



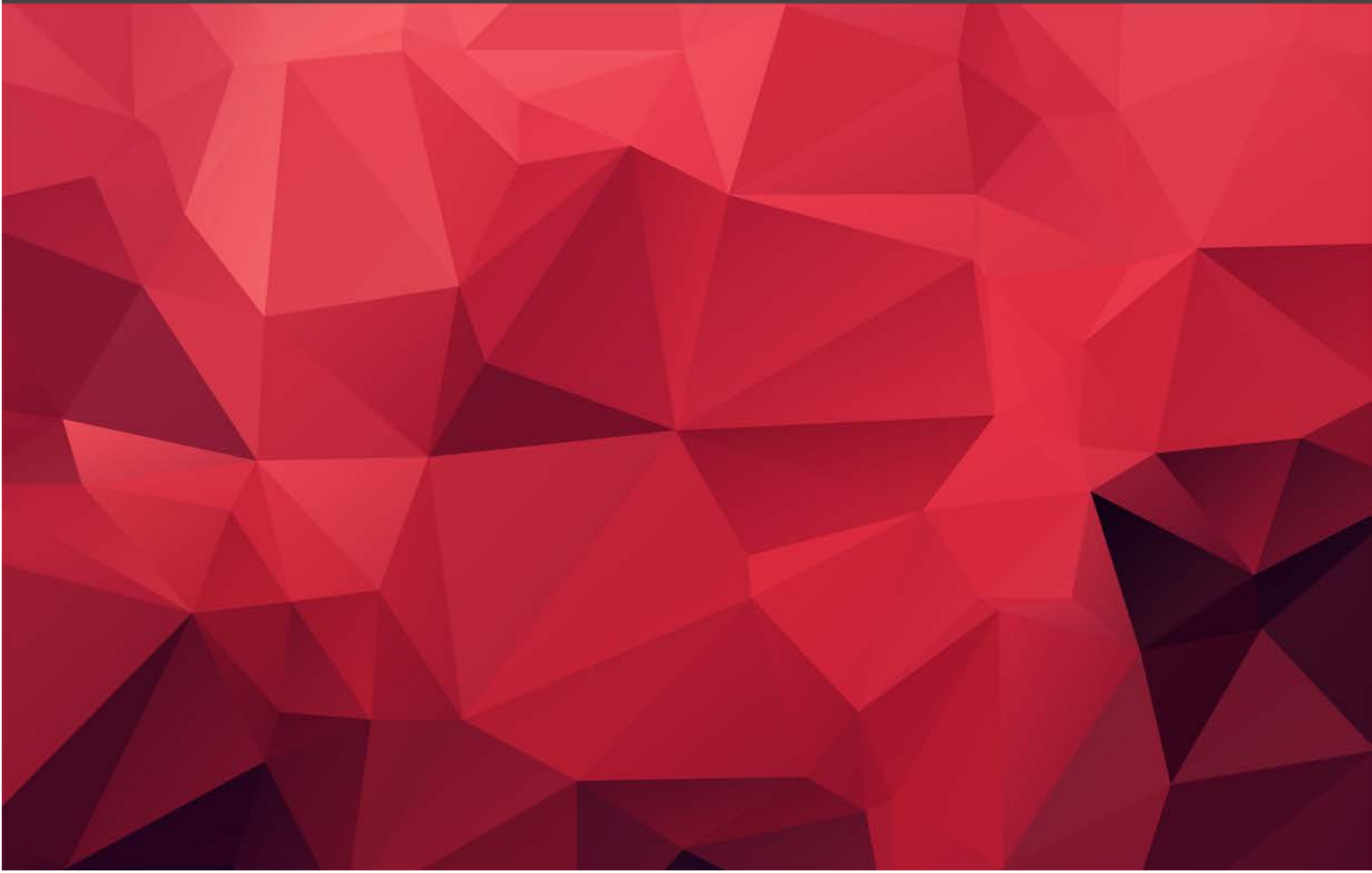
WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru  
Auditor General for Wales

# Annual Audit Report 2016 – **Abertawe Bro Morgannwg University Local Health Board**

Date issued: January 2017

Document reference: 104A2017



This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000.

