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Auditor General for Wales

# Financial contribution to the ‘Lap of Wales’ – **Betsi Cadwaladr University Health Board**

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The team who delivered the work comprised Ian Hughes and Emma Woodcock, under the direction of Mike Usher.

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Our review examines the governance arrangements and funding support associated with a collaboration between Betsi Cadwaladr University Health Board and an independent fund-raising group called Cerddwn Ymlaen. The group completed a ‘Lap of Wales’ challenge in 2015 to raise awareness of the Human Transplantation Wales Act 2013. The challenge also received funding support from the Welsh Government and Cardiff and Vale Local Health Board.

The Lap of Wales challenge was by all accounts a successful venture and met its key objective of raising the profile of the new organ donation law. Concerns were, however, raised about the effectiveness of the governance arrangements operated by Betsi Cadwaladr University Health Board in respect of the collaboration.

Our review, taken together with the Health Board’s own post project review, reaffirms many of the important challenges that public-sector bodies face in the delivery of projects and services collaboratively with the private and voluntary sectors. Both the Health Board and Cerddwn Ymlaen are taking steps to improve their governance arrangements in the light of the experience gained in delivering the Lap of Wales challenge.

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# Summary report

## What this review is about

- 1 Cerddwn Ymlaen is a charitable campaign within which a group of like-minded individuals have come together to raise funds for issues that are close to their hearts. Between 2012 and 2014, Cerddwn Ymlaen arranged a number of walks which raised over £400,000 for the Welsh Air Ambulance charity.
- 2 One of the core members of the group, Rhys Meirion, is the founder of Cronfa Elen (Cronfa Elen). The fund's aim is to support people in Wales who need an organ donation and the bereaved families of those donating their organs. Cronfa Elen became part of the Awyr Las Charity of Betsi Cadwaladr University Health Board (the Health Board), in April 2014.
- 3 Awyr Las provides support for patients and their families through enhancing healthcare services within the area served by the Health Board. It supports a wide range of health related activities by funding:
  - equipment and facilities in hospitals and the community;
  - improvements to hospital environments;
  - research and training;
  - arts-in-health activities; and
  - other special projects.
- 4 There are a total of 290 funds within the Awyr Las umbrella and its overarching vision is:

'for everyone in North Wales to receive exceptional healthcare. With us, supporters and benefactors will brighten patients' days in hospitals and in communities across North Wales. We will do this until we can guarantee that everyone in the region receives the very best care and treatment available.'
- 5 In 2014 the members of Cerddwn Ymlaen decided to raise awareness of organ donation and in particular to promote the Human Transplantation (Wales) Act 2013 which would come into force on 1 December 2015 by organising the 'Lap of Wales' challenge. The 'Lap of Wales' challenge would see Welsh celebrities take part in a cross-Wales journey getting members of the public involved in a range of activities. It took place between 4 and 11 July 2015 and had four elements:
  - the celebrity circumnavigation of Wales;
  - a mobile educational exhibition;
  - a dramatic presentation; and
  - community activities.
- 6 The cost of completing the Lap of Wales was estimated at around £150,000. The Health Board, the Welsh Government, and Cardiff and Vale University Health Board contributed a total of £85,000. It was anticipated that, based on the success of earlier events, donations and contributions from other sources would meet the balance of the cost of Lap of Wales. There was an expectation the event would

generate additional contributions to Cronfa Elen which could be drawn upon afterwards for the direct support for patients and their relatives.

- 7 To all intents and purposes the Lap of Wales was completed successfully and as planned. Accompanying the formal outcome reports is a range of social media coverage of the successful completion of the Lap of Wales, including a dedicated website, Facebook page and various YouTube videos. However, shortly after its completion contributors raised concerns about the project's governance. There was also media interest in the running of the project, in particular about a potential conflict of interest.
- 8 Senior Finance staff at Betsi Cadwaladr University Health Board undertook a preliminary review of its collaboration with Cerddwn Ymlaen. The review highlighted a number of concerns about the governance of the project from the Health Board's perspective. These included transparency over the use of public donations and the financial management of a project being delivered by an autonomous group of volunteers. Whilst this review produced some valuable learning, it was constrained to an examination of the Health Board's arrangements and decision-making processes. It was not able to consider the actions of the Welsh Government and Cardiff and Vale Health Board which also provided funding to the Lap of Wales. Given these limitations, The Health Board's Executive Director for Finance approached the Wales Audit Office about the prospect of completing a review of the whole project.
- 9 The delivery of public services and public-sector projects through partnerships, and joint arrangements with the private and voluntary sector is widely recognised as a growth area. The effectiveness of joint working arrangements and information sharing between public-sector funders and the third sector is both an area of both great opportunity and ongoing audit concern. Our Good Practice Exchange recently explored how public services need to work better together to enable, support and improve the wellbeing of citizens in Wales.
- 10 The Auditor General's earlier work at bodies which deliver public services via an arm's length body has found common themes at the heart of projects that have failed to realise their full value to services users including:
  - insufficient consideration of arrangements needed for oversight and the appropriate balance between autonomy and intervention;
  - a lack of clarity around how governance arrangements should operate in practice, contributing to reduced transparency and diluted public accountability; and
  - the absence of a consistent and shared understanding of and commitment to standards of ethics and conduct to be observed by all those involved in public service delivery.
- 11 All of these factors led the Auditor General to conduct an external audit review of the Lap of Wales. This report sets out a factual account of the key matters relating to the support provided to the 'Lap of Wales' and presents these in the wider context of the Health Board's approach to supporting charitable organisations. The

findings set out in this report will be of value to other public bodies working collaboratively with the private and voluntary sector.

- 12 [Appendix 1](#) sets out our audit approach and methods.
- 13 [Appendix 2](#) sets out the links between funders Cerddwn Ymlaen and the 'Lap of Wales' challenge.

