



WALES **AUDIT** OFFICE
SWYDDFA **ARCHWILIO** CYMRU

Annual Audit Report 2011

Aneurin Bevan Health Board

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Status of report

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Summary report

1. This report summarises my findings from the audit work I have undertaken at Aneurin Bevan Health Board (the Health Board) during 2011.
2. The work I have done at the Health Board allows me to discharge my responsibilities under the Public Audit (Wales) Act 2004 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, 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 agreed with officers and presented to the Audit Committee. The reports I have issued are shown in [Appendix 1](#).
4. The key messages from my audit work are summarised under the following headings.

Audit of accounts

5. I have issued an unqualified opinion on the 2010-11 financial statements of the Health Board, although in doing so I have brought several issues to the attention of officers and the Audit Committee. These include an uncorrected misstatement relating to a capital accrual of £120,138 which had already been paid, the need to ensure that the asset register is updated and reconciled to a full physical verification exercise and also ensuring that the public sector payment reporting requirements are adhered to.
6. I have also concluded that:
 - the Health Board's accounts were properly prepared and materially accurate;
 - the Health Board had an adequate internal control environment to reduce the risks of material misstatements to the financial statements; and
 - the Health Board's significant financial and accounting systems were appropriately controlled and operating as intended.
7. The Health Board achieved financial balance at the end of 2010-11. For 2010-11 the savings target amounted to £78.6 million and financial balance was achieved by a combination of cash releasing savings of almost £50 million and non-recurring funding from the Welsh Government of £28.7 million received in December 2010.

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

8. I have reviewed the Health Board's arrangements for securing efficiency, effectiveness and economy in the use of its resources. My work has involved gauging progress that has been made in addressing the areas for further development identified as part of last year's Structured Assessment work. Performance audit reviews have also been undertaken on specific areas of service delivery. This work has led me to draw the following conclusions:

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- the Health Board is experiencing significant financial pressures and further concerted effort is going to be needed in order to reverse the £6 million deficit that is currently predicted at the end of the 2011-12 financial year;
 - good progress has been made by the Health Board in addressing the areas for development identified in my 2010 Structured Assessment work, although further action is required in some key areas;
 - the Health Board has developed a comprehensive action plan to help address the concerns raised by my work on operating theatres and day surgery; and
 - action has been taken to address the issues identified in a number of previous performance audit reviews, although further progress is needed in several areas.

Agreeing my findings with the Executive Team

9. This report has been agreed with the Chief Executive and the Director of Finance. It was presented to the Audit Committee on 14 December and will be presented to the January 2012 Board meeting. We strongly encourage wider publication of this report by the Health Board. Following Board consideration, the report will also be made available to the public on the Wales Audit Office's own website (www.wao.gov.uk).
10. The assistance and co-operation of the Health Board's staff and members during the audit is gratefully acknowledged.

Detailed report

About this report

11. This Annual Audit Report to the Board members of the Health Board sets out the key findings from the audit work that I have undertaken between December 2010 and November 2011.
12. My work at the Health Board is undertaken in response to the requirements set out in the Public Audit (Wales) Act 2004. 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 to which the accounts relate has been incurred lawfully and is 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.
13. In relation to (c), I have drawn assurances or otherwise from the following sources of evidence:
 - the results of audit work on the Health Board's financial statements;
 - work undertaken as part of my latest Structured Assessment of the Health Board, which examined the arrangements for financial management, governance and accountability, and management of resources;
 - the Health Board's self-assessment against the Governance and Accountability module of the Standards for Health Services in Wales;
 - performance audit examinations undertaken at the Health Board;
 - the results of the work of other external review bodies, where they are relevant to my responsibilities; and
 - other work, such as data matching exercises and certification of claims and returns.
14. 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](#).
15. The findings from my work are considered under the following headings:
 - audit of accounts; and
 - arrangements for securing economy, efficiency and effectiveness in the use of resources.
16. Finally, [Appendix 2](#) presents the latest estimate on the audit fee that I will need to charge to cover the actual costs of undertaking my work at the Health Board, alongside the original fee that was set out in the Audit Outline.