The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at

[info.officer@audit.wales](mailto:info.officer@audit.wales).

The team who helped me prepare this report comprised David Thomas, Ann-Marie Harkin, Carol Moseley and Geraint Norman.

# Contents

Summary report	4
Detailed report	
About this report	7
Section 1: Audit of accounts	8
I have issued an unqualified opinion on the 2015-16 financial statements of the Health Board, although in doing so, I have brought several issues to the attention of officers and the Audit Committee and placed a substantive report alongside my audit opinion	8
Section 2: Arrangements for securing efficiency, effectiveness and economy in the use of resources	10
Despite urgent measures taken in recent years to achieve year-end financial balance, the current financial position is unsustainable, with a growing funding gap and a significant year-end overspend forecast for 2016-17	11
The Health Board has strengthened its planning approach and governance arrangements and is addressing some previous recommendations, but organisational capacity, connections between programmes and maintaining pace of change are challenges	12
My performance audit work has identified some positive developments, but also opportunities to secure better use of resources in a number of important areas	15
Appendices	
Appendix 1 – Reports issued since my last annual audit report	17
Appendix 2 – Audit fee	18
Appendix 3 – Significant audit risks	19

# Summary report

## Summary

- 1 This report summarises my findings from the audit work I have undertaken at Abertawe Bro Morgannwg University Local Health Board during 2016.
- 2 The work I have done at the Health Board allows me to discharge my responsibilities under the Public Audit (Wales) Act 2004 (the 2004 Act) in respect of the audit of accounts and the Health Board's arrangements to secure efficiency, effectiveness and economy in its use of resources.
- 3 My audit work has focused on strategic priorities as well as the significant financial and operational risks facing the Health Board, and which are relevant to my audit responsibilities. More detail on the specific aspects of my audit can be found in the separate reports I have issued during the year. These reports are discussed and their factual accuracy agreed with officers and presented to the Audit Committee. The reports I have issued are shown in [Appendix 1](#).
- 4 This report has been agreed for factual accuracy with the Chief Executive prior to presentation to the Audit Committee 19 January 2017. It will then be presented to a subsequent Board meeting and a copy provided to every member of the Health Board. We strongly encourage wider publication of this report by the Health Board. Following Board consideration, the report will also be made available to the public on the [Wales Audit Office website](#).
- 5 The key messages from my audit work are summarised under the following headings.

## Section 1: audit of accounts

- 6 I have issued an unqualified opinion on the 2015-16 financial statements of the Health Board, although in doing so I have brought some issues to the attention of officers and the Audit Committee as set out in my ISA260 report.
- 7 In addition, I placed a substantive report on the Health Board's financial statements alongside my audit opinion. My report explains the two new financial duties introduced on 1 April 2014 by the NHS Finance (Wales) Act 2014, the Health Board's performance against them, and the implications for 2016-17.
- 8 I have also concluded that the Health Board's accounts were properly prepared and materially accurate. My work did not identify any material weaknesses in the Health Board's internal controls relevant to my audit of the financial statements.
- 9 The Health Board achieved financial balance at the end of 2015-16. I set out more detail about the financial position and financial management arrangements in Section 2 of this report.

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

- 10 I have reviewed the Health Board's arrangements for securing efficiency, effectiveness and economy in the use of its resources. This includes my structured assessment work which has examined the Health Board's financial management arrangements, its governance and assurance arrangements, and the progress made in relation to the structured assessment recommendations made last year. Performance audit reviews have also been undertaken in respect of consultant contract, hospital catering and patient nutrition and the progress made in addressing my previous IT audit recommendations. This work has led me to draw the following conclusions:

### Despite urgent measures taken in recent years to achieve year-end financial balance, the current financial position is unsustainable, with a growing funding gap and a significant year-end overspend forecast for 2016-17