## Key findings

- 14 All Welsh Health Boards and Trusts have 'Funds Held on Trust' which are used to support charitable purposes. The Health Board's 'Fund Held on trust' is known as Awyr Las ([paragraphs 20 to 26](#)).
- 15 In December 2015, the new Human Transplantation Wales Act 2013 came into effect. Cerddwn Ymlaen devised the 'Lap of Wales' challenge to raise awareness of the Act, and in doing so secured £85,000 of funding from three public bodies ([paragraphs 27 to 54](#)).
- 16 The challenge was successfully completed in July 2015 although some fundraising continued afterwards to ensure the total cost of running the event was fully covered ([paragraphs 55 to 58](#)).
- 17 Betsi Cadwaladr's post event evaluation indicated weaknesses in the Lap of Wales finances and accounts ([paragraphs 59 to 67](#)).
- 18 The Lap of Wales project reaffirms many of the important challenges that public-sector bodies face when delivering services and projects collaboratively with the private and voluntary sectors. These include:
  - ineffective oversight and monitoring;
  - a lack of transparency; and
  - poorly managed conflicts of interest ([paragraphs 68 to 87](#)).
- 19 The Health Board and Cerddwn Ymlaen have learned a number of important lessons from the Lap of Wales and important changes have and are being made to their governance arrangements ([paragraphs 88 to 89](#)).

## ‘Funds Held on Trust’ use charitable donations from the general public to enhance patient wellbeing and facilitate staff training and development

- 20 All seven Local Health Boards within Wales, as well as the Velindre NHS Trust<sup>1</sup> and the Welsh Ambulance Service, maintain ‘Funds Held on Trust’ which help to support a range of charitable purposes, including:
- purchasing of medical equipment;
  - the provision of patient-welfare activities and amenities; and
  - the education and welfare of staff.
- 21 Each individual health board consolidates its various ‘Funds Held on Trust’ for accounting purposes, within their charity arm under powers set out in section 12 of the Charities Act 2011. The Charity Commission regulates the Board charities and all must present accounts in line with the Charity Statement of Recognised Practice.
- 22 In Wales, the ‘Funds Held on Trust’ total income for 2015-16 was £14 million with expenditure at £11 million as shown in [Exhibit 1](#).

<sup>1</sup> Administers Public Health Wales Funds Held on Trust via an umbrella fund.



Exhibit 1: Total NHS Wales's income and expenditure for Funds Held on Trust 2015-16

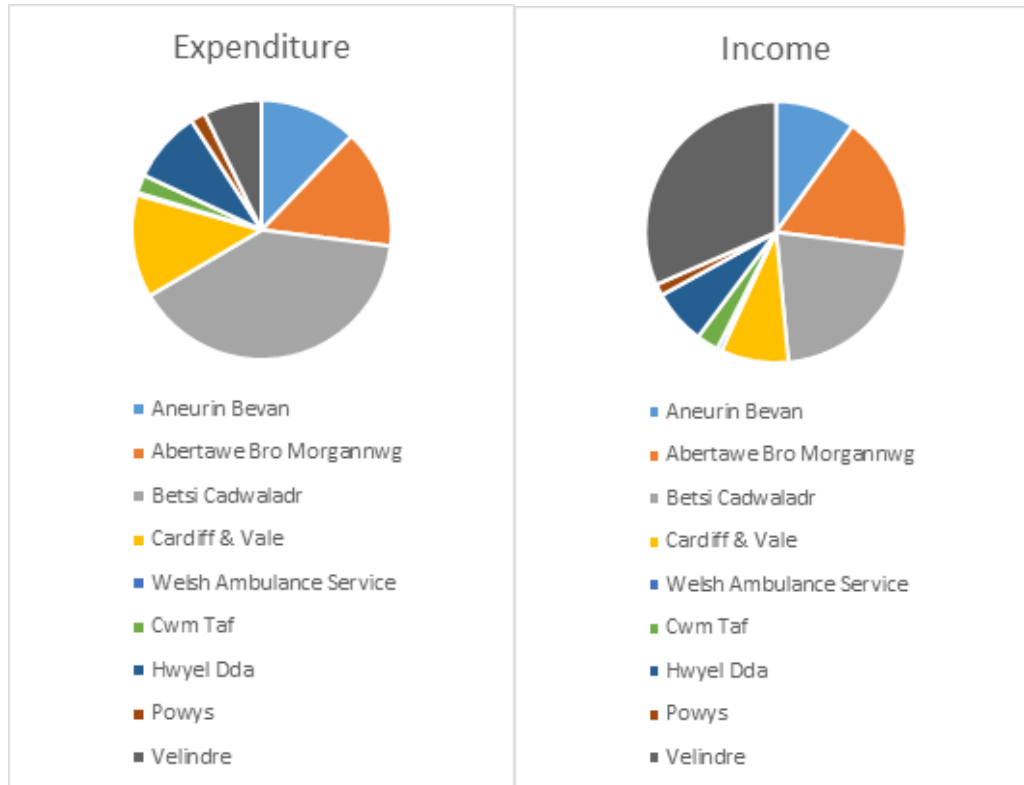


Exhibit source: 2015-16 LRF-TR9's presented to the Wales Audit Office within the Health Board's audit pack.

- 23 The asset value of the Funds Held on Trust, excluding any liabilities held was £28,989,000<sup>2</sup>.
- 24 The nominated Trustees for the Charities are usually members of the Board of each Health Board with a custodian role discharged by a subsidiary Charitable Funds Committee (the Committee). Committee members are nominated by the Board and amongst other matters the Committee is responsible for:
- ensuring that the Health Board policies and procedures for charitable funds investments are followed;
  - making decisions involving the sound investment of charitable funds, managing the risk of any loss in capital value alongside producing a return consistent with prudent investment in the long term;
  - overseeing and monitoring the functions performed by the Executive Director of Finance as defined in Standing Financial Instructions;

<sup>2</sup> All figures quoted for 2015-16 are unaudited.

