WALES AUDIT OFFICE
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Annual Audit Report 2012

Abertawe Bro Morgannwg University Health Board

Issued: January 2013

Document reference: 644A2012

Status of report

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This report has been compiled by Richard Harries, Dave Thomas, Matthew Coe and Carol Moseley, on behalf of the Auditor General for Wales.

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Summary report

1. This report summarises my findings from the audit work I have undertaken at Abertawe Bro Morgannwg University Health Board (the Health Board) during 2012. 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.

2. 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.

3. The key messages from my audit work are summarised under the following headings.

Audit of accounts

4. I have issued an unqualified opinion on the 2011-12 financial statements of the Health Board, although in doing so I have brought several issues to the attention of officers and the Audit Committee. I have also concluded that:

- the Health Board's accounts were properly prepared and materially accurate;
- the Health Board had an effective 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.

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

5. I have reviewed the Health Board's arrangements for securing efficiency, effectiveness and economy in the use of its resources. My Structured Assessment work has examined the robustness of the Health Board's financial management arrangements and the adequacy of its Board assurance framework and internal control environment. Performance audit reviews have also been undertaken on specific areas of service delivery.

6. This work has led me to conclude that the Health Board has maintained a positive direction of travel, with broadly sound governance arrangements that are continuing to mature. In general, good financial management arrangements are in place and a proactive approach to stakeholder engagement is evident. Some aspects of internal control and board assurance need to be further strengthened, although the Health Board's major challenge for the year ahead is living within its resource limit and developing sustainable long-term workforce plans that will support the delivery of the complex transformational changes in services that are necessary.

The factual accuracy of this report has been agreed with the Executive Team

7. This report has been agreed for factual accuracy with the Chief Executive and the Director of Finance. The report will be presented to the Audit Committee in January 2013. It will then be presented to a subsequent Board meeting in January 2013 and a copy provided to every member of the LHB. 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.

8. The Health Board routinely responds to the issues raised in my reports through formal action plans. I will continue to monitor progress against the issues identified within this report as part of my ongoing audit work.

9. The assistance and cooperation of the Health Board's staff and members during the audit is gratefully acknowledged.

Detailed report

About this report

10. 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 February 2012 and November 2012.

11. My work at the Health Board is undertaken in response to the requirements set out in the 2004 Act. 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.

12. 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 use 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.

13. 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.

14. 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.

15. 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

16. This section of the report summarises the findings from my audit of the Health Board's financial statements for 2011-12. 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

17. 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.

18. In giving this opinion, I have complied with my Code of Audit Practice and the International Standards on Auditing (ISAs).

19. 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 2011-12 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

20. The draft financial statements were submitted on a timely basis to meet the 4 May 2012 deadline. We found the information provided to support the financial statements to be relevant, reliable, and easy to understand. We concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear. We received information in a timely and helpful manner and were not restricted in our work.

21. My team has continued to work closely with the Health Board's finance staff throughout the year to ensure potential issues are identified and resolved in a timely manner, including early discussions on proposed methodologies and treatments for subjective areas of the accounts. Following completion of the audit, we also held a joint post project learning session which will help inform our joint planning for 2012-13.

22. 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 2012. 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
Welsh Health Specialised Services Committee balances	As the Health Board shares financial risks for the Welsh Health Specialised Services Committee (WHSSC) with all local health boards in Wales, any amendments from the audit of WHSSC need to be reflected in each local health board's own financial statements. We confirmed with the WHSSC audit team that there were no issues arising from the audit of WHSSC affecting the Health Board's financial statements.
Enhanced disclosures in the Remuneration Report	HM Treasury and the Welsh Government provided high-level guidance on new requirements for disclosure of senior employees' pay in the wake of the Hutton Fair Pay review. The guidance was not detailed enough to ensure a consistent application by every health body in Wales. The Health Board sought additional guidance from the Welsh Government on specific aspects and applied this guidance reasonably to its own calculations in 2011-12. For 2012-13 the Welsh Government and NHS bodies are working together to develop detailed guidance that improves the consistent calculation of these disclosures.
Financial challenge in 2012-13	For 2012-13, the Health Board initially predicted a funding shortfall of £45.1 million. The shortfall required a further cost improvement programme to be achieved, presenting another significant financial and operational challenge to the Health Board going forward.