Section 1: Audit of accounts

17. This section of the report summarises the findings from my audit of the Health Board's financial statements for 2010-11. 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.

My responsibilities

18. In examining the Health Board's financial statements, I am required to give an opinion on:
- whether they give a true and fair view of the financial position of the Health Board and of its income and expenditure for the period in question;
 - whether they are free from material misstatement – whether caused by fraud or by error;
 - whether they are prepared in accordance with statutory and other applicable requirements and comply with all relevant requirements for accounting presentation and disclosure;
 - whether that part of the Remuneration Report to be audited is properly prepared; and
 - the regularity of the expenditure and income.
19. In giving this opinion, I have complied with my Code of Audit Practice and the International Standards on Auditing (ISAs).
20. In undertaking this work, auditors have also examined the adequacy of the:
- Health Board's internal control environment; and
 - financial systems for producing the financial statements.

I have issued an unqualified opinion on the 2010-11 financial statements of the Health Board, although in doing so I have brought several issues to the attention of officers and the Audit Committee

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

21. The financial statements were received in a timely manner to meet the 4 May 2011 deadline and were reviewed by the Audit Committee on 9 May. The financial statements were prepared to an acceptable standard and were largely supported by working papers. This was a significant achievement as the timetable set by the Welsh Government this year reduced the time available for the compilation and audit of the accounts, placing considerable extra pressure on the finance team.

22. However, further improvements can be made next year in a number of areas, including: quality control of the draft accounts; timeliness and standardisation of working papers; key reconciliations to underlying records and the timely provision of accurate information from the Human Resources and Payroll department. We continue to work closely with finance staff to ensure we can develop and strengthen procedures, and have held joint Post Project Learning workshops and used the results to inform our early joint planning meetings in preparation for 2011-12. The results of the workshop and early planning work were reported to the Audit Committee in October 2011.
23. 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 3 June 2011. **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	Capital accruals have been overstated by £120,138 relating to capital works which had already been paid for. The Health Board's achievement against the Capital Resource Limit at note 2.2 was therefore misstated and should show an underspend of £131,000. This was considered by the Audit Committee and Board and a decision taken not to adjust the accounts, as the error was not material to the achievement of the resource limit.
Corrected misstatements	A number of misstatements were corrected by management, and there were a number of other changes to disclosures to improve presentation and correct inaccuracies. The net impact of these amendments was to reduce the surplus recorded on the first draft financial statements from £154,000 to some £43,000.
Asset de-recognition	IAS 16 requires that when parts of assets are replaced, any outstanding value of the replaced asset needs to be taken out of the property values (de-recognised) and any gain or loss is recognised in the revenue account. This was a new requirement from 2009-10 onwards. Currently, the Health Board does not have systems in place, along with all other NHS bodies in Wales, to routinely identify such values.
Fixed asset verification	The Health Board has strengthened its procedures for managing fixed assets and the circularisation exercise completed in 2010-11 provides a useful basis for the introduction of the new accounting software to support accounting for Plant, Property and Equipment in 2011-12. However, the Board now needs to ensure that the asset register is updated and reconciled to a full physical verification exercise.

Issue	Auditors' comments
Continuing Healthcare claims	<p>Limited progress has been made in assessing continuing healthcare claims across Wales. We reviewed the bases of the estimates for provisions and contingent liabilities for Continuing Health Care claim costs and are content that the bases of the estimates were reasonable. The level of provisions in the accounts was consistent with the position across similar health organisations in Wales.</p> <p>Powys LHB is now responsible for assessing all claims received prior to August 2010 and more detailed trend information should be available to inform and refine the Health Board's estimate in 2011-12</p>
Public sector payment policy	<p>Although the Board reported that 97.3 per cent of non-NHS creditors were paid within 30 days, the treatment of invoices may result in this performance being misstated. The Health Board currently 'starts the clock' on invoice payment performance based on the date of the invoice or the date that the goods are received if that is later. However, Welsh Government guidance states that the clock should start when the invoice is received by the Health Board. In addition, for disputed invoices, the Health Board stops the clock as soon as a dispute is identified. The clock is not then restarted once the dispute has been settled, which is contrary to Welsh Government guidance. Further work will therefore be required by the Health Board in 2011-12, in common with other Health Boards, to ensure Welsh Government requirements are adhered to.</p>

24. As part of my financial audit I also undertook the following reviews:

- Whole of Government Accounts return - I concluded that the counterparty consolidation information was consistent with the financial position of the Health Board at 31 March 2011, and the return was prepared in accordance with the Treasury's instructions.
- Summary Financial Statements and Annual Report - I concluded that the summary statements were consistent with the full financial statements. However, whilst not covered by my audit opinion, the contents of the Annual Report did not fully comply with Welsh Government guidance.