- 11 Financial planning arrangements are in place but links between financial planning and wider service modernisation goals are not fully developed and the Health Board was unable to set a financially balanced integrated medium term plan (IMTP).
- 12 Arrangements for financial control and stewardship are in place, in addition to financial monitoring arrangements. However, there is a need to strengthen scrutiny arrangements which ensure that financial management controls are robustly applied and to improve financial reporting, particularly to the Board.
- 13 The Health Board is currently reporting a likely £39 million year-end deficit for 2016-17. The continuing shortfall in planned savings and reliance on additional Welsh Government funding to breakeven indicates an unsustainable financial position and the impact on service delivery and performance in the short and long term is unclear.

### The Health Board has strengthened its planning approach and governance arrangements and is addressing some previous recommendations, but organisational capacity, connections between programmes and maintaining pace of change are challenges

- 14 The Health Board has improved its planning approach but does not currently have an approved IMTP. It needs to strengthen IMTP scrutiny and ensure sufficient organisational capacity and clearer interfaces between planning, commissioning and delivery programmes and priorities.

- 15 There is a defined system of assurance which the Health Board continues to review and develop, although the performance management framework requires updating and there are opportunities to extend risk and assurance mapping. The Board and its committees are generally operating effectively, although more time is needed to embed recent changes to some committees and new board member appointments in 2017 brings both opportunities and risks.
- 16 The Health Board has taken steps to address my 2015 structured assessment recommendations. However, recommendations relating to financial planning and reporting have not been addressed and further action is needed to fully develop and embed actions for others.

### My performance audit work has identified some positive developments, but also opportunities to secure better use of resources in a number of important areas

- 17 The Health Board has made progress in addressing previous recommendations although some important actions remain outstanding. My work in 2016 found that:
- Consultant job planning remains highly inconsistent across the Health Board and some of the initial benefits to emerge from the consultant contract have eroded over time. However, recent organisational changes and plans to introduce electronic job planning may help to strengthen arrangements.
  - The Health Board has made good progress in addressing my previous recommendations on hospital catering and patient nutrition, but more work is needed to further strengthen documentation processes and patient information, extend meal choices, ensure regular training, and reduce the gap between the cost and income of non-patient catering.
  - The Health Board is addressing issues raised in previous ICT audits. However, slower progress in some areas, recent organisational changes and IT architecture upgrades make further actions necessary.
- 18 We gratefully acknowledge the assistance and cooperation of the Health Board's staff and members during the audit.

# Detailed report

## About this report

- 19 This Annual Audit Report 2016 to the board members of the Health Board sets out the key findings from the audit work that I have undertaken between December 2015 and December 2016.
- 20 My work at the Health Board is undertaken in response to the requirements set out in the 2004 Act<sup>1</sup>. That act requires me to:
- a) examine and certify the accounts submitted to me by the Health Board, and to lay them before the National Assembly;
  - b) satisfy myself that the expenditure and income to which the accounts relate have been applied to the purposes intended and in accordance with the authorities which govern it; and
  - c) satisfy myself that the Health Board has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 21 In relation to (c), I have drawn assurances or otherwise from the following sources of evidence:
- the results of audit work on the Health Board's financial statements;
  - work undertaken as part of my latest structured assessment of the Health Board, which examined the arrangements for financial management, governance and assurance;
  - performance audit examinations undertaken at the Health Board; and
  - the results of the work of other external review bodies, where they are relevant to my responsibilities.
- 22 I have issued a number of reports to the Health Board this year. The messages contained in this Annual Audit Report represent a summary of the issues presented in these more detailed reports, a list of which is included in [Appendix 1](#).
- 23 The findings from my work are considered under the following headings:
- section 1: audit of accounts; and
  - section 2: arrangements for securing economy, efficiency and effectiveness in the use of resources.
- 24 [Appendix 2](#) shows the latest estimate on the audit fee that I will need to charge to cover the actual costs of undertaking my work at the Health Board, alongside the original fee that was set out in the 2016 Audit Plan.
- 25 Finally, [Appendix 3](#) sets out the significant financial audit risks highlighted in my 2016 Audit Plan and how they were addressed through the audit.