23. As part of my financial audit I also under took 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 2012 and the return was prepared in accordance with the Treasury's instructions; and
- Summary Financial Statements and Annual Report – I concluded that the summary statements were consistent with the full statements and that the Annual Report was compliant with Welsh Government guidance.

24. My separate audit of the Charitable Funds financial Statements is also complete. There were no issues to report to Trustees at their meeting in September 2012 and I issued an unqualified opinion on those financial statements on 10 October 2012.

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

25. In considering the internal control environment, I assess arrangements that include high-level controls over the main accounting and budgetary control systems, the work and role of internal audit, and the work of the Audit Committee which plays an active role in reviewing and strengthening the internal control environment.

26. I found that controls were operating as effectively as intended and therefore formed a reliable basis for preparing the financial statements.

27. Internal audit work undertaken during the year generally complied with the internal auditing standards for the NHS in Wales, and supported the Head of Internal Audit's annual opinion, as reported to the Audit Committee in June 2012. Internal Audit are working towards full compliance with the revised standards.

The Health Board's significant financial and accounting systems were appropriately controlled and operating as intended

28. I did not identify any significant weaknesses within the Health Board's financial systems. However, there were some less significant areas for improvement identified during the audit and recommendations have been made to management to address these.

29. Internal Audit 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 2011-12 after reporting savings of £36 million and receiving additional recurring funding from the Welsh Government of £17 million

30. Overall the Health Board achieved its financial targets in 2011-12. These targets were achieved mainly as a result of the achievement of reported savings, cost containment and cost reduction targets of approximately £36 million. The Health Board also received additional recurrent funding from the Welsh Government in month 7 of £17 million.

31. Unlike some of the other NHS bodies in Wales, the Health Board did not request or receive late 'brokerage' of future year's funding during 2011-12. A commentary on the latest financial position in 2012-13 is set out in the following section.

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

32. 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 arrangements through my Structured Assessment work with a particular emphasis on the robustness of the overall Board assurance framework and internal control environment;
- specific use of resources work on workforce planning, stakeholder engagement, data quality, and disaster recovery and business continuity; and
- assessing the progress the Health Board has made in addressing the issues identified by previous audit work on operating theatres.

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

The Health Board has sound financial management arrangements but it faces significant financial cost pressures, and as it currently stands there is still a significant challenge to achieve a breakeven position for 2012-13

34. Annual forecasting, budget setting and monitoring is robust across the organisation and the quality of reports and feedback from budget holders is good. There is also clear evidence of budget monitoring and action being taken, as well as good reporting to the Board. In addition, the Health Board is working with others to share good practice, although all NHS bodies in Wales can do more to benchmark financial information. Capital resources are well managed but the Health Board faces significant future capital constraints, particularly for discretionary capital which will have an impact on quality and safety.

35. The Health Board has a good track record of managing cost pressures. It has been able to achieve financial balance and meet all of its financial targets each year, since its formation in October 2009. However, going forward the Health Board continues to face significant financial challenges in delivering its services. In the current financial year the Health Board is already facing significant additional pressure on services from an increase in the number of patients arriving at the hospitals. This increased demand, particularly on unscheduled care services, could not have been foreseen when the Health Board was developing its original financial budget for 2012-13.

36. The Health Board originally identified a funding gap to manage of £45.1 million in the 2012-13 budget, which it later revised downwards to £38.6 million as cost pressures were managed in the early months of the year. Management and clinicians identified Cost Improvement Plans (CIP) amounting to £24.1 million, which left a remaining funding gap of £14.5 million with no indication of how it would be filled.

37. At the end of October 2012, the Health Board was predicting a 'most likely' scenario deficit at the year-end of £13.5 million and that finding further savings to cover the entirety of this gap could impact adversely on delivery, quality and safety of services. The deficit at that point stood at £10.8 million, suggesting only £2.7 million would be overspent in the remaining five months. This seemed optimistic given the spending patterns so far during the year.

38. The significant financial challenges have not been helped by under-achievement against CIP targets for 2011-12 and 2012-13. In 2011-12, despite meeting financial targets, CIPs only achieved 64 per cent of the £16.6 million target for that year. In 2012-13, the Health Board planned to deliver £12.5 million (52 per cent) of the £24.1 million CIP total in the last five months of the year. At the end of October 2012, CIP was already £1.6 million behind the £11.7 million year to date target, and required a much improved performance for the Health Board to remain within its forecast deficit.