25. My separate audit of the Funds Held on Trust financial statements is being finalised and I issued my report to the Trustee in October 2011. I raised several qualitative issues to the attention of the Trustee, along with recommendations for improving procedures for the compilation of the Charity's accounts in future years, which the Health Board has accepted.

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

26. I did not identify any material weaknesses in the Health Board's internal control environment. Furthermore, Internal Audit's 'Assurance statement and Annual Report' for the year ended 31 March 2011 provided 'adequate assurance' to the Health Board. This opinion reflects a generally sound system of internal controls with broad operational compliance, but with some weaknesses in the design of controls and their application which could put the achievement of particular system objectives at risk. An area of particular concern relates to the management of Plant, property and equipment which has been referred to in Exhibit 1.

The Health Board's significant financial and accounting systems were appropriately controlled and operating as intended, although there are a number of system weaknesses which require management action

27. I did not identify any material weaknesses in the Health Board's significant financial and accounting systems which would impact on my opinion. There were a number of detailed issues arising from my financial audit work and these were reported to the Audit Committee in June 2011. These include matters referred to in Exhibit 1 above.
28. Internal Audit also reported on a number of system weaknesses which require ongoing management action. Management action plans have been developed to strengthen the control weaknesses identified in these reports, and progress is scrutinised by the Audit Committee.

The Health Board achieved financial balance at the end of 2010-11, as a result of additional non-recurring funding from the Welsh Government and achieving cash releasing savings

29. Aneurin Bevan Health Board met its statutory targets for 2010-11, but this was dependent on delivery of a significant savings programme of £50 million and additional funding for in-year pressures of £28.7 million. The significant financial challenges continue into 2011-12, with cost pressures amounting to some £73 million. I will continue to monitor the financial position of all health boards in Wales as part of my programme of work for 2011-12.

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

30. 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 progress the Health Board has made in addressing the 'areas for development' we identified in last year's Structured Assessment work;
 - assessing the extent to which the Health Board has developed its arrangements to engage effectively with senior clinicians;
 - reviewing the Health Board's arrangements to secure good quality data;
 - examining the Health Board's performance on operating theatre utilisation and day surgery rates; and
 - assessing the progress the Health Board has made in addressing the issues identified by previous audit work on Maternity Services, the European Working Time Directive for Junior Doctors, Unscheduled Care, Outpatient services, Procurement arrangements and Consultant Contract Benefit Realisation.
31. The main findings from this work are summarised under the following headings.

The Health Board is experiencing significant financial pressures and further concerted effort is going to be needed in order to reverse the £6 million deficit that is currently predicted at the end of the 2011-12 financial year

32. In my report, *A Picture of Public Services 2011*, published in October 2011, I noted that the NHS in Wales faces the toughest financial settlement in the UK, rising cost pressures and a significant funding gap for this financial year, and beyond. Unlike other parts of the UK, the NHS in Wales faces real terms cuts in funding if current Welsh Government budget proposals are approved.
33. In this context, the Health Board is experiencing unprecedented financial pressures in the current financial year. As indicated in the previous section, the Health Board is facing cost pressures of £73 million in order to achieve financial balance at the end of March 2012. This is on top of the £50 million savings that were delivered in 2010-11.

