh Government to fund pensions tax liabilities above the pension savings annual allowance threshold. The Health Board has included the additional contingent liability.

- 22 I will also review the Whole of Government Accounts return once the National Audit Office has issued relevant guidance for auditing this return.
- 23 My separate audit of the Charitable Funds financial statements is currently ongoing, and I anticipate that the accounts will be approved by the Charitable Funds Committee on 12 January 2021 and signed, following consideration of my report on the financial statements, by the Trustees following the Board meeting on 26 January 2021. The audit opinion will be issued shortly afterwards.

Regularity of financial transactions

- 24 The Health Board achieved financial balance for the three-year period ending 31 March 2021 and had no other material financial transactions that were not in accordance with authorities nor used for the purposes intended, so I have issued an unqualified opinion on the regularity of the financial transactions within the Health Board's 2020-21 accounts.
- 25 The Health Board's financial transactions must be in accordance with authorities that govern them. The Health Board must have the powers to receive the income and incur the expenditure. Our work reviews these powers and tests that there are no material elements of income or expenditure which the Health Board does not have the powers to receive or incur.

- 26 Where a Health Board does not achieve financial balance, its expenditure exceeds its powers to spend and so I must qualify my regularity opinion. For the three-year period ending 31 March 2021, the Health Board achieved financial balance with a cumulative surplus of £0.512 million for revenue expenditure. The Health Board also met its duty to break-even in relation to capital expenditure with a surplus of £0.082 million over the same three-year period.
- 27 I have the power to place a substantive report on the Health Board's accounts alongside my opinions where I want to highlight issues. I placed a substantive report on the Health Board's financial statements to set out further detail on the Emphasis of Matter paragraph that I included in my audit opinion. The Emphasis of Matter paragraph drew attention to disclosures in the accounts in note 21.1 relating to the impact of a Ministerial Direction issued on 18 December 2019 to the Permanent Secretary of the Welsh Government.

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

- 28 I have a statutory requirement to satisfy myself that the Health Board has proper arrangements in place to secure efficiency, effectiveness, and economy in the use of resources. I have undertaken a range of performance audit work at the Health Board over the last 12 months to help me discharge that responsibility. This work has involved:
- examining how NHS bodies have responded to the challenges of delivering the Test, Trace, Protect programme.
 - reviewing the governance arrangements of the Welsh Health Specialised Services Committee.
 - reviewing how well the rollout of the COVID-19 vaccination programme was progressing.
 - reviewing how NHS bodies supported staff wellbeing during the COVID-19 pandemic.
 - undertaking a structured assessment of the Health Board's corporate arrangements for ensuring that resources are used efficiently, effectively, and economically.
 - reviewing the Health Board's Radiology Services and the progress made to address recommendations from our 2017 local and 2018 national reports on radiology services.
- 29 My conclusions based on this work are set out below.

Test, Trace, Protect programme

- 30 My work examined how public services responded to the challenges of delivering the Welsh Government's Test, Trace, Protect Programme (TTP). As well as commenting on the delivery of TTP up to and including December 2020, my report set out some key challenges and opportunities that will present themselves as part of the ongoing battle to control COVID-19.
- 31 I found that the different parts of the Welsh public and third sector had worked together well together to rapidly build the TTP programme. The configuration of the system blended national oversight and technical expertise with local and regional ownership of the programme, and the ability to use local intelligence and knowledge to shape responses.
- 32 Arrangements for testing and contact tracing have evolved as the pandemic has progressed. But maintaining the required performance in these arrangements proved challenging in the face of increasing demand.
- 33 Despite increased testing and tracing activity, the virus continued to spread, and as in other parts of the UK and internationally, testing and tracing have needed to be supplemented with local and national lockdown restrictions in an attempt to reduce transmission rates.
- 34 While a range of support mechanisms exist, it remains difficult to know how well the 'protect' element of TTP has been working in supporting people to self-isolate.