- monitoring and reviewing the LHB's scheme of delegation for Charitable Funds expenditure;
  - to set and reflect in Financial Procedures the approved delegated limits for expenditure from Charitable Funds;
  - ensuring that funds are being utilised appropriately in line with both the instructions and wishes of the donor. To ensure such funding provides added value and benefit to patients and staff, and that all expenditure is reasonable, clinically and ethically appropriate;
  - establishing and approving the Terms of Reference and Scheme of Delegation for a Charitable Funds Advisory Group to review specific funding applications. To receive reports from the Chair of the Advisory Group at each Committee meeting for scrutiny and ratification.
- 25 The Betsi Cadwaladr University Health Board Charitable Funds Committee comprises seven members; four Independent Members including the Chair and Vice-Chair, and three Executive Director Members. The Committee meets quarterly, and otherwise as the Committee Chair deems necessary, consistent with the Board's annual plan. For the Committee to be quorate at least three members must be present, one of whom should be the committee Chair or Vice-Chair and one Executive Director.
- 26 The Charitable Funds Committee is the custodian for the Awyr Las Charity. During 2015-16 the total income of Awyr Las was £3,033,000 with £2,980,000 coming from donations and fundraising. A total of £4,355,000 was spent, mainly in the form of grants to support a wide range of patient-centred activities, the difference was met from balances. The 'Lap of Wales' income and expenditure accounted for 2.2% and 1.4% respectively.

## The 'Lap of Wales' challenge sought to raise awareness of the Human Transplantation Wales Act 2013 which came into effect on 1 December 2015

- 27 One of the founders of Cerddwn Ymlaen had experienced a personal tragedy in 2012, which brought home the difficulties families experience when faced with a request for the organs of a deceased relative to be made available for transplantation. This led to an interest in this area and a desire to make a difference primarily through fundraising. Between 2012 and 2014, Cerddwn Ymlaen completed a number of walks which raised over £400,000 for the Welsh Air Ambulance charity.
- 28 The family established Cronfa Elen (as a charity within the Awyr Las umbrella) whose aim is to support people who need an organ donation in Wales and the bereaved families of those donating their organs. Shortly afterwards, the Welsh

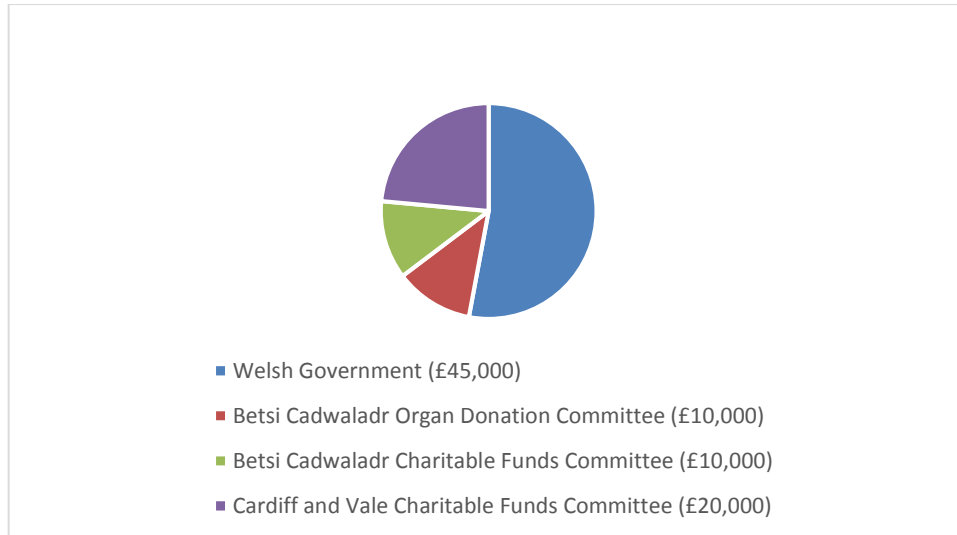
Government drafted new legislation, the Human Transplantation Wales Act 2013, which came into effect on 1 December 2015. The purpose of the Act is to increase the number of organs and tissues available for transplant by introducing a 'soft opt-out' system of organ and tissue donation in Wales.

- 29 Members of Cerddwn Ymlaen worked closely with Specialist Nurses for Organ Donation and Clinical Leads in Organ Donation as well as other healthcare and NHS support staff to identify how they could contribute to the lives of those who are affected in some way by organ donation. The 'Lap of Wales' project was therefore established during 2104 by Cerddwn Ymlaen with the following aims:
- to create a neutral and independent national project with the support and collaboration of NHS representatives working in organ donation;
  - to help ensure that the introduction of a system of deemed consent to organ and tissue donation in Wales is a success;
  - to use existing resources to compile new educational tools, build on existing networks of stakeholders and involve volunteers wherever possible to create a cost-effective and high-profile event.
- 30 Accompanying these key aims were the following broad objectives:
- to stimulate a 'national discussion' in order to educate people across Wales on the need to share personal wishes around organ donation with next of kin; and
  - to provide people across Wales, especially hard-to-reach audiences, with the information they need to understand the legislation.
- 31 Although both Cerddwn Ymlaen and Awyr Las saw the Lap of Wales challenge as having a fundraising role, their principal focus was to raise public awareness of the changes introduced by the new law and the importance of families having conversations about organ donation and what family members' wishes were. In this way it differed significantly from previous fund-raising events organised by Cerddwn Ymlaen.

## The Lap of Wales challenge received funding from three public bodies in Wales totalling £85,000

- 32 Three public bodies, Betsi Cadwaladr Health Board, the Welsh Government and Cardiff and Vale Health Board contributed to the 'Lap of Wales' challenge, see [Exhibit 2](#).

Exhibit 2: The total amount donated to the 'Lap of Wales' from public bodies was £85,000



Source: Wales Audit Office

33 The next section looks at the approval process for each of the bodies.

### Cerddwn Ymlaen obtained a total of £20,000 funding towards the 'Lap of Wales' challenge from Betsi Cadwaladr University Health Board

34 The Charitable Funds Committee has a duty to ensure that there is a clear strategy and framework in place for decision making agreed by the Board of Trustees. Fund Advisors, other Health Board staff, the Charitable Funds Advisory Group and the Committee itself use the strategy to evaluate bids for funding. The Committee is tasked with considering and determining the outcomes of applications for funding from Awyr Las, and the applications are presented to the Committee in a standard format.