<sup>1</sup> [Public Audit \(Wales\) Act 2004](#)

## Section 1: audit of accounts

- 26 This section of the report summarises the findings from my audit of the Health Board's financial statements for 2015-16. These statements are the means by which the organisation demonstrates its financial performance and sets out its net operating costs, recognised gains and losses, and cash flows. Preparation of an organisation's financial statements is an essential element in demonstrating appropriate stewardship of public money.
- 27 In examining the Health Board's financial statements, I am required to give an opinion on:
- whether they give a true and fair view of the financial position of the Health Board and of its income and expenditure for the period in question;
  - whether they are free from material misstatement – whether caused by fraud or by error;
  - whether they are prepared in accordance with statutory and other requirements, and comply with all relevant requirements for accounting presentation and disclosure;
  - whether that part of the remuneration report to be audited is properly prepared; and
  - the regularity of the expenditure and income.
- 28 In giving this opinion, I have complied with my Code of Audit Practice and the International Standards on Auditing (ISAs).

**I have issued an unqualified opinion on the 2015-16 financial statements of the Health Board, although in doing so, I have brought several issues to the attention of officers and the Audit Committee and placed a substantive report alongside my audit opinion**

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

- 29 The draft financial statements were produced for audit by the agreed deadline and were again of a good standard. The Health Board has quality assurance processes for preparing the financial statements and there is a high level of scrutiny from the Audit Committee. We concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear.
- 30 I am required by ISA 260 to report issues arising from my work to those charged with governance before I issue my audit opinion on the accounts. My Financial Audit Engagement Lead reported these issues to the Health Board's Audit



Committee on 1 June 2016. **Exhibit 1** summarises the key issues set out in that report.

**Exhibit 1: Key issues identified in the Audit of Financial Statements Report**

Issue	Comment
<p>Welsh Government approval for all contracts over £1 million.</p>	<p>The Health Board is required to obtain Welsh Government approval for all contracts over £1 million. Expenditure which does not have the required approval in place is deemed to be irregular.</p> <p>My team identified payments to a private healthcare provider totalling £2.8 million during 2015-16 for which there was no explicit Welsh Government approval until the end of January 2016.</p> <p>Although significant, the irregular expenditure does not exceed materiality and does not therefore impact the audit opinion.</p>
<p>Public Sector Payment Policy (PSPP) – Measure of Compliance</p>	<p>The financial statements set out the Health Board's performance against the PSPP 'prompt payment code' – the Welsh Government has set a target of 95 per cent for the number of non-NHS payments within 30 days of delivery.</p> <p>The Health Board has reported performance of 95.3 per cent against this target for 2015-16.</p> <p>The Exeter system used by all Health Boards to process primary care payments does not provide any statistical information on the number of days it has taken to make payments. From 2015-16 onwards the Welsh Government decided to exclude these payments from the calculation, whilst previously health bodies had assumed all invoices were paid within the 30 day period. This is likely to reduce overall performance compared to previous years although we cannot quantify this.</p>

- 31 As part of my financial audit, I also undertook a review of the Health Board's Whole of Government Accounts return. I concluded that the counterparty consolidation information was consistent with the financial position of the Health Board at 31 March 2016 and the return was prepared in accordance with the Treasury's instructions.
- 32 My separate independent review of the Health Board's Charitable Funds' financial statements is complete. On 28 September 2016 I issued an unqualified auditor's report on the financial statements. I did not identify any material weaknesses in the internal controls although I did report that the Charitable Funds Committee should:

- take immediate action to ensure that all expenditure from Charitable Funds is approved in accordance with the delegation limits and the approved procedures;
- ensure that retrospective approval is obtained for the items of expenditure my team identified were not procured in line with approved procedures; and
- review all dormant funds in 2016-17 and close them where appropriate.