Welsh Health Specialised Services Committee governance arrangements

- 35 In May 2021, I published my review on the governance arrangements of the Welsh Health Specialised Services Committee (WHSSC). WHSSC is a joint committee made up of, and funded by, the seven local health boards in Wales. On a day-to-day basis, the Joint Committee delegates operational responsibility for commissioning to Welsh Health Specialised Services officers, through the management team. WHSSC, which is hosted by Cwm Taf Morgannwg University Health Board, has an annual budget of £680 million and makes collective decisions on the review, planning, procurement, and performance monitoring of specialised services for the population of Wales on behalf of health boards.
- 36 In 2015, two separate reviews highlighted issues with WHSSC's governance arrangements. Considering the time passed since the two reviews, together with increasing service and financial pressures and the changing landscape of collaborative commissioning, I felt it was timely to review WHSSC's governance arrangements.
- 37 My review found a number of improvements have been made to the overall governance arrangements in WHSSC since 2015. Good progress has been made to strengthen arrangements for quality assurance of specialised services, although scope still exists to increase the attention given to finance, performance, and

quality reporting at Joint Committee. There is also a need to review the arrangements for recruiting and remunerating independent members that sit on the Joint Committee given some of the challenges in filling these roles. Current Joint Committee members have a healthy working relationship and operate well together. However, the current model creates potential conflicts of interest due to the fact some Joint Committee members are also the Chief Officers of the health bodies commissioned to provide specialised services.

- 38 My review found that arrangements for planning commissioned services are generally good and there is an improving focus on value. However, some key new services such as new service models for major trauma and thoracic surgery have taken a long time to agree and implement. My review also found that the COVID-19 pandemic has significantly affected the delivery of specialised services, and that the development of a plan for the recovery of specialised services should now be a priority. The Welsh Government's long-term plan for health and social care, A Healthier Wales, signals the intention to review a number of hosted national functions, including WHSSC, with the aim of 'consolidating national activity and clarifying governance and accountability'.
- 39 Whilst the governance arrangements for WHSSC have continued to improve, my report shows that there are still a number of facets of the WHSSC model that merit further attention.

Vaccination programme

- 40 My audit focused on the rollout of the COVID-19 programme in Wales up to June 2021, the factors that affected the rollout and future challenges and opportunities.
- 41 The vaccine programme has delivered at significant pace. At the time of reporting, vaccination rates in Wales were the highest of the four UK nations, and some of the highest in the world. The milestones in the Welsh Government's vaccination strategy provided a strong impetus to drive the programme and up to the time of reporting, the key milestones had been met.
- 42 The UK's Joint Committee on Vaccination and Immunisation guidance on priority groups was adopted but the process of identifying people within some of those groups has been challenging.
- 43 The organisations involved in the rollout have worked well to set up a range of vaccination models which make the best use of the vaccines available, while also providing opportunities to deliver vaccines close to the communities they serve.
- 44 Overall vaccine uptake to the time of reporting was high, but there was a lower uptake for some ethnic groups and in the most deprived communities. At the time of the audit, vaccine wastage was minimal, but concerns were emerging about non-attendance at booked appointments.
- 45 The international supply chain is the most significant factor affecting the rollout, with limited vaccine stock held in Wales. However, increasing awareness of future supply levels was allowing health boards to manage the vaccine rollout effectively.

- 46 As the programme moved into the second half of 2021, challenges presented themselves around encouraging take-up amongst some groups, vaccine workforce resilience and venue availability. A longer-term plan is needed to address these and other elements of the ongoing vaccination programme.

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

- 47 My review considered how NHS bodies have supported the wellbeing of their staff during the pandemic, with a particular focus on their arrangements for safeguarding staff at higher risk from COVID-19.
- 48 NHS staff have shown tremendous resilience and dedication throughout the pandemic, despite facing huge strains to their mental and physical health.
- 49 The NHS in Wales was already facing a number of challenges relating to staff wellbeing prior to the pandemic, and the crisis has highlighted the importance of supporting the mental and physical health of the NHS workforce. Through my Structured Assessment work, I found that NHS bodies moved quickly at the beginning of the pandemic to enhance wellbeing initiatives to support staff through unprecedented times. As the pandemic unfolded, I found that NHS bodies in Wales implemented a range of measures to improve staff wellbeing, such as creating dedicated rest spaces, increasing mental health and psychological wellbeing provision, enhancing infection and prevention control measures, and enabling remote working.
- 50 My work also looked at how NHS bodies in Wales protected staff at higher risk from COVID-19. Amongst other safeguarding initiatives, I found that all bodies rolled out the All-Wales COVID-19 Workforce Risk Assessment Tool which identifies those at a higher risk and encourages a conversation about additional measures to be put in place to ensure staff are adequately protected. Although NHS bodies promoted and encouraged staff to complete the assessment tool, completion rates varied between NHS bodies.
- 51 While the crisis has undoubtedly had a considerable impact on the wellbeing of staff in the short term, the longer-term impacts cannot be underestimated.
- 52 With a more emotionally and physically exhausted workforce than ever, NHS bodies in Wales must maintain a focus on staff wellbeing and staff engagement to navigate through the longer-term impacts of the crisis. My report, therefore, is accompanied by a checklist which sets out some of the questions NHS Board members should be asking to ensure their health bodies have good arrangements in place to support staff wellbeing.