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34. Despite pursuing a savings and cost avoidance plan totalling some £52 million, a number of cost improvement actions underway across the organisation, and the receipt of an additional £18 million from the Welsh Government, the Health Board is currently predicting a deficit of £6 million at the end of the 2011-12 financial year.
 35. A significant factor preventing the Health Board from closing the financial gap is the fact that projected reductions in workforce costs have not been achieved, both in relation to the core workforce and variable pay.
 36. Despite significant effort the Health Board is currently failing to achieve the overall savings it has identified from the programme of cost improvement plans it has put in place. At the end of October 2011, £25 million in savings had been achieved against a target of £30 million, and further concerted action is clearly going to be needed if the financial position is to be recovered by the end of March 2012.

Good progress has been made by the Health Board in addressing the areas for development identified in my 2010 Structured Assessment work, although further action is required in some key areas

37. In last year's Structured Assessment work I identified the need for the Health Board to strengthen and further develop specific aspects of its arrangements for corporate governance and financial management. This year I have reviewed the progress that has been made. My findings are summarised below.

The Health Board has continued to strengthen its governance arrangements, although further action is required in some key areas

38. The Health Board's governance and assurance arrangements have continued to evolve and have been strengthened through:
 - positive engagement with external stakeholders in the development of strategic plans for the health community, as evidenced by the work on Frailty, and constructive relationships with the Community Health Council and with the trade unions via that Partnership Forum;
 - work to develop a planning framework that identifies the relationships between the various planning activities and outputs that the Health Board is involved in;
 - an increasing focus on the identification of outcome measures, as evidenced in the development of the Frailty Programme and the service changes associated with the creation of Ysbyty Aneurin Bevan;
 - undertaking work to make clinical audit a more fundamental part of the Board's assurance framework;

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- an evolving approach to risk management, with better information for Board members on the nature and scale of agreed corporate risks, supported by a 'community of practice', a specialist-facilitated Board risk management workshop and a revised risk management strategy; and
 - improvements to the format of performance reports to the Board, and more generally through the provision of better performance management information to management and clinicians.
39. There are also areas where further developments are needed. These relate to:
- giving greater prominence to the Statement on Internal Control within the organisation and making it a more integral part of the Board assurance framework;
 - continuing to develop the Health Board's approach to risk management to ensure that corporate risks are routinely considered at the relevant committees and that any move to increase the 'top ten risks' considered by the Board does not adversely affect its ability to properly focus on the most pressing risks; and
 - continuing to evolve the format of performance reporting to the Board to ensure that greater use is made of benchmarking comparisons to other NHS bodies and providing assurance to Board members that actions identified to secure improvement are having the desired effect.
40. During 2011 the Health Board revised its sub-committee structure, winding up its Governance and Assurance Committee and creating a new Finance, Performance and Sustainability Committee as well as a Public Health and Partnerships Committee. It is too early to evaluate whether these changes have strengthened the overall scheme of delegation. More generally, the changes to the committee structures need to be accompanied by clarity on the roles of each committee and their relationship to each other. Attention also needs to be focused on keeping Board and committee agendas manageable in order to facilitate the appropriate depth of scrutiny and review.
41. It is also noted that the Health Board is reviewing its locality structure in the light of the creation of 12 new Neighbourhood Care Networks. These developments should help the Health Board address the concerns I identified last year in relation to integrating locality-based work with that in other divisions and directorates.

There is evidence of progress in a number of the functions that enable efficient, effective and economical use of resources

42. My work examined the progress that has been made in the areas of workforce planning, strategic estate management and alignment of planning priorities across health and local government. This work has shown that:
- workforce planning has continued to develop within the Health Board, supported by scenario planning and simulation exercises, and the development of critical pathways for staff changes, workforce targets and outcome measures;

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- there is now greater certainty over the creation of the planned Specialist and Critical Care Centre and this has allowed the Health Board to have a more definitive approach to strategic estate management;
 - two significant developments in the form of Ysbyty Ystrad Fawr and Ysbyty Aneurin Bevan have been delivered as part of the rolling programme of estate reconfiguration which has also seen the disposal of surplus estate; and
 - there has been good progress in the further development of integrated planning arrangements with Local Authorities, ostensibly through the establishment of the Frailty Programme as a key initiative across the health community.