39. However, in December 2012 the Minister for Health, Social Services and Children has announced further funding for NHS bodies and the Health Board will receive additional funding of £10 million. This effectively reduces the forecast deficit to £3.5 million which is potentially a more manageable position than previously and the Health Board is now forecasting a break even position for 2012-13 year end. However, closing the remaining £3.5 million funding gap still presents a significant challenge and will require careful management. If current in year expenditure & savings trends continue, and the CIP savings are not delivered, then the Health Board will not achieve financial breakeven at year end.

The Health Board has maintained a positive direction of travel, with broadly sound governance arrangements that are continuing to mature and a recognition of the need to strengthen some aspects of the internal control environment

The internal control environment has continued to mature to support effective Board assurance and whilst arrangements appear broadly sound, some aspects need further development

40. There has been a positive direction of travel since our Structured Assessment reviews in 2010 and 2011, and assurance arrangements are maturing. In particular, the Health Board has completed a review of its subcommittee structure, and is currently completing the updating and documenting of its assurance and quality frameworks for greater clarity and transparency. Executive responsibilities for

performance and governance have also been redefined for clearer accountability and risk management arrangements have become more fully embedded.

41. The Health Board has mechanisms to identify risks and barriers to achieving its strategic objectives, supported by arrangements which promote consistency of risk assessment and scoring across the Health Board. The Risk Management Review Group has a key role in this regard and includes representatives from all directorates and localities. Directorate and locality risks scoring 20 or more are included in monthly performance management reviews, and the corporate risk register, available on the Health Board's website, is received regularly by both the Audit Committee and Quality and Safety Committee.

42. Arrangements for tracking the 'Standards for Health Services in Wales'[1] as a key strand of assurance, are also in place. A structured approach to reviewing progress against the associated improvement plan has been established, with in-year monitoring and update reporting to the Quality and Safety Committee, and the Board, now in place. A process for rolling validation of directorate and locality progress on the standards has also been introduced.

43. The Audit Committee continues to play a key role in providing the Board with assurance on its governance, risk management and control arrangements, and on the disclosure statements that flow from these processes, including the annual governance statement. The Quality and Safety Committee also plays a key role in providing the assurance in relation to quality and safety, and both committees have documented work plans and action logs.

44. Further, the Health Board has taken a considered approach to meeting the requirements of, and adopting, the new Audit Committee handbook, issued to NHS Wales in May 2012. A Board development session was held 4 October to support board members consider governance arrangements in the context of the new Handbook. Following the updating of its assurance and quality frameworks, due to be completed in December 2012, the Health Board should look to test the effectiveness of governance arrangements and internal controls, as required by the revised Audit Committee handbook and the principles underpinning the Annual Governance Statement. This work should test the inter-operability of committees and the assurances provided to the Board.

45. The Annual Governance Statement (the Statement) was introduced in 2011-12, and replaced the previous Statement on Internal Control. The Statement summarised the Health Board's approaches to corporate and clinical governance, its risk management procedures and mitigating controls. In common with other NHS organisations in Wales, the Health Board will need to develop its approach to the preparation of future annual governance statements. Key areas which the Health Board will need to take forward are improving the consistency of directorate and locality governance statements that support the Statement, and more consistently bringing together the various strands of assurance during the year.

[1] *Doing Well, Doing Better: Standards for Health Services in Wales* sets out the Welsh Government's common framework of standards in providing health services in all healthcare settings.

46. In addition to the Annual Governance Statement, the Health Board also produced a quality statement for year ending 2011-12, ahead of the requirement to do so from 2012-13. The early adoption of a quality statement signals the Health Board's commitment to adding to the assurances already in place. The Health Board is the only NHS body in Wales to bring forward the production of its annual quality statement.

47. Some three years into the new organisation, directorate and locality structures are bedded in and the clinical network infrastructure is developing well. Operational governance structures and arrangements are established, although some variability remains in terms of the maturity of these arrangements across the Health Board. However, as part of governance oversight arrangements, directorate and locality teams provide governance updates to the Quality and Safety Committee, and an increased focus on outcomes is included at monthly executive led performance management reviews.