Structured assessment

- 53 My structured assessment work was designed in the context of the ongoing response to the pandemic. I ensured a suitably pragmatic and relevant approach to help me discharge my statutory responsibilities, whilst minimising the impact on NHS bodies as they continue to respond to the pandemic.
- 54 My team considered how corporate governance and financial management arrangements adapted over the year, as well as the operational planning arrangements underpinning the development and delivery of the Annual Plan for 2021-22. Auditors also paid attention to progress made to address previous recommendations.

Governance arrangements

- 55 My work considered the Health Board's ability to maintain sound governance arrangements while having to respond to the unprecedented challenges presented by the pandemic. The key focus of the work has been the corporate arrangements for ensuring that resources are used efficiently, effectively, and economically. We also considered how business deferred in 2020 was reinstated and how learning from the pandemic is shaping future arrangements for ensuring continued good governance and recovery.
- 56 My work found that **the Health Board has adequate arrangements in place to conduct Board and Committee business, however there are opportunities to assess the effectiveness of these arrangements. It is embedding its new governance structure and strengthening its assurance mechanisms, but it will need to continually monitor and review them to ensure they are functioning as intended.**
- The Health Board has gone through a period of high turnover amongst its senior leaders at Board-level whilst also holding a number of Independent Member vacancies. It will need to manage the risks associated with this turnover; particularly given the significant operational challenges it is facing.**
- 57 The Health Board has experienced significant changes to Board membership during the year, which will need to be managed carefully to provide leadership stability and ensure Board cohesion at a time when the Health Board is facing significant operational pressures.
- 58 The Health Board has adequate Board and Committee arrangements in place but needs to address issues around its website content, and the capacity and resilience of its Corporate Governance Support Team. It is embedding its new governance structure and intends to review its effectiveness by April 2022. The Health Board has further revised its Board Assurance Framework, and risk management strategy and approach. However, embedding the new approach will take time. The Health Board is strengthening its arrangements for supporting employee wellbeing, However, there are opportunities to strengthen quality and patient safety reporting and tracking internal and external audit recommendations.

Managing financial resources

- 59 I considered the Health Board's financial performance, financial controls and arrangements for monitoring and reporting financial performance. I found that **the Health Board has achieved its financial objectives and has generally effective financial controls and monitoring and reporting arrangements in place. However, it will need to manage its underlying deficit to ensure its financial sustainability going forward.**
- 60 The Health Board has successfully met its financial duties over the past three years and achieved its revised savings target despite the pandemic. It is also predicting to break-even during 2021-22. The Health Board has effective financial planning arrangements, and the 2021-22 financial plan reflects the exceptional nature of the pandemic and the uncertainties in response and recovery.
- 61 The continuing impact of the COVID-19 pandemic has led the Health Board to revise its initial savings target of £33 million to £16.6 million. As a result, the underlying financial deficit brought forward from 2020-21 of £20.8 million remains and will not improve during 2021-22 due to in-year cost pressures and continuing financial pressure. This represents a risk to the financial sustainability of the Health Board as savings will need to be achieved in future years to reduce the underlying deficit.
- 62 The Health Board has generally effective financial controls, monitoring, and reporting arrangements.