The Health Board has developed a comprehensive action plan to help address the concerns raised by my work on operating theatres and day surgery

43. As part of my work to determine scope for the Health Board to achieve greater efficiencies in the use of its resources, I examined operating theatre utilisation and day surgery rates. This work made use of performance comparisons with a sample of NHS trusts in England. The findings were reported to the Health Board in June 2011.
44. The work showed that whilst there were a number of initiatives underway to improve theatre utilisation, accelerated and better co-ordinated action was needed to address the comparatively poor performance and the concerns raised by staff. I came to this conclusion because:
 - a combination of factors was resulting in poor theatre utilisation and low day case rates within the Health Board;
 - whilst there were initiatives in place to improve theatre performance, progress was being made more difficult by some disconnected planning arrangements;
 - the audit identified an urgent need to address concerns raised by theatre staff in relation to communication, morale and negative perceptions of management; and
 - whilst the Health Board has good theatre information systems, performance management approaches in relation to theatres need to be strengthened.
45. The audit highlighted a number of specific issues that the Health Board needed to address, in particular:
 - reducing the amount of time lost as a result of cancelled sessions, which were often attributable to problems with the management of staff leave;
 - weekend theatre sessions for orthopaedics were being funded despite them being empty at weekends as well as cancelled sessions during the working week;
 - ensuring there was sufficient anaesthetist availability to run scheduled lists;
 - standardising pre-operative assessment processes across the Health Board;

- ensuring that there is sufficient staff and bed capacity to support the positive increase in 'day of surgery admissions'; and
- strengthening scheduling arrangements for theatre lists.

46. Since the audit was completed, the Health Board has made use of the national Transforming Theatres programme to help shape and drive the necessary improvements in theatre performance. Positive progress with this initiative has been reported to the Board. Alongside this the Health Board has identified a series of specific actions to help address the recommendations that emanated from my audit work. Collectively, this is a positive response on behalf of the Health Board to improving its theatre performance. The extent to which the identified improvements are being secured will be the subject of follow up audit work in 2012.

Action has been taken to address the issues identified in a number of previous performance audit reviews, although further progress is needed in several areas

47. During the last 12 months I have undertaken follow-up audit work to assess the progress that the Health Board has made in addressing concerns and recommendations arising from previous audit work in specific areas of service delivery. The findings from the follow-up work are summarised in [Exhibit 3](#).

Exhibit 3: Progress in implementing audit recommendations

Area of follow-up work	Conclusions and key audit findings
Outpatient services	<p>In 2009, my review of outpatient services in the former Gwent Healthcare NHS Trust highlighted significant weaknesses in the overall management of these services, and a number of specific problems in the way the new booking and referral project had been planned. I have undertaken work to assess the progress made in addressing the concerns that were identified in 2009. This work has shown that the Health Board has made good progress in addressing many of the operational issues identified in the original report. In particular, there was evidence that the management arrangements relating to outpatients had been strengthened and outpatient booking processes had been improved. However, more still needs to be done to strengthen performance management arrangements and to address persistent problems such as high rates of patient non-attendance and cancelled clinics in some specialties.</p>

Area of follow-up work	Conclusions and key audit findings
Procurement arrangements	<p>In 2009 I reviewed procurement arrangements in former Gwent Healthcare NHS Trust, and highlighted a number of fundamental weaknesses that needed to be addressed as a matter of urgency as part of the creation of the new Health Board.</p> <p>During 2011, I undertook follow up work to review the progress that the Health Board was making in developing its procurement arrangements.</p> <p>This work coincided with the national decision to make procurement part of the new Shared Services arrangements in NHS Wales. The Health Board has therefore pragmatically deferred plans to develop a local procurement strategy until there is greater clarity on how shared services are going to be taken forward in respect of procurement.</p> <p>Despite the pause in strategic planning, my follow up audit work was able to identify a number of positive developments in the Health Board's operational procurement arrangements. Governance and accountability arrangements for procurement have been strengthened and mechanisms have been developed to improve engagement with clinical and non-clinical staff. The roll out of Oracle has been progressed and target procurement savings have been secured with additional stretch targets identified.</p> <p>The creation of a Clinical Procurement Board and a Non-clinical Operational Procurement Board are positive developments, although these are relatively recent initiatives and attendance at the former has been poor.</p> <p>It is envisaged that the Health Board's approach to performance management and monitoring will be strengthened through the work of the two Procurement Boards. However, at the time of the audit the Boards had yet to substantially progress these arrangements.</p>