### My work did not identify any material weaknesses in the Health Board's internal controls

33 I reviewed the Health Board's internal controls that I considered to be relevant to the audit to help me identify, assess and respond to the risks of material misstatement in the accounts. I did not, however, consider them for the purposes of expressing an opinion on their operating effectiveness of internal control. My review did not identify any significant deficiencies in the Health Board's internal controls.

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

34 I have a statutory requirement to satisfy myself that NHS bodies have proper arrangements in place to secure efficiency, effectiveness and economy in the use of their resources. I have undertaken a range of performance audit work at the Health Board over the last 12 months to help me discharge that responsibility. This work has involved:

- reviewing the Health Board's financial management arrangements, including the progress being made in delivering cost saving plans and their contribution to achieving financial balance;
- assessing the effectiveness of the Health Board's governance and assurance arrangements through my structured assessment work, including review of the progress made in addressing structured assessment recommendations made last year;
- assessing the progress the Health Board has made in addressing the issues identified by previous audit work and reviewing the Health Board's wider arrangements for tracking progress against external audit recommendations.

35 The main findings from this work are summarised under the following headings.

**Despite urgent measures taken in recent years to achieve year-end financial balance, the current financial position is unsustainable, with a growing funding gap and a significant year-end overspend forecast for 2016-17**

36 My structured assessment work in 2016 has considered the action that the Health Board is taking to achieve financial balance and create longer-term financial sustainability. I have assessed the financial position of the organisation, the approach to financial planning, financial controls and stewardship, and the arrangements for financial monitoring and reporting.

**Financial planning arrangements are in place but links between financial planning and wider service modernisation goals are not fully developed and the Health Board was unable to set a financially balanced integrated medium term plan**

37 The Health Board has arrangements and controls for the setting of its revenue and capital budgets. These have remained largely as in prior years but continuing financial pressures have meant that despite these arrangements, the Health Board was unable to agree a financially balanced integrated medium term plan (IMTP) in 2016.

38 Budget assumptions and cost improvement plans (CIPs) underpin the IMTP and financial risks are reported as part of the budget planning process. However, there is a significant proportion of required in-year savings which remain unidentified. The Health Board's budget is not zero based, either in totality or for discrete parts. Also, the links between the budget, objectives and other plans are unclear. Without each of these, the ability to implement zero based budgeting and assess the impact of financial decisions is difficult.

**Arrangements for financial control and stewardship are in place, but there is a need for greater scrutiny of financial management and to ensure that controls are robustly applied**

39 A framework of financial controls is in place, supported by a proactive Internal Audit department and an effective Audit Committee. The Health Board has defined roles and responsibilities, which account for the changes to organisational structures in 2015-16.

40 However, given the increasing financial challenges and current weaknesses in financial reporting to Board, the Health Board needs to do more to ensure the robust application of the financial management controls through strengthened scrutiny arrangements. There is also opportunity for financial and performance information to be brought together and scrutinised, with assurances provided to the Board.

**Arrangements are in place for financial monitoring, but the content, transparency and format of financial reports to Board is not sufficiently robust**

- 41 The Health Board has arrangements for financial monitoring and reporting, with regular reports to the Board for performance against the revenue budget, monthly monitoring returns to the Welsh Government and monthly challenge meetings with Unit Directors.
- 42 The information being reported to the Board and the Welsh Government is consistent, although my work found that the financial forecasts and savings targets reported each month varies. This makes it difficult to track performance against the targets initially set.
- 43 There is a need to improve the content, transparency and format of financial reports particularly to open Board. In addition, there is little reporting of performance against the capital programme to the Board. The Health Board recognises this and is taking steps to address.

**The continuing shortfall in planned savings and reliance on additional funding to breakeven indicates an unsustainable financial position and the impact on service delivery and performance in the short and long term is unclear**

- 44 The Health Board has achieved financial balance in each of the last three years but only after additional Welsh Government funding and one off measures. At Month 9 of 2016-17, the Health Board is already £26.6 million overspent and a large proportion of its savings remain unidentified. The Health Board is currently reporting a likely £39 million year end deficit for 2016-17.
- 45 The Health Board does not monitor or report on the impact on quality of cost improvement programmes either at the planning stage, through the year or after the year end. Furthermore, there is no consideration of the impact on longer term objectives as part of the one off measures taken each year to achieve financial balance.