Operational planning arrangements

- 63 My work considered the Health Board's operational planning arrangements underpinning the Annual Plan for 2021-22.
- 64 I found that **the Health Board has reasonable planning arrangements in place which align to wider corporate and regional strategies. The Annual Plan, while providing clarity around the Health Board's strategic objectives, lacks the target milestones needed to enable effective monitoring. Plans to introduce a monitoring and outcomes framework have been delayed due to the pandemic, resulting in limited scrutiny and assurance at Board-level on delivery against the priorities in the Annual Plan.**
- 65 The Health Board has reasonably effective arrangements for developing and submitting its Annual Plan. The Annual Plan for 2021-22 incorporates learning from the pandemic and outlines a strategic approach to providing healthcare in the region. It contains clear strategic objectives underpinned by a set of outcomes and measures to achieve them.
- 66 However, it lacks target / dates and milestones to enable the Health Board to monitor and track progress against the various measures and ensure intended priorities and outcomes are achieved. Whilst the Health Board is developing a monitoring and outcomes framework, this work has not been finalised due to the

pandemic. As a result, there continues to be limited scrutiny and assurance at Board-level on delivery against the priorities outlined in the Annual Plan.

Radiology Services: Update on Progress

67 As part of my local audit programme, I have reported on the Health Board's Radiology Services and the progress made to address recommendations from our 2017 local and 2018 national reports on radiology services.

68 I found that **the Health Board has significantly improved the way it plans and delivers radiology services through strong leadership and using demand and capacity modelling to identify and implement solutions to respond to increasing demand and changes to service delivery and patient pathways.**

69 I judged the Health Board to have made good progress in addressing my previous recommendations because:

- the new Grange University Hospital has resulted in increased radiology equipment and imaging capacity. Prior to the opening of the hospital, the Health Board reduced waiting times by making use of additional capacity provided by outsourced services and continues to make use of these services in response to increased waiting times caused by COVID-19.
- the service has developed supporting plans to implement the changes to service delivery and patient pathways resulting from the opening of the Grange University Hospital.
- there is a strong leadership team within the radiology directorate with a clear vision to drive forward innovative solutions and improvements.
- the radiology directorate has been successful in recruiting to radiographer posts, and changes to staff working patterns and increased radiology operating hours have improved the sustainability of imaging services.
- where challenges remain in recruiting radiologists, the Health Board has sought to partly close the resource gap with advanced radiographer practitioner roles.
- the radiology directorate has good relationships and regular communication with other directorates to inform demand and capacity, and to ensure appropriate prioritisation of patient referrals for diagnostic imaging.
- there are appropriate arrangements to ensure operational monitoring of performance.

However, as wider services now start to recover from the pandemic, suppressed demand as a result of delayed access to treatment has the potential to create challenges in radiology services. The Health Board, therefore, will need to make sure that it maintains oversight of this risk and that its radiology services are able to make the necessary contribution to service recovery and meeting demand.

Appendix 1

Reports issued since my last annual audit report

Exhibit 2: reports issued since my last annual audit report

The following table lists the reports issued to the Health Board in 2021.

Report	Date
Financial audit reports	
Audit of Financial Statements Report	June 2021
Opinion on the Financial Statements	June 2021
Audit of Accounts Report Addendum	December 2021
Charitable Funds Audit of Financial Statements Report	January 2022
Performance audit reports	
Doing it Differently, Doing it Right? (Structured Assessment 2020 All-Wales themes, lessons and opportunities relating to NHS governance during COVID-19)	January 2021
Test, Trace, Protect in Wales: An Overview of Progress to Date	March 2021
Welsh Health Specialised Services Committee Governance Arrangements	May 2021
Rollout of the COVID-19 vaccination programme in Wales	June 2021

Report	Date
Radiology Services: Update on Progress	October 2021
Taking care of the carers? (Structured Assessment 2020 All-Wales themes, lessons and opportunities relating to NHS staff wellbeing during COVID-19)	October 2021
Structured Assessment 2021	January 2022
Other	
2021 Audit Plan	March 2021
2021 Charitable Funds Audit Plan	January 2022

My wider programme of national value for money studies in 2021 included reviews that focused on the NHS and pan-public-sector topics. These studies are typically funded through the Welsh Consolidated Fund and are presented to the Public Accounts Committee to support its scrutiny of public expenditure. Reports are available on the [Audit Wales website](#).