48. There is a strong internal audit function, with mid-year assessment of organisational governance and a rolling programme of directorate and locality governance reviews adding to the internal controls. Processes for complying with high-risk legislation, such as health and safety, mental health and equalities are in place, although the Health Board is still working to develop assurance that it is fully compliant with all legislative and regulatory requirements.

49. A renewed commitment to the national clinical audit programme is also evident and consideration of the clinical audit plan via the Quality and Safety Committee has also been strengthened. Although much improved since 2011, the clinical audit programme continues to be focused on national priorities, hospital based care and specific areas of local interest. There is less evidence that clinical audit activity is linked to the Health Board's strategic risks and objectives, or that it is balanced across the breadth of Health Board activities. As such, there is scope to further strengthen the role clinical audit needs to play in supporting the board assurance framework.

50. There is evidence that root cause analysis is carried out in response to serious incidents. A systematic mortality review process has also been put in place (together with 'Never Events' reporting) and compliance with these reviews has been scrutinised by the Board. There are some areas of further improvement for the Health Board, which include testing the aarrangements for escalating serious concerns to Board level, as well as improving response to, and learning from, complaints and incidents. There is also opportunity to make greater linkages between complaints and incidents analysis, to the work already undertaken on patient experience.

51. Finally, while the Health Board's assurance framework includes key assurances set out in the Audit Committee handbook, arrangements could be further strengthened by developing a 'golden thread' which more explicitly links assurance strands to organisational objectives and risks. The Health board is already considering how this can best be done.

The Health Board is demonstrating a commitment to delivering its strategic objectives through transformational change and a programme of improvement

52. The Health Board demonstrates commitment to, and active work on, developing its clinical services strategy through a pathway approach to service design. A Delivery Improvement Programme, underpinned by 'Managing Successful Programme' methodology has also been established, with the aim of bringing improvement initiatives together through a clear thematic approach to support delivery of strategic objectives. There are ten programme streams, including:

- strengthening the public health and 'commissioning' approach for meeting wider population need;
- developing greater understanding of service capacity and demand; and
- making further progress in joining up capacity, workforce and financial information for improved planning and decision making.

53. The Health Board has also taken into account the Quality Delivery Plan published by the Welsh Government in May 2012 in establishing an 'Innovation, Support and Improvement Science Group'. The group is intended to draw together existing quality improvement initiatives (such as *1000 Lives* and *transforming care*), provide improvement methodology training and leadership development for staff.

54. These activities reflect the Health Board's commitment to refining and maturing its approaches for delivering its strategic vision, objectives and service improvement through transformational change. The future challenge will be in fully integrating the 'Delivery Improvement Programme' streams with the clinical services strategy.

Management information has benefited from significant development this year and continues to evolve and strengthen, but bringing together other information would enhance Board assurance

55. My Structured Assessment work this year has focused on whether the Board and its subcommittees have access to relevant management information to plan, make decisions and underpin effective scrutiny and Board assurance. I found that:

- the information provided to the Board and its committees broadly supports assurance processes and decision making;
- the balance of information is more biased towards secondary care although there is recognition by the Board and its members that there needs to be greater attention given to population health, and primary and community care;
- there is a commitment to understanding the overall quality and safety of services, although this is rarely reported in one place and there is limited reporting on user satisfaction, patient pathway experiences and lessons learned from thematic analysis of complaints and incidents;
- separate reports are presented on performance and finance, and there is also scope to bring these and themes , such as workforce, IT and estate implications, together into more integrated reporting;

- performance against targets is well reported, as is the identification of improvement actions and lead manager responsibility, however, reporting on the effectiveness of improvement actions taken is not as consistent; and
- comparison of performance (over time or with other organisations) is not always presented, making it difficult for the Board and subcommittees to understand the direction of travel or the Health Boards performance relative to others.

56. My work included a survey of Board members to gauge their views on the management information received by the Board and its committees. Board members were satisfied that the information provided to the Board is generally sufficient to inform planning decisions and provide a clear view of how well the organisation is performing against its strategic objectives and in managing its risks.