Area of follow-up work	Conclusions and key audit findings
<p>ICT Resilience Follow up – Disaster Recovery/Business Continuity and PAS replacement</p>	<p>In 2009 I reported a number of concerns on ICT Disaster Recovery and Business Continuity arrangements to the predecessor Gwent Healthcare NHS Trust. I have reviewed the progress that has been made in addressing these concerns and have found that although not all my recommendations have been acted upon, the Health Board has made some good progress in strengthening its Disaster Recovery / Business Continuity arrangements.</p> <p>The creation of a second computer room at Ysbyty Aneurin Bevan has reduced the risk of IMT service loss resulting from failures within the main computer room at Mamhilad Park. Back-up and storage arrangements have been improved and much work has been done to ensure that comprehensive disaster recovery plans are now in place.</p> <p>However, Business Continuity planning is still in the early stages of development and needs to be progressed further. In addition, the previously identified environmental and safety concerns with the main computer room at Mamhilad still exist in that that a fire escape route runs through the computer room.</p> <p>I have also reviewed the Health Board's progress in implementing the Myrddin system as a replacement PAS. In overall terms, the Health Board has adopted a well managed approach to implementing the new system. However, the 'go-live' date for the new system had been postponed on two occasions largely as a result of difficulties in creating data transfer interfaces between the Health Board's existing clinical systems and the new Myrddin PAS. The new system finally went live on 28 November 2011, in line with the revised timetable.</p>

Area of follow-up work	Conclusions and key audit findings
<p>European Working Time Directive for Junior Doctors</p>	<p>In March 2009 I published an all-Wales report on compliance with the European Working Time Directive (EWTD) for junior doctors. The report indicated that the 48 hour working week target was unlikely to be met across NHS Wales as a whole by the August 2009 deadline.</p> <p>Subsequent derogations from the target were introduced for certain rotas. In the Health Board these derogations applied to three rotas in the paediatric specialty.</p> <p>I have undertaken follow up work to determine whether the Health Board is able to sustain and where necessary secure compliance with the EWTD for junior doctors.</p> <p>The follow up audit work found that whilst good progress had been made in ensuring that compliant rotas are in place, genuinely sustainable medical staffing models will only be achieved through implementation of long term service reconfiguration plans.</p> <p>In the interim more needs to be done to ensure that the current Hospital at Night arrangements at the Royal Gwent Hospital are improved and that EWTD compliance and its implications feature more strongly in reports to the Board on medical workforce issues.</p>
<p>Unscheduled Care (Preliminary Follow-up Work)</p>	<p>I am currently undertaking work on unscheduled care services, as part of a wider review which is also examining chronic conditions management. Earlier in the year, I undertook some preliminary work on unscheduled care and referral management to inform the current review.</p> <p>The preliminary review showed that the Health Board continues to experience considerable demand for unscheduled care services, particularly through emergency admissions.</p> <p>A number of actions were underway to improve the performance of the unscheduled care system and there were signs of progress being made in preventing avoidable admissions and managing patients more effectively after admission.</p> <p>However, the Health Board was aware of the need to secure further improvement and our preliminary work indicated a need for the necessary improvements to be driven more aggressively.</p> <p>The extent to which improvements are being achieved is currently being reviewed and I will be presenting the findings from my more detailed review to the Health Board in the early part of 2012.</p>