35 Members of Cerddwn Ymlaen approached the Chair of the Committee in December 2014 to explore the possibility of the Health Board contributing £20,000 towards the Lap of Wales challenge.

36 The 'Lap of Wales' request was not a typical application to the Charitable Funds Committee; usually the applications submitted by Fund Holders are for tangible items such as a medical scanner. This application was seeking a financial contribution towards a programme of events being planned and delivered by a third-party organisation which is currently neither a company nor a registered charity. Cerddwn Ymlaen describes itself as a Charitable Campaign; it has its own bank account and insurance cover.

- 37 The Chair of the Charitable Funds Committee, who also chaired the Health Board's Organ Donation Committee, deemed Cerddwn Ymlaen's request to be worthy of support. He saw potential for the £20,000 contribution to be split equally between the main charitable fund and the organ donation fund.
- 38 After meeting the members of Cerddwn Ymlaen and informing the Interim Assistant Director of Finance, the Chair contacted the other Charitable Funds Committee members to canvas their approval for the project. He indicated that the Organ Donation Committee was contributing £10,000 towards the challenge. All members of the Charitable Funds Committee (with the exception of one, who was not present at the discussions) agreed to contribute a further £10,000 to the 'Lap of Wales' project, giving a total of £20,000.
- 39 In November 2014, before the additional £10,000 application was formally presented to the Charitable Funds Committee, the payments team actioned a request from the Organ Donation Chair to make an internal transfer of £10,000 from the Organ Donation Fund to Cronfa Elen.
- 40 On 1 December 2014, the Chair of the Charitable Funds Committee sent the Interim Assistant Director of Finance an e-mail which stated the following:  
'Further to our telephone chat this morning re Lap of Wales, I can confirm that I have had approval for £10,000 to be lodged in the Elen Fund, hosted by Awyr Las and available for the Lap of Wales organisers to meet establishing costs.'
- 41 The Interim Assistant Director responded to the e-mail stating:  
'Please take this as authorisation to go ahead and confirm to the organisers of Lap for Wales Organ Donation that the £10,000 will be forthcoming from Awyr Las. As discussed this has been informally agreed by a majority of the committee, and at the committee meeting on December 12th we will retrospectively officially approve this payment.'
- 42 Prior to the 12 December 2014 committee meeting, the Chair of the Charitable Funds Committee completed the application form for the 'Lap of Wales' project himself on behalf of the Organ Donation Committee. The application requested a 'Loan to the Lap of Wales Challenge for Organ Donation' and in the section on risk evaluation a risk was recorded that 'Sufficient funding for the project is not received and the project is not able to proceed'.
- 43 The Vice-Chair told us that the Chair of the Charitable Funds Committee advised her that he had contacted the Welsh Air Ambulance charity about its previous involvement with Cerddwn Ymlaen for due-diligence purposes and that it had confirmed that the group could be relied upon to deliver the Lap of Wales challenge. As mentioned earlier, the organisation had previously successfully completed a number of fundraising events, most notably a series of walks which raised some £400,000 for the Welsh Air Ambulance.

- 44 On 12 December the Charitable Funds Committee retrospectively approved the loan application and, the following was recorded within the minutes:  
**'CF14/047.2 Loan to the Lap of Wales Challenge for Organ Donation**  
[The Chair] confirmed this bid has been discussed with the Independent Members on the Committee as it comes from [the Chair] on behalf of the Organ Donation Committee. The bid is requesting a loan which is repayable and the project are still waiting for approval from Welsh Government as this is not being completed in isolation. This request was approved.'
- 45 When approving the application, the Health Board's Charitable Funds Committee members were unaware that the 'Lap of Wales' had secured funding from two other organisations, namely the Welsh Government and Cardiff and Vale University Health Board.
- 46 Although the application was approved for a 'loan', the relevant documentation approving a loan was not completed or issued by the Health Board's Finance Team. The funds of £10,000 were made available to Cerddwn Ymlaen via an internal transfer to Cronfa Elen within the Health Board's Charitable Funds accounts.
- 47 Cerddwn Ymlaen members have told us that they did not request a loan from the Health Board; the challenge needed contributions. It would not have gone ahead with the public-sector support if it was made available through loans. The study team contacted the former Chair via the Health Board, to seek his perspective on why an application for a loan ended up as a financial contribution. However, he declined to meet with us to discuss the matter further. From all of the individuals that we have spoken to, there was an informal expectation that the Lap of Wales challenge would raise more money than the cost of delivering it, and this money would be deposited in Cronfa Elen and could be drawn upon at a later stage.

## **Cerddwn Ymlaen obtained £20,000 funding towards the 'Lap of Wales' challenge from Cardiff and Vale University Health Board**

- 48 On 23 October 2014, the Health Board Chair (who is also Chair of the Organ Donation Committee) was contacted by a member of Cerddwn Ymlaen to discuss providing a financial contribution to the 'Lap of Wales'. The Chair met with Cerddwn Ymlaen on 6 November 2014.
- 49 The Cardiff and Vale Charitable Funds Committee considered the 'Lap of Wales' application at its December 2014 meeting. The Committee discussed the balance of risk and opportunity, noting that the event and monies would be managed by the fundraising team at the Health Board, and that robust governance procedures were in place.
- 50 It was hoped that there would be surplus funds available after taking into account the cost of completing the Lap of Wales challenge. The Committee discussed the proposed distribution of profit share within Cardiff and Vale, seeking clarity on whether proceeds would be returned to the Committee or to departmental funds.

The extent of non-financial contribution expected from the Health Board was also discussed. It was clear none was required, as all administration and event organisation was carried out by Awyr Las. The Health Board did allow access to St David's Hospital (in Cardiff) to launch the event.

- 51 It was highlighted that there should be celebration of the enactment of the Human Transplantation (Wales) Act 2013. It was recommended that the Health Board should lead on supporting this event owing to its role as the transplant provider for Wales.
- 52 After discussions, the Committee approved a contribution of £20,000 which was paid to Awyr Las.