57. In general, the level of information presented is not overly summarised, which helps support scrutiny and challenge, and Board members identified few concerns with the quality and accuracy of the information presented. However:

- the use of visuals and graphics to aid interpretation is relatively limited; and
- over aggregation of some data (eg, A&E performance) can make scrutiny more difficult for Board members.

58. As well as reviewing management information, my work has also focused on whether the Board and its subcommittees are making good use of the information presented. My observation of the Health Board and its Audit and Quality and Safety Committees found relatively good evidence of scrutiny and challenge by members. There is also evidence of performance information being used alongside other sources of assurance, such as patient safety walkabouts and observational visits, to confirm (or challenge) interpretation and understanding of information and performance issues.

59. The creation of a performance data book during the year has been a significant achievement and there is a commitment to continue to evolve and improve the performance data book as information needs change. A quality specific data book is also currently being developed. There is a disciplined approach to information production and management, although delays in clinical coding and obtaining data from some feeder systems, such as the electronic staff record, can affect the timeliness of some reporting.

60. Going forward the challenge, in the wake of the Mid Staffordshire NHS Trust and Powell Inquiries, will be how the Health Board can bring together (triangulate) key information to have a better early warning system of when quality of care may be at risk. For example the Health Board will need to consider how it can use its data to:

- highlight the connections between key indicators which together provide a quality trigger eg, staffing levels, sickness, bed occupancy, and patient outcomes;
- allow investigative analysis of apparent anomalies; and
- enable the patient experience to be combined with complaints and incident reporting.

61. The Health Board will also need to assess whether it has sufficient resources devoted to the important areas of information and performance management so that there is sufficient capacity to do all that is necessary in the future.

While arrangements are in place to support data quality, comply with data confidentiality, and provide for business continuity and disaster recovery, the strategic focus on information and its governance requires further development

62. My audit team has undertaken a high level examination of the Health Board's arrangements for ensuring the data that it produces is reliable and accurate. Whilst this work has not sought to validate the quality of specific NHS data sets or performance indicators, it has reviewed basic patient demographic data to determine the extent of duplicate and missing information on Patient Administrative (PAS) and Radiology (RADIS) systems.

63. My work has found that there is a corporate commitment to data quality. Data quality governance and management arrangements are in place and the data quality policy and processes are generally appropriate. However, my data analysis shows a mixed picture in terms of data quality accuracy, indicating varying degrees of effectiveness for ensuring consistent data accuracy and the legacy of multiple disparate information systems. Data quality assurances also need strengthening . More specifically, I found:

- Data quality governance and management arrangements are in place, but assurance arrangements could be strengthened further. The Data Quality Policy does not identify how the Informatics Strategy and Governance Board (ISGB) will co-ordinate and provide data quality assurance to a formal committee of the Board. While there is routine operational reporting of data quality to the ISGB, there is no annual data quality assurance report. Therefore, whilst there is a well-defined overall governance framework for data quality, arrangements would be strengthened by more formalised board level assurance reporting on data quality.
- The data quality policy and processes are generally sound. The Health Board has appropriate processes and procedures to meet national data quality standards and provides an appropriate range of data quality training, education and awareness activities. The data quality policy identifies key requirements, although the scope does not clearly cover primary care information, which the Health Board increasingly relies upon.
- Data analysis shows a mixed picture in terms of data quality accuracy. While the Health Board's performance met national data validation targets set by the Welsh Government, my analysis of PAS and RADIS system demographic data indicates that the Health Board needs to take action to address duplicate entries and records where there is no patient identifier.

64. In addition to work on data quality, auditors have also examined the Health Board's arrangements for implementing Caldicott guidance on confidentiality of patient data, and also the robustness of the Health Board's disaster recovery and business continuity processes in the event of an IT system failure.

65. In terms of implementing Caldicott guidance on confidentiality of patient data, robust management arrangements exist. The Caldicott Guardian provides strong leadership and there is effective oversight and assurance. Policies and procedures on patient data are in place and Health Board understands its information confidentiality responsibilities and high risk patient and staff information has been identified.

66. The Health Board could further improve its arrangements by benchmarking its progress and by ensuring that 'formalised' arrangements/responsibilities support succession planning for any changes in the Caldicott Guardian. The Health Board is also aware of the need to improve staff training (particularly job specific and update training) and ensure sufficient resource exists to deliver the training programme and monitor progress against the Caldicott principles. Other areas for further development include assessing other information subject to Caldicott principles and ensuring patients are informed on the use and access to their information.