**The Health Board has strengthened its planning approach and governance arrangements and is addressing some previous recommendations, but organisational capacity, connections between programmes and maintaining pace of change are challenges**

- 46 My governance and assurance work has assessed the Health Board's strategic planning and reporting arrangements and the approach for developing and reviewing a board assurance framework. I have also considered the overall effectiveness of the board and its governance structures and the progress made in addressing previous structured assessment recommendations and improvement issues.

The Health Board has improved its planning approach but it does not currently have an approved IMTP, and needs to strengthen scrutiny, ensure sufficient capacity and establish clearer connections between programmes and priorities

- 47 The Health Board was not able to develop an approvable 2016-19 IMTP due to performance issues and the plan not being financially balanced. However, during 2016, IMTP planning arrangements have been improved and work to develop the 2017-20 IMTP has begun earlier than in previous years. Arrangements to scrutinise IMTP development and delivery are in place, although these need to be further strengthened, particularly in respect of board sub-committee scrutiny of delivery and performance.
- 48 The Health Board's commissioning arrangements are maturing. Commissioning plans are rightly focusing on long-term population health needs and guidance has been prepared to support current IMTP planning. However, there is more for the Health Board to do to ensure that: commissioning decisions are balanced against current delivery priorities; the connections between the commissioning framework and delivery arrangements are clear and operating as intended; and that there is sufficient organisational capacity to manage the current commissioning, change and delivery programme architecture.

Governance and assurance arrangements are broadly sound, although some aspects can be further improved and Board membership changes in 2017 presents opportunities and risks

- 49 In reaching this conclusion I found that:
- the Health Board has a defined system of assurance which it continues to review and develop, although the performance management framework requires updating and there are opportunities to extend risk and assurance mapping; and
  - the Board and committees are generally operating effectively, although more time is needed to embed recent changes to some committees and new board member appointments in 2017 brings both opportunities and risks.
- 50 The Health Board has arrangements for seeking and gaining assurances. High level risks and assurances have been mapped in 2016 and governance arrangements in the new delivery units established. The risk management framework has been updated and review of the performance management framework is planned. The Health Board is also considering further risk and assurance mapping to help shape the continuing development of its board assurance framework.
- 51 In overall terms, the Board operates effectively, meeting its annual reporting requirements and continuing to promote organisational values and openness. It is aware that more remains to be done in a number of areas including ensuring timely response to complaints and embedding organisational learning. The Audit and Quality and Safety Committees are also operating effectively, with quality

assurance arrangements strengthened and improvements in the operation of the Workforce Committee becoming evident. However, changes to independent members presents opportunities to refresh but also presents risks to continuity, loss of experience and potential impact for committee membership and arrangements. The Board Secretary is also due to retire in 2017.

The Health Board has implemented some recommendations made in the 2015 structured assessment, but has not sufficiently developed actions for others, specifically those relating to financial planning and reporting

52 The Health Board has given attention to addressing the ten structured assessment recommendations I made in 2015. With the exception of two recommendations relating to financial planning and reporting, reasonable overall progress has been made, with six of the eight remaining recommendations addressed and two others in progress. The pace for establishing an information governance board and a quality and safety forum was slower than intended, although these actions are now complete. However, continued focus will be needed to fully embed the new arrangements and improvements introduced during 2016.

There are well established Audit Committee arrangements to track audit recommendations but management responses to these recommendations can sometimes be slow

53 In addition to reviewing the actions taken to address my 2015 structured assessment recommendations, I also considered the effectiveness of the Health Board's wider arrangements to respond to my audit recommendations. I found there to be well established arrangements to monitor and scrutinise management responses to internal and external audit recommendations. There is regular management attendance at Committee to present management responses and provide progress updates, either scheduled into Committee's work plan, or requested in response to any Committee concerns about outstanding actions and pace.