### **Cerddwn Ymlaen obtained £45,000 funding towards the 'Lap of Wales' challenge from the Welsh Government via Betsi Cadwaladr**

- 53 In February 2015, the Welsh Government's Minister for Health and Social Care received a submission folder from his officials requesting approval of a £45,000 grant to Cerddwn Ymlaen to support the 'Lap of Wales' event. The Welsh Government grant would contribute to:
- stage organisers' fees;
  - stage organisers' expenses; and
  - a mobile exhibition accompanying the Lap of Wales to publicise the Human Transplantation (Wales) Act.
- 54 The Minister approved the grant and reiterated the importance of keeping the fundraising element visibly separate to any Welsh Government branding or campaign materials to help avoid confusion. In particular, keeping any fundraising activity separate to the exhibition of legislation.

### **The Lap of Wales challenge was successfully completed in July 2015, although some fundraising continued afterwards to meet the £154,054 total cost of running the event**

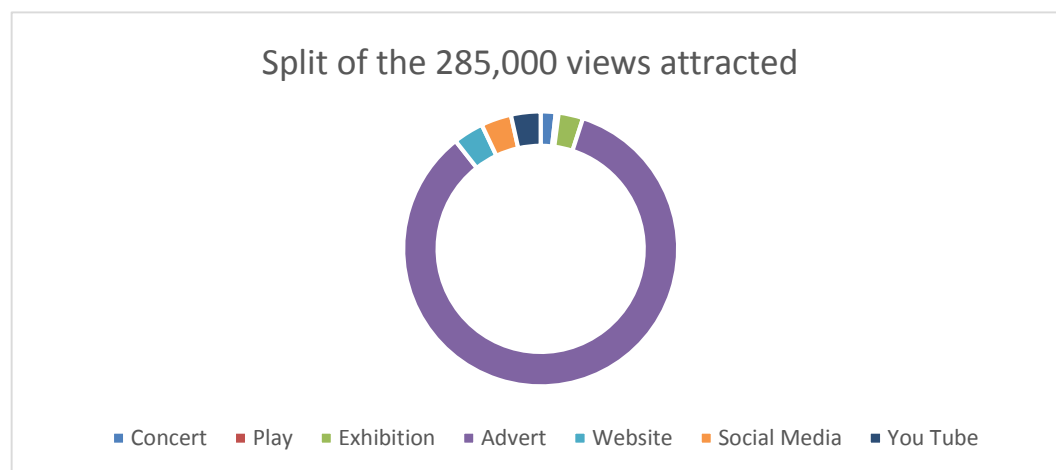
- 55 The aims of the challenge, as set out in the 'Lap of Wales' summary report published in May 2016, were to:
- promote the need to talk about organ donation with loved ones and to raise awareness of the new organ-donation legislation that was introduced in Wales on 1 December 2015;

- create a neutral and independent national project with the support and collaboration of NHS representatives working in organ donation in order to help to ensure that the introduction of a system of deemed consent to organ and tissue donation in Wales is a success;
- establish Cronfa Elen as a charity synonymous with organ donation in Wales; and
- use existing resources and compile new educational tools, build on existing networks of stakeholders and involve volunteers wherever possible to create a high-profile event.

56 On each day of the week-long challenge across Wales the participants met with families affected by organ donation. These included school children, community groups and health care staff. At multiple points during the week, organ recipients and families of loved ones who had donated their organs joined the team in a show of support.

57 The statistics gathered by Cerddwn Ymlaen showed the various communication channels attracted around 285,000 views: over four-fifths were as a result of advertising. The remaining 16% were split between the categories shown in [Exhibit 3](#).

**Exhibit 3: The different communication avenues used to attract awareness of the challenge**



Source: Lap of Wales summary report

58 Cerddwn Ymlaen are pleased the profile of organ donation was raised as a result of the thousands of conversations that were held during the build up to the challenge and the challenge itself, as well as subsequent events and coverage of the 'Lap of Wales'. However, the fundraising element of the challenge was not as fruitful as Cerddwn Ymlaen had originally anticipated. As a result, and to ensure



the project was not in deficit, Cerddwn Ymlaen undertook additional fundraising to meet the £154,054 cost of completing the challenge. They delivered some additional unplanned local events in the late summer and autumn of 2015 to ensure that this shortfall was addressed.

## Betsi Cadwaladr University Health Board officials' post-completion evaluation of the Lap of Wales challenge highlighted some deficiencies in its finances and accounts

- 59 The first meeting of the Charitable Funds Committee after the completion of the Lap of Wales challenge was on 21 September 2015. By this date, no formal evaluation of the event had been conducted although the Fundraising Manager for Awyr Las had been closely involved with the challenge. Representatives of Cerddwn Ymlaen attended the meeting to provide an oral update on the 'Lap of Wales' challenge and to answer any questions.
- 60 During the meeting, Cerddwn Ymlaen representatives confirmed that fundraising during the course of the event had been disappointing particularly compared to the levels that the organisation had previously achieved. A committee member queried whether Cronfa Elen had a fundraising target in mind. Cerddwn Ymlaen clarified that the aim was to raise as much as possible, however, it was not clear how the money being raised was going to be spent.
- 61 At the September meeting, questions were also asked about the repayment of the £10,000 loan. The Fundraising Manager confirmed the loan had not been repaid as the event had not raised as much money as anticipated.
- 62 There was a lack of clarity about the accounting arrangements in place, in particular whether all money spent had gone through the Awyr Las charity books ie through Cronfa Elen. The Executive Director of Finance explained that from September 2015 onwards any spending from Cronfa Elen would need to go through an application to the Committee ensuring compliance with the Health Board's processes.
- 63 The Executive Director of Finance also stated that Awyr Las had a negative balance in relation to the donations given to Cronfa Elen for delivering the Lap of Wales, and raised concern about the possible impact on the audit of the accounts of Awyr Las. Cerddwn Ymlaen confirmed that the books for Cronfa Elen were incomplete and the fund was in deficit.
- 64 The Executive Director made it clear that the Committee would need to see a complete financial picture of the 'Lap of Wales' challenge. The Chair therefore requested that Cerddwn Ymlaen should liaise with the Interim Assistant Director of Finance to ensure the accounts were completed by the end of November 2015 and an update report provided. However, Cerddwn Ymlaen did not provide the

information required and the Committee was subsequently notified of this at its next meeting on 21 December 2015.