67. My work on business continuity and disaster recovery processes associated with IT clinical systems indicated that whilst the overall the Health Board is well prepared in terms of ICT arrangements, business continuity planning is not complete in all clinical departments and arrangements with third party system suppliers need to be confirmed. The Health Board is aware of these areas and is currently taking improvement actions.

68. More specifically I found that:

- Business Continuity and Disaster Recovery governance arrangements across the Health Board need some improvement; however the recently developed roles of Emergency Planning Officer and Emergency Planning Group have the potential to help address this issue.
- The ICT operations team has good arrangements for dealing with Disaster Recovery and Business Continuity scenarios and is updating its plans; however the Health Board does not have a corporate plan for Business Continuity and Disaster Recovery, clinical department plans vary in quality and detail and some arrangements for third party supplied clinical systems need review.
- Overall arrangements for ICT infrastructure resilience are robust, with suitable controls over the locally hosted backup of the Health Board's most important information.
- Disaster Recovery arrangements covering the main patient administration systems are regularly tested, although departmental Business Continuity plans for clinical systems (Radiology, Pathology and Pharmacy) are not tested regularly.

69. In carrying out the above work and examining information governance as part of my work on structured assessment this year, I have concluded that the role and structure of the Information Strategy and Governance Board (ISGB) creates tensions between its operational and strategic focus, and current reporting arrangements do not provide strong assurance to Board. In addition the Information Management & Technology (IMT) strategy is still in draft; and financial pressures to invest in new and maintain existing infrastructure present strategic risks. Although the Health Board has a strong IMT operational team and a committed non-officer 'champion', information has

insufficient strategic prominence and information governance arrangements need focused attention.

My performance audit work has identified a well-managed and proactive approach to public and stakeholder engagement but also opportunities to secure better use of resources in specific areas

In-year workforce planning has been pragmatic, but developing financially sustainable long-term workforce plans to support transformational service change remains a major challenge

70. The Health Board has taken a pragmatic approach to workforce planning in 2012 and the planning framework has been developed to encourage operational ownership. Capacity, workforce and finance are integral to local annual plans and feed into Health Board's Annual Plan. The local annual plans include the impact of in-year service change and reflect consideration of capacity, workforce and finances, these are not yet properly integrated. For example, this year's annual workforce plan was not financially balanced and there are tensions between making financial savings and investing for the future as care shifts to the community.

71. The workforce implications of service changes as part of the South Wales regional plan will not be fully known before April 2013, and this makes longer-term workforce planning more difficult. As a result, the Health Board has not produced a five-year plan in 2012-13. Workforce issues arising from the Health Board's local 'Changing for the Better' plans are beginning to clarify but better understanding of capacity and training requirements is needed to support movements of services from acute to community settings and delivery.

There are many strengths in workforce management, but addressing sickness and ensuring operational managers are prepared and supported to lead complex workforce change are priorities

72. Workforce changes to support in-year service changes have overall been managed well and process re-design is being used to increase workforce productivity. In addition the Health Board critically evaluates all vacancies before refilling posts.

73. The approach to Employee Service Record (ESR) self-serve roll-out is measured, with 'testing' to mitigate any risks to payroll systems and controls. Appraisals are also increasingly being used as tools to support staff and organisational development.

74. There are some key areas for further development. More needs to be done to manage sickness absences, and I will be including a review of sickness management as part of my local audit work early in 2013. However, the recently introduced 'well-being through work' initiative is an innovative and positive step to keeping staff fit, in work. Similarly the preparedness of managers to develop, implement and manage the complex workforce change plans needed for service transformation has not yet been fully tested. The Human Resources department as a 'key enabler' remains a significantly important role in facilitating transformational change skills amongst operational managers.

Strong commitment and a well-managed, proactive approach to public and stakeholder engagement is evident

75. As highlighted in previous years, there is a strong organisational commitment to continuous engagement with the public and stakeholders. There is significant executive focus and 'investment' of time and energy, as well as effective communications and patient experience teams working to support effective engagement. The Health Board uses a wide range of methods including social media to engage with staff, stakeholders and partners and has a constructive working relationship with Community Health Council.