Area of follow-up work	Conclusions and key audit findings
<p>Consultant Contract Benefit Realisation</p>	<p>In January 2011 I issued a report to the Health Board which reviewed the extent to which the benefits from the consultant contract were being realised. That report concluded that with the exception of a small number of specialties, neither the Health Board, nor its consultants were getting all the intended benefits. The failure to secure the intended benefits was largely as a result of under developed consultant job planning arrangements within the Health Board.</p> <p>Given the concerns identified in my January report, I have undertaken early follow up work to determine the progress the Health Board is making in delivering the action plan it created in response to my recommendations.</p> <p>This follow up work has found that the Health Board has taken action to strengthen consultant job planning, most notably through the production of comprehensive job planning guidance and the creation of a template to guide discussion on job plan outcome measures. A new consultant induction programme has also been developed and clinicians have access to programmes to develop their leadership and management skills.</p> <p>The follow up work assessed the extent to which these new arrangements were embedded in two directorates – Anaesthetics and Trauma & Orthopaedics. Whilst there was clear evidence that job planning in these directorates is being strengthened, a need for a stronger corporate approach was also indicated given that:</p> <ul style="list-style-type: none"> • neither of the directorates had used the job planning guidance, either because they weren't aware of it, or because the latest round of job planning was already underway when the guidance was issued; • neither of the directorates were aware of the training programme that had been developed to support implementation of the guidance; and • work to establish a baseline assessment of all consultant job plans and to create an accurate central register of job plan contents needs to be progressed further.

Appendix 1

Reports issued since my last Annual Audit Report

Report	Date
Financial audit reports	
Audit of Financial Statements Report (ISA 260)	7 June 2011
Opinion on the Financial Statements	10 June 2011
Verification of the Whole of Government Accounts Return	11 August 2011
Opinion on the Summary Financial Statements in Annual Report	31 August 2011
Financial Statements Report to Management	31 August 2011
Audit of Financial Statements Report on Charitable Funds Accounts	October 2011
Opinion on the Charitable Funds Accounts	November 2011
Performance audit reports	
Operating Theatres and Day Case Surgery	June 2011
Outpatient Services Follow-up	June 2011
Structured Assessment 2011 (presentation)	December 2011
Procurement Arrangements Follow-up	December 2011
EWTD Follow-up	December 2011
Consultant Contract Benefit Realisation Follow-up (draft)	December 2011
Other reports / activities	
Protocol for working with Internal Audit (Deloitte)	December 2010
Outline of Audit Work 2011	March 2011
Governance workshop with Audit Committee members	June 2011
Outline of Audit Work 2011 – Charitable Funds accounts	July 2011



There are also a number of performance audits that are still underway at the Health Board. These are shown below, with estimated dates for completion of the work. We estimate that all the performance audit work identified in the March 2011 Outline of Audit Work will be completed by the end of the 2011-12 financial year.

Report	Estimated completion date
ICT Resilience	December 2011
Maternity Services Follow-up	January 2012
Ward staffing data comparison	January 2012
Chronic Conditions Management	February 2012
Unscheduled Care – Detailed Follow-up	February 2012
Clinical Engagement	February 2012
Data Quality	February 2012
Thematic analysis of issues emerging from performance audit work undertaken in the Health Board	February 2012
Gwent Frailty	March 2012

Appendix 2

Audit fee

The Outline of Audit Work for 2011 set out the proposed audit fee of £453,916 (excluding VAT). My latest estimate of the actual fee is in line with the estimate, on the basis that some work remains in progress. Additionally a total of £19,740 was refunded to the Health Board in respect of the previous year's plan, relating to the following work which will be undertaken in future years.

Project	Plans for taking work forward
Follow up work on IT Business Continuity / Disaster Recovery and PAS implementation	These pieces of work will still be undertaken but will be funded from the 2011 audit fee. To accommodate this, plans for work on implementation of national Caldicott guidance have been deferred and will now be considered as part of the planning exercise for our 2012 programme of work.
Follow up work on Child and Adolescent Mental Health	It was our intention to use a small amount of time in the 2010 plan to examine progress being made with health specific issues that arose from the 2009 national report on Child and Adolescent Mental Health Services. However, scoping of this work, and discussions with other inspectorates have shown that it would be preferential to undertake this work as a national Auditor General examination. Consequently, the work has been removed from the local performance audit programme and the associated fee refunded.
Local project on IT security	This project has been cancelled and issues relating to IT security arrangements will be now be considered as part of the planning for our 2012 audit work, alongside potential work on the implementation of Caldicott guidance.

In addition to the fee set out above, the audit work undertaken in respect of the shared services provided to the Health Board by the Business Services Centre was £19,543.



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