- 65 The Committee pressed for Cronfa Elen accounts to be presented in order to establish the exact position, although this proved difficult in practice. Following a further exchange of correspondence in February and March 2016 between Health Board officials and Cerddwn Ymlaen, the consolidated Cerddwn Ymlaen and Cronfa Elen accounts were eventually presented to the Committee at its May 2016 meeting. This was some six months after the original November deadline, see [Appendix 3](#). The final accounts report that a small surplus of £1,368 was generated from the successful completion of the 'Lap of Wales' challenge.
- 66 Cerddwn Ymlaen representatives have explained to us that its accountant, also a member of Cerddwn Ymlaen, had agreed to provide a set of annual accounts for the financial year 2015-16 on a 'no-fee' basis as an in-kind contribution to the delivery of the challenge. These annual accounts would have included the income and expenditure for the challenge within its total income and expenditure for the year. However the Health Board was seeking a set of accounts which just covered the 'Lap of Wales'. This would have been in the third quarter of the financial year and therefore was a challenge both in terms of the accountant's spare capacity and potential subsequent cost, as two sets of accounts would have been required.
- 67 Due to the delayed receipt of Cerddwn Ymlaen's interim accounts, the Executive Director of Finance requested that the Health Board's new Head of Financial Services undertake an internal review of the governance of the 'Lap of Wales'. A paper has since been produced for consideration by the Charitable Funds Committee, setting out lessons learned and making recommendations for important changes in policies and operating procedures. These changes are considered in the next section of this report, in the wider context of our experience of examining other collaborative working arrangements between the public sector and the private and voluntary sector.

## The Lap of Wales challenge reaffirms many of the important challenges that public-sector bodies face when delivering services and projects collaboratively with the private and voluntary sectors

- 68 The Auditor General has previously published a number of reports on collaborative service and project delivery and has identified a number of themes which have limited the success of the respective ventures. These include:
- ineffective oversight and monitoring;
  - a lack of transparency; and
  - poorly managed conflicts of interest.

- 69 Frequently, these weaknesses in governance have occurred within bodies that deliver public services 'indirectly and at arms-length from their parent or client body. Many were associated with flawed procurement or disposal processes or were failed grant-funded projects. The impacts have included poor-quality services, losses of public funds, reputational damage and erosion of public trust and confidence in those responsible. The root causes included:
- Insufficient consideration of arrangements for oversight and the appropriate balance between autonomy and intervention;
  - A lack of clarity around how governance arrangements should operate in practice, contributing to reduced transparency and diluted public accountability; and
  - The absence of a consistent and shared understanding of and commitment to standards of ethics and conduct to be observed by all those involved in public-service delivery.
- 70 Many of the issues identified by the Health Board in this case are similar to the ones identified previously by the Auditor General, and highlight a need for public bodies to reflect carefully and ensure that these issues do not keep occurring.

## **Betsi Cadwaladr University Health Board and Cerddwn Ymlaen did not have a formal agreement for their respective roles and responsibilities**

- 71 In November 2014, an internal transfer of £10,000 from the Organ Donation Fund to Cronfa Elen and on 31 January 2015 a £10,000 contribution were transferred across to Cronfa Elen from the Health Board's main charitable fund. There were no terms and conditions nor a memorandum of understanding agreed with Cerddwn Ymlaen before the money was transferred. The application noted that the contribution would be towards seed-funding the cost of the project.
- 72 In December 2015, after the request for all expenditure to be presented to the Committee, the lack of terms and conditions became a bone of contention when an invoice was received from BskyB. The invoice related to a series of adverts that were run on S4C to promote the Lap of Wales's opening concert at the Rhyl Pavilion. The concert was not part of the original application to Awyr Las, and Cronfa Elen did not receive any of the income associated with it. The Health Board has refused to pay the invoice pending further clarification.
- 73 When completing the 'Lap of Wales', the members of the team and the support staff carried fundraising buckets. The buckets had the Cronfa Elen logo on them. However, when interviewing the current Chair of the Charitable Funds Committee, it was clear to us that there was insufficient clarity about whether the money raised would be used to fund the event or whether they would be donated to Cronfa Elen to be used for future purposes associated with organ donation. The ambiguity of the fundraising has been recognised by all parties since the Lap of Wales was completed.

## The Charitable Funds Committee approved the 'Lap of Wales' contribution based on a limited assessment of risk

- 74 All projects involve some element of risk and there are particular risks associated with collaborative ventures. These risks need to be identified, evaluated and mitigated to an acceptable level. Such considerations need to form part of the documentation associated with the project approval or refusal.
- 75 The application to the charitable funds committee requested a 'Loan to the Lap of Wales Challenge for Organ Donation' and in the section on risk evaluation recorded one risk; 'Sufficient funding for the project is not received and the project is not able to proceed.'
- 76 There was no evidenced consideration given to the following risk areas:
- Financial risks
  - Information Governance
  - Health and Safety risks
  - Reputational risks
- 77 One of the main risks of this project was financial, given that Cerddwn Ymlaen anticipated a much higher level of public donations than that which was received during the course of the Lap of Wales challenge. This expectation was readily accepted from the two Health Boards providing financial support.
- 78 Also as mentioned earlier, two different accounting systems were in operation; Cerddwn Ymlaen were keeping records of income and expenditure and these were not sighted by the Health Board's Finance staff. Therefore, it was not possible for the finance staff at the Health Board to know if the income and expenditure within Cronfa Elen were complete. The risk of an incomplete financial position was further compounded due to the lack of formal agreement between the Health Board and Cerddwn Ymlaen. It presented the Health Board with a significant risk when compiling the Awyr Las accounts for audit.
- 79 There were risks associated with the various physical challenges undertaken during the Lap of Wales either to the participants or spectators. Although we have been told by Cerddwn Ymlaen that it has its own insurance cover we have not seen any evidence that appropriate confirmatory checks were undertaken by either members of Awyr Las or the Health Board before they agreed to support the event.