54 I also found arrangements to be in place for the Quality and Safety Committee to receive Healthcare Inspectorate Wales inspection reports and those from the Community Health Council, Ombudsman and others. Arrangements for scrutiny and monitoring of Delivery Unit performance improvement reports were less clear. While Delivery Unit reports are received by relevant operational groups and delivery boards, they are not routinely received by a Board committee.

55 As well as reviewing the effectiveness of the Health Board's arrangements to manage and respond to recommendations, my work has found general improvement in the reported completion of actions to address my recommendations over the last year. Of my ten reviews reported during 2014 - 2016 and included in the Audit Committee's recommendation tracking report:

- 67% of recommendations are reported as complete;

- the majority (77 %) of actions still in progress relate to recommendations made in 2016;
- ten recommendations (5%) are reported as overdue, with most (7) relating to my 2016 updated recommendations on catering and patient nutrition; and
- my assessment of progress against 2015 structured assessment recommendations is broadly consistent with the status reported in the Audit Committee's audit tracking report.

56 The timeliness of developing management responses has been an issue in 2016 and the Audit Committee Chair is actively working with executive leads to improve this position. The recommendations from my September 2016 consultant contract follow-up review are not included in the above analysis for this reason. The management response is however due to be reviewed by the Audit Committee in January 2017 and included in the audit tracker report. There are also nine recommendations against my 2011 Maternity services review, which are subject to Audit Committee scrutiny.

### My performance audit work has identified some positive developments, but also opportunities to secure better use of resources in a number of important areas

57 In addition to my structured assessment work, performance audit reviews have also been undertaken to assess the progress made in addressing my previous recommendations in respect of consultant contract, hospital catering and patient nutrition, and previous information and communications technology (ICT) audits.

### Job planning remains highly inconsistent across the Health Board and some of the initial benefits to emerge from the consultant contract have eroded over time, although recent organisational changes and plans to introduce electronic job planning may help to strengthen arrangements

58 In reviewing the progress made by the Health Board in addressing my consultant contract recommendations, I found that the Health Board still has work to do in 19 of the 20 recommendations I previously set. I concluded that:

- national guidance on the job planning process is inconsistently applied, although changes in organisational roles and the introduction of electronic job planning may help to strengthen arrangements; and
- some of the intended benefits from the contract that were initially seen have been eroded over time, with for example, the percentage of consultants working 12 or more sessions increasing since 2010.



The Health Board has made good progress in addressing my previous recommendations on hospital catering and patient nutrition, but more work is needed to further strengthen documentation processes and patient information, extend meal choices, ensure regular training, and reduce the gap between the cost and income of non-patient catering

59 I have assessed how my recommendations on hospital catering and patient nutrition have been addressed. I found that good overall progress has been made, with 25 of the 44 recommendations fully achieved and 18 others on track. My conclusions were that:

- arrangements for meeting patients' dietary and nutritional needs have improved but training, documentation processes and patient information need to be strengthened;
- an appropriate range of menu choices is available for most patients and mealtime experiences are generally good;
- patient catering costs are relatively static, cost per patient meal compares well to other NHS bodies and food waste is below the national target. However, non-patient catering services are running at a loss; and
- arrangements for planning, monitoring and reporting on hospital catering and nutrition services are largely robust.

The Health Board is addressing issues raised in previous ICT audits, but slower progress in some areas, recent organisational changes and IT architecture upgrades make some further actions necessary.

60 My follow-up review of previous information communications and technology (ICT) audits covered: data quality; disaster recovery and business continuity; Caldicott arrangements; and information back-up. I found that the Health Board had fully completed nine of the 21 previous recommendations and partially met a further eight. My specific findings were that:

- the Information Governance Framework is not yet fully implemented following management restructure in 2015, but is better placed to assure the Board on data quality;
- standardised Disaster Recovery (DR) and Business Continuity (BC) planning is developing, but BC plans are less well established in some clinical departments and testing of DR and BC plans is limited;
- Caldicott governance arrangements have improved but there are unresolved weaknesses in succession planning, resourcing, benchmarking and identifying sources of patient identifiable information; and
- data back-up arrangements have been revised to reflect the new virtual environment and will be enhanced by the new service catalogue, but there are no back up arrangements for data held on medical devices.