76. 'Urgent' service change has on the whole been handled effectively and quickly, particularly in respect to the urgent service change to emergency medical admissions at Neath Port Talbot hospital. There has also been a well thought through and coordinated approach to the current engagement on major service change. There is evidence of learning from previous engagement, and senior clinician involvement recognised as vitally important. 'Expert' support has been used to review engagement plans and assist with collecting and analysing public and stakeholder views through engagement activity during the year.

77. This is a good platform, but formal consultation on options, financial costing and subsequent workforce changes remain the major challenge for the consultation process in 2013 on the South Wales regional plan and the 'Changing for the Better' local plans.

The Health Board has focused significant efforts in putting in place the groundwork for improvements across theatre services although this has yet to result in significant improvements in performance

78. 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 on operating theatre utilisation. I found that the Health Board has rightly focused significant efforts in putting in place the groundwork for improvements across theatre services. However, the impacts on performance have been disappointing so far and the Health Board should give priority to tackling some key barriers that still exist. The reasons for reaching this conclusion are set out below:

- Operating theatre performance has rightly been a priority area for the Health Board and there is now a better structure and framework for driving service improvement. The new Theatre Board work programme provides greater clarity around the direction of travel although there is scope to be clearer about the objectives. There are examples of theatre initiatives that have led to direct benefits although the overall pace of change has frustrated some staff.
- Despite considerable efforts, operating theatres performance has not improved as much as we would have expected, with little improvement in efficiency within main theatres and particularly poor performance within day surgery theatres. The Delivery and Support Unit's involvement is beginning to have positive impacts which now need to be spread to other theatres.
- Sustainable improvement in the future will be extremely difficult if a range of key issues are not addressed as a priority. The problems in joint working between anaesthetics and theatres are a key barrier, since the split of theatres and anaesthetics into separate directorates 18 months ago. The Health Board is currently reviewing this arrangement. Despite some improvements, there remains much work to do to improve communications in general and to engender staff support and engagement for what the Health Board is striving to achieve.
- Preoperative assessment has not progressed markedly since our previous review and this remains a key problem area. There are also safety, quality and efficiency issues associated with wet or damaged theatre trays. Scope to improve performance monitoring and reporting exists and there needs to be better understanding and management of capacity and resources; the forthcoming implementation of a single theatre information system provides a significant opportunity to address this issue. .I also note that improvement action plans have been developed to address recommendations arising from external audit and other improvement agency work.

79. The Health Board does recognise the importance of sustainable whole-pathway solutions and has recently integrated the Theatre Development Board actions into the wider elective pathway work under the 'Delivering Improvement Programme' for elective pathway improvement. This is a logical approach but is likely to take some time to deliver significant results. The Audit Committee will be maintaining oversight of further progress and I will be including a further follow-up of progress in my 2013-14 audit plan.

Appendix 1

Reports issued since my last Annual Audit Report

Report	Date
Outline of Audit Work 2012	May 2012
Financial audit reports	
Audit of Financial Statements Report	June 2012
Opinion on the Financial Statements	June 2012
Opinion on the Whole of Government Accounts return	July 2012
Audit of the Charitable Funds Financial Statements Report	August 2012
Opinion on the Summary Financial Statements	September 2012
Opinion on the Charitable Funds Financial Statements	October 2012
Financial Statements Memorandum	October 2012 to management
Performance audit reports	
2011 Structured assessment: thematic review of data quality	November 2012
Disaster Recovery, Business Continuity	November 2012
Operating Theatres follow-up review	November 2012
2012 Structured Assessment: Presentation/Board development session	November 2012/December 2012
Other work	
Governance workshop	February 2012 Audit Committee
Ward Staffing benchmark follow-on analysis	March 2012

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.

Report	Estimated completion date
Chronic conditions management and unscheduled care follow-up	January 2013
Sickness management review	March 2013
Primary care prescribing	March 2013
Orthopaedic review	June 2013

Appendix 2

Audit fee

The Outline of Audit Work for 2012 set out the proposed audit fee of £434,863 (excluding VAT). My latest estimate of the actual fee, on the basis that some work remains in progress is in accordance with the fee set out in the outline.

Included within the fee set out above, the audit work undertaken in respect of the shared services provided to the Health Board by the NHS Wales Shared Services Partnership was £11,368.

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