## Betsi Cadwaladr University Health Board staff provided limited challenge to the 'Lap of Wales' approval

- 80 The Chair of the Charitable Funds Committee obtained the informal endorsement of all members of the Committee (with the exception of one), before the decision to approve the £20,000 contribution was taken by the Committee. The Chair also completed the application for funding personally; there was no formal application

submitted by Cerddwn Ymlaen. Consequently, there was very limited challenge or robust scrutiny of the proposal at the December 2014 meeting.

- 81 The formal decision taken retrospectively by the Committee at that meeting was to approve the request for a loan to Cerddwn Ymlaen. No such request had been made by Cerddwn Ymlaen and in the event, papers for a loan agreement were not drawn up or issued by the Finance Department.
- 82 These actions were overseen by the interim Assistant Director of Finance but were not corrected or challenged at the time.

### Betsi Cadwaladr University Health Board procurement rules were not followed when appointing suppliers

- 83 The Health Board has financial regulations for all its purchases. However, from reviewing documentation relating to the 'Lap of Wales' it is not clear whether purchases made by funds within the Awyr Las Charity fall within the scope of these regulations.
- 84 The Health Board's financial regulations state that for all purchases over £25,000 and up to Official Journal of the European Union<sup>3</sup> level, the Health Board must get four tenders. A company called Storm and Shelter was commissioned by Cerddwn Ymlaen to provide a website, filming and professional advice, at a cost of £32,000, without completing a tender exercise.
- 85 A member of Cerddwn Ymlaen is the Managing Director and his son is the Director of Storm and Shelter. The decision to appoint the company attracted attention from the media; a number of Freedom of Information requests were received in relation to this issue amongst other matters. Although we understand that the Head of Fundraising for Awyr Las was aware of the relationship, the position caused some tensions in relationships between the Health Board and Cerddwn Ymlaen later when the matter attracted media interest.
- 86 When interviewed, Cerddwn Ymlaen explained that Storm and Shelter was asked to provide the service as it already hosted the organisation's current website, and the Lap of Wales publicity material needed to be up and running as soon as possible. There was an established relationship with the company. Cerddwn Ymlaen did not believe it could secure an equivalent service elsewhere at comparable cost, at such short notice.
- 87 This instance highlights the cultural differences that can exist between private-sector and public-sector partners. Ethical, or Nolan standards, are widely recognised and valued in the public sector, whereas in the private sector commercial interests and the need for quick executive decisions often prevail.

<sup>3</sup> Supply, services and design contract level is £106,047.

Without written agreements in advance setting out ethical requirements, there is a greater risk of instances such as this arising.

## Betsi Cadwaladr University Health Board and Cerddwn Ymlaen have learned a number of important lessons from the Lap of Wales, and important changes have and are being made to their governance arrangements

- 88 The 'Lap of Wales' was a complex and unusual project from a Betsi Cadwaladr University Health Board perspective, given all of the partners involved and the nature of the challenge.
- 89 The 'Lap of Wales' Annual Report provides commentary on the success of the challenge. However, it is clear from reviewing the 'Lap of Wales' documentation there are improvements that need to be made for any future collaborative projects of this nature. Both Betsi Cadwaladr University Health Board and Cerddwn Ymlaen have considered this carefully, and [Appendix 4](#) details the lessons learnt and changes that they have made.

# Appendix 1

## Our audit approach and methods

### Scope

We conducted an audit review of the financial contribution provided by public and charitable funds to the 'Lap of Wales'. We also reviewed the governance, monitoring and oversight arrangements in place within the Welsh Government and the health boards involved.

Our audit set out to establish the underlying facts in respect of concerns that had been raised by Betsi Cadwaladr University Health Board (one of the health boards involved). We have not sought to form evaluative conclusions from our work or to make specific recommendations. The report sets out the facts of the matter for consideration by Betsi Cadwaladr University Health Board and other public-sector organisations who collaborate with the third sector.

### Methods

In undertaking the review, we gathered documentary evidence from Betsi Cadwaladr University Health Board, Cardiff and Vale University Health Board, the Welsh Government and Cerddwn Ymlaen.

In particular, we examined documents held by the Welsh Government's NHS Finance section and Betsi Cadwaladr University Health Board's Charitable Funds Committee.

We interviewed relevant Betsi Cadwaladr University Health Board, Cardiff and Vale University Health Board, and Welsh Government officials.

Prior to publication, we agreed the factual accuracy of our report with Betsi Cadwaladr University Health Board, Cardiff and Vale University Health Board, the Welsh Government, and the named third parties.

## Appendix 2

### Funders, Cerddwn Ymlaen and the 'Lap of Wales' Challenge

Exhibit 4: Funders, Cerddwn Ymlaen and the 'Lap of Wales' Challenge





# Appendix 3

## Cronfa Elen and Cerddwn Ymlaen consolidated accounts

### Exhibit 5: Cronfa Elen and Cerddwn Ymlaen consolidated accounts

#### CRONFA ELEN AND CERDDWN YMLAEN FUNDS

Page 1

#### Consolidated Income and Expenditure Statement

For the period 1st October 2014 to 31st March 2016.