# Appendix 1

## Reports issued since my last annual audit report

Exhibit 2: Reports issued since my last annual audit report

Report	Date
<b>Financial audit reports</b>	
Audit of Financial Statements Report – ABMULHB	May 2016
Opinion on the Financial Statements	June 2016
Audit of Financial Statements Report – Charitable Funds	August 2016
Opinion on the Financial Statements – Charitable Funds	September 2016
<b>Performance audit reports</b>	
Hospital Catering and Patient Nutrition - Follow-up Review	January 2016
Communications Technology audits - Follow-up Review	August 2016
Consultant Contract - Follow-up Review	September 2016
Structured Assessment 2016	January 2017
<b>Other reports</b>	
2016 Audit Plan	March 2016

Exhibit 3: Performance audit work still underway

There are also a number of performance audits that are still underway at the Health Board<sup>2</sup>. These are shown in the following table, with the estimated dates for completion of the work.

Report	Estimated completion date
Review of Radiology Services	March 2017
Review of GP Out-of-Hours Services	May 2017
Review of Discharge Planning	July 2017
Follow-up review of outpatient follow-up appointments	September 2017

<sup>2</sup> In addition, the review of Emergency Ambulance Service Commissioning is expected to be completed by March 2017. The draft report is currently in clearance.

# Appendix 2

## Audit fee

The 2016 Audit Plan set out the proposed audit fee of £421,807 (excluding VAT). My latest estimate of the actual fee is in accordance with the fee set out in the outline.

# Appendix 3

## Significant audit risks

Exhibit 4: Significant audit risks, work undertaken on them and outcomes

Significant audit risks	Work undertaken and outcome
<p>The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].</p>	<p>My audit team has:</p> <ul style="list-style-type: none"> <li>• tested the appropriateness of journal entries and other adjustments made in preparing the financial statements;</li> <li>• reviewed accounting estimates for biases;</li> <li>• evaluated the rationale for any significant transactions outside the normal course of business.</li> </ul> <p>Work completed and no issues arising.</p>
<p>There is a risk of material misstatement due to fraud in revenue recognition and as such is treated as a significant risk [ISA 240.26-27].</p>	<p>My audit team has:</p> <ul style="list-style-type: none"> <li>• reviewed and tested the individual funding and income streams received by the Health Board; and</li> <li>• considered whether all funding and income streams have been identified.</li> </ul> <p>Work completed and no issues arising.</p>
<p>There is a significant risk that the Health Board will fail to meet its annual revenue resource allocation. The month 10 position showed a year-to-date deficit of £21 million and forecast a year-end deficit of £12 million.</p> <p>The current financial pressures on the Health Board increase the risk that management judgements and estimates could be biased in an effort to achieve the resource limit.</p>	<p>My audit team has focused its testing on areas of the financial statements which could contain reporting bias. Work completed and no issues arising.</p> <p>I have chosen to place a substantive report on the financial statements explaining the failure and the circumstances under which it arose.</p>
<p>There is a significant risk that the Health Board will face severe pressures on its cash position at year-end. The month 10 monitoring report forecasts a £22 million cash shortfall/balance at year-end.</p> <p>A shortfall of cash is likely to increase creditor payment times and impact on Public Sector Payment Policy (PSPP) performance.</p>	<p>My audit team has audited the reported PSPP performance. As set out in <b>Exhibit 1</b>, we have reported concerns over the accuracy of the reported performance.</p>

Wales Audit Office  
24 Cathedral Road  
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone.: 029 2032 0660

E-mail: [info@audit.wales](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)

We welcome correspondence and telephone calls in Welsh and English.  
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.