Exhibit 3: performance audit work still underway

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

Report	Estimated completion date
Unscheduled care	Phase 1 – February 2022 Timing of further work included as part of the 2022 plan still to be confirmed.
Orthopaedics	March 2022
Quality Governance	February 2022
Review of Efficiency Arrangements	April 2022

Appendix 2

Audit fee

The 2021 Audit Plan set out the proposed audit fee of £373,146 (excluding VAT). My latest estimate of the actual fee, on the basis that some work remains in progress, is in keeping with the fee set out in the outline.

Appendix 3

Financial audit risks

Exhibit 4: financial audit risks

My 2021 Audit Plan set out the financial audit risks for the audit of the Health Board's 2020-21 financial statements. The table below lists these risks and sets out how they were addressed as part of the audit.

Audit risk	Proposed audit response	Work done and outcome
<p>The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • test the appropriateness of journal entries and other adjustments made in preparing the financial statements; • review accounting estimates for biases; and • evaluate the rationale for any significant transactions outside the normal course of business. 	<p>On a sample basis we tested both journal entries and accounting estimates and found no evidence of the management override of controls.</p> <p>We were satisfied that the accounts were free from material error.</p>
<p>There is a significant risk that you will fail to meet your first financial duty to break even over a three- year period. Following a core 'Financial Stability' funding allocation for COVID-19 from Welsh Government of £70m and further COVID-19 allocations of £52m, coupled with the</p>	<p>The audit team will focus its testing on areas of the financial statements which could contain reporting bias.</p>	<p>We undertook a range of audit work to provide assurance over the risk of bias to ensure that the actual year end position was true and fair. This included:</p> <ul style="list-style-type: none"> • detailed sample testing of transactions either side of the year-end to ensure that they were recorded in the correct accounting period. This was

Audit risk	Proposed audit response	Work done and outcome
<p>avoidance of certain costs due to COVID-19, the position at month 11 shows a year-to-date surplus of £0.176 million and a forecast break-even yearend position. This combined with the outturns for 2018-19 and 2019-20, predicts a three-year surplus of £0.267 million. Where you were to fail this financial duty, we will place a substantive report on the financial statements highlighting the failure and qualify your regularity opinion. Your current financial pressures increase the risk that management judgements and estimates could be biased in an effort to achieve the financial duty.</p>		<p>focussed on the areas of greatest risk.</p> <ul style="list-style-type: none"> ensuring that accounting estimates were prepared on a reasonable basis and were supported by appropriate accounting judgements. <p>We were satisfied that the accounts were free from material error.</p>
<p>The COVID-19 national emergency continues and the pressures on staff resource and of remote working may impact on the preparation and audit of accounts. There is a risk that the quality of the accounts and supporting working papers may be compromised leading to an increased incidence of errors.</p>	<p>We will discuss your closedown process and quality monitoring arrangements with the accounts preparation team and monitor the accounts preparation process. We will help to identify areas where there may be gaps in arrangements.</p>	<p>We maintained constant contact with the Finance Team so to understand the accounts preparation process, and any changes made to this process due to the COVID-19 Pandemic.</p> <p>We satisfied ourselves that the Finance Team had made good arrangements in order to provide an accurate and high-quality set of financial statements.</p>

Audit risk	Proposed audit response	Work done and outcome
<p>Quality monitoring arrangements may be compromised due to timing issues and/or resource availability.</p>		
<p>The increased funding streams and expenditure in 2020-21 to deal with the COVID-19 pandemic will have a significant impact on the risks of material misstatement and the shape and approach to our audit. Examples of issues include accounting for the early opening of the Grange University Hospital; regularity risks of additional spend; valuation of year-end inventory including PPE; and estimation of annual leave balances.</p>	<p>We will identify the key issues and associated risks and plan our work to obtain the assurance needed for our audit.</p>	<p>We carried out a range of audit work to identify all additional funding and expenditure streams expected within the accounts through liaison with the Finance Team and Welsh Government. Central guidance was provided to assist in the audit of this complex area. We satisfied ourselves that the additional income and expenditure was free from material error and correctly classified in the accounts.</p>
<p>Where year-end stock balances are material to the financial statements, ISA501 – Audit Evidence – Specific considerations for selected items, requires auditors to attend the physical year-end stock count. Due to Audit Wales’ policy in response to the pandemic, audit staff are unable to work at client sites and</p>	<p>We will maintain ongoing discussions with the finance team to monitor the forecast year- end stock balances and plan our work to obtain the assurance needed for our audit. Where the year-end stock balance is material and we are unable to comply with the requirements of ISA501, we will determine the impact on the audit report and</p>	<p>We obtained appropriate audit evidence to confirm the year-end stock balances and satisfied ourselves that the year-end stock balances were not material.</p>