(Incorporating the Lap of Wales Challenge)

	£	£
<b>INCOME</b>		
Sponsorship		20,000
Welsh Assembly Government		45,000
Betsi Cadwaladr University Health Board		20,000
Cardiff & Vale University Health Board		20,000
Fundraising events		6,302
Collections and donations		20,273
CD / Water and other sales		8,157
Opening night ( Lap of Wales)		11,481
Auction proceeds		4,045
Interest		155
		<u>155,414</u>
<b>EXPENDITURE</b>		
Event costs	32,632	
Lodging & catering	21,139	
Travel & transport	10,009	
Activities	32,518	
Publications and CD's	2,703	
Clothing	3,775	
Publicity, web site maintenance & filming	46,044	
Advertising	3,600	
Insurance	890	
Bank charges	4	
Admin & sundry costs	730	
	<u></u>	-154,045
<b>Income in excess of expenditure</b>		<u><u>1,368</u></u>

Consolidated Balance Sheet

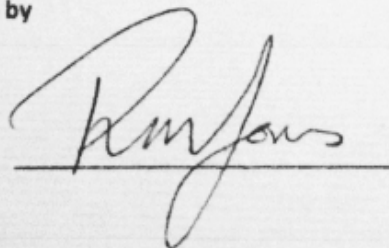
At 31st March 2016.

(Incorporating the Lap of Wales Challenge)

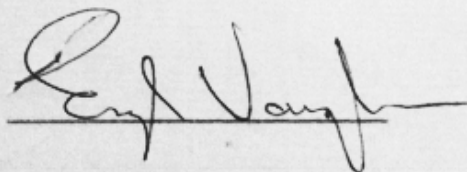
	£
<b>Current assets</b>	
Debtors	2,477
Cash at bank	5,390
	<u>7,867</u>
<b>Current liabilities</b>	
Creditors	-6,498
<b>Net liabilities</b>	<u>1,368</u>
<b>Funded by:</b>	
<b>Income in excess of expenditure</b>	<u>1,368</u>

Approved on the 31st May 2016 by

Mr RM Jones



Mr E Vaughan



# Appendix 4

## Lessons learnt by Betsi Cadwaladr University Health Board

Exhibit 6: Summary of the key lessons learned by Betsi Cadwaladr Health Board and Cerddwn Ymlaen

<b>Betsi Cadwaladr University Health Board</b>	
A new scheme of delegations has been put in place for approving fund applications from the Awyr Las Charity.	
<b>Expenditure Amount</b>	<b>Approval Required</b>
Up to £5,000	<ul style="list-style-type: none"><li>• Finance Director – Operational Finance (delegated to Head of Financial Services).</li></ul>
£5,001 to £25,000	<ul style="list-style-type: none"><li>• Finance Director – Operational Finance (delegated to Head of Financial Services); plus</li><li>• Relevant Senior Manager (see below); plus</li><li>• Relevant Chief Financial Officer; plus</li><li>• Charitable Funds Advisory Group; and</li><li>• Reported retrospectively to the Charitable Funds Committee.</li></ul>
Over £25,000	<ul style="list-style-type: none"><li>• Finance Director – Operational Finance (delegated to Head of Financial Services); plus</li><li>• Relevant Senior Manager (see below); plus</li><li>• Relevant Chief Financial Officer; plus</li><li>• Charitable Funds Advisory Group for comment; and</li><li>• Charitable Funds Committee.</li></ul>
<b>Collaboration documentation</b>	
<p>It is important from the outset that there is clarity between the partners and that appropriate due diligence checks are performed to ensure that the Charity is not compromised. Where there is compatibility, the process will be more straightforward, although it is essential that potential differences are highlighted and resolved. Particular consideration will need to be given to cultural differences and working styles.</p> <p>There should be a structured approach to the assessment and formalisation of potential collaborative arrangements and which covers the following areas:</p> <ul style="list-style-type: none"><li>• Setting out the objectives of the collaboration</li><li>• Agreeing roles and responsibilities including decision making</li><li>• Reporting</li><li>• Financial responsibilities</li><li>• Communication between partners</li><li>• Public relations</li><li>• Risk Management</li><li>• Evaluation and exit strategy</li><li>• Agreement</li></ul>	

## Lessons learnt by Cerddwn Ymlaen

Cerddwn Ymlaen's reflections on the Lap of Wales challenge are summarised below:

- Because of the key emphasis on raising the profile of organ donation and promoting the national conversation between families, the fundraising initiative was often a subordinate consideration. This has necessitated the need for further fundraising following the event in order to meet with all the expenses.
- Care should be taken when comparing the fundraising performance of Lap of Wales with previous Cerddwn Ymlaen events as Cronfa Elen is a relatively new charity. The Wales Air Ambulance was a very well-established charity that was well-publicised throughout the country, which led to a much higher number of donations in previous events. The Lap of Wales sought to establish Cronfa Elen as a charity and in doing so has positioned the charity in a promising position moving forward.
- In previous Cerddwn Ymlaen events, the public stages (in which members of the public could take part in sections of the challenge) were an effective method of fundraising and gathering support for the event. Due to the complex logistical nature of the Lap of Wales there were not as many opportunities for the public to take part, which may have been a contributing factor to the significant decrease in donations.
- The nature of the Welsh-speaking celebrities could have had an alienating effect on non-Welsh-speaking audiences. A wider range of celebrities known to non-Welsh-speakers could have made a big difference in attempting to include the wider community.
- Outside Cronfa Elen's main goal of raising awareness of the need for families to discuss organ donation, the objectives of the charitable fund were broad without having a clear focus on specific needs. Campaigns in the future must have more obvious and clearly defined objectives such as raising money for a particular clinical unit or clinical need.
- In light of emerging social media trends, in order to encourage more views for video content, videos should be uploaded natively to Facebook rather than be uploaded to YouTube and shared. This was done with subsequent Cronfa Elen content, and those videos received much more attention.
- In the future, its preference would be greater autonomy, using their own bank account and arrangements for running an event and with public-sector contributions being deposited in its bank account, with a written agreement on deliverables and relevant governance requirements. The hybrid arrangement for Lap of Wales gave them cash-flow problems which members had to address through personal funds.
- Cerddwn Ymlaen now proposes to establish itself as a registered charity with a Board of Trustees. It recognises the need for formal written agreements to be in place when dealing with public money and this will feature as part of our standard practices going forward.



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](mailto:info@audit.wales)

Website: [www.audit.wales](http://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](mailto:post@archwilio.cymru)

Gwefan: [www.archwilio.cymru](http://www.archwilio.cymru)