Audit risk	Proposed audit response	Work done and outcome
<p>therefore are unable to attend physical stock takes. As a result, where year-end stock balances are material and auditors are unable to attend the physical year-end stock count, the auditor shall modify the opinion in the auditor's report in accordance with ISA701– Communicating key matters in the independent auditor's report.</p>	<p>discuss our proposed modified audit opinion with officers/management.</p>	
<p>A phased deployment of the new WellSky Hospital Pharmacy System was commenced by NWIS from November 2020 across Welsh health bodies and is planned to be completed in July 2021 (COVID pandemic disruptions allowing). The Wellsky system was implemented in the Aneurin Bevan UHB in November 2020. The financial expenditure balances for hospital drugs, medicines and other pharmaceutical items flowing through the Wellsky system will be material to the Health Board. The data transfer from the old hospital pharmacy</p>	<p>We will review the process for transferring the data to the Wellsky system and the controls in place, to ensure the opening balances are an accurate starting point to continue calculating the financial throughput of expenditure in the new WellSky system</p>	<p>We satisfied ourselves that the process for transferring the data to the Wellsky system and the controls in place, to ensure the opening balances are an accurate starting point to continue calculating the financial throughput of expenditure in the new WellSky system was appropriate.</p>

Audit risk	Proposed audit response	Work done and outcome
<p>system to Wellsky was completed manually by the Health Board before the system went live on 9 November 2020, and responsibility for the design and implementation of effective controls over the transfer process rested with the Health Board.</p>		
<p>The implementation of the 'scheme pays' initiative in respect of the NHS pension tax arrangements for clinical staff is ongoing. Last year we included an Emphasis of matter paragraph in the audit opinion drawing attention to your disclosure of the contingent liability. However, if any expenditure is made in year, we would consider it to be irregular as it contravenes the requirements of Managing Public Monies.</p>	<p>We will review the evidence one year on around the take up of the scheme and the need for a provision, and the consequential impact on the regularity opinion.</p>	<p>We satisfied ourselves that the contingent liability disclosure made in the accounts was appropriate. An Emphasis of Matter in respect of this matter was contained in the audit report.</p>
<p>Due to the COVID 19 pandemic and in light of the Coronavirus Act 2020, health bodies across Wales are required to accrue for</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • assess the appropriateness of the proposed methodology for 	<p>We satisfied ourselves that the methodology proposed to calculate the annual leave accrual was appropriate and the accrual estimate was</p>

Audit risk	Proposed audit response	Work done and outcome
<p>untaken annual leave as at 31 March 2021. The All Wales Technical Accounting Group has met to agree a common methodology to be applied, and the calculations based on this for each health body will be submitted to Welsh Government. It is anticipated that the annual leave accrual will be funded although this has not been confirmed. The accrued annual leave balance will be material to the Health Board's accounts for 2020-21 and as at 31 January 2021, the Health Board has estimated the accrual to be £20.3million.</p>	<p>calculating the accrual; and</p> <ul style="list-style-type: none"> test to ensure the estimate has been calculated in line with agreed methodology. 	<p>calculated in accordance with the proposed methodology.</p>
<p>Introduction of IFRS 16 Leases has been deferred until 1 April 2022 and may pose implementation risks. There is considerable work required to identify leases and the COVID-19 national emergency may pose implementation risks.</p>	<p>The audit team will undertake some early work to review preparedness for the introduction of IFRS 16 Leases.</p>	<p>As a result of the COVID-19 pandemic, the implementation of IFRS 16 was delayed into 2021-22. We will undertake this work next year. We did however carry out preliminary discussions on the progress of IFRS16 preparedness.</p>



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Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.