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Annual Audit Report 2012

Cwm Taf Local Health Board

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This report has been compiled on behalf of the Auditor General for Wales by Derwyn Owen, Mike Jones, Mandy Townsend and Dave Thomas

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Summary report

Summary

1. This report summarises my findings from the audit work I have undertaken at Cwm Taf Local Health Board (the Health Board) during 2012.

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

Audit of accounts

5. I issued an unqualified opinion on the 2011-12 financial statements of the Health Board, although in doing so I brought a number of issues to the attention of officers and the Audit Committee. These relate to one uncorrected misstatement on accounting for accelerated depreciation (which had no effect on the bottom line), compliance with the Public Sector Payment Policy (PSPP), the process of calculating year-end liabilities for continuing healthcare claims, and improvements to be made in the process of drafting the Annual Governance Statement (AGS).

6. In addition, I placed a substantive report on the Health Board's financial statements alongside my audit opinion. My report draws attention to the additional resource allocation received by the Health Board primarily to enable it to meet its financial resource limit target.

7. The Health Board achieved financial balance at the end of 2011-12, with the aid of additional resource allocation from the Welsh Government of £4 million in the month of March 2012. The additional funding received was a draw forward of funding from 2012-13 and will be returned by reducing the resource allocation for that year.

8. I have also concluded that the Health Board's:

- internal control environment reduces the risk of material misstatement to the financial statements; and
- it's significant financial and accounting systems were appropriately controlled and operating as intended, although there are some areas for improvement.

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

9. 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. This work has led me to draw the following conclusions.

The Health Board is forecasting it will stay within its resource allocations for 2012-13, having recently received confirmation from the Welsh Government of an additional non–recurrent allocation of £10 million. Plans are being developed for financial sustainability in the medium-term

10. The Health Board's financial reporting accurately reflects transactions during the year.

11. The Health Board consistently reported a £10 million deficit for 2012-13, until December 2012 when additional resource allocation of this amount was confirmed by the Welsh Government. In its internal financial plan for 2012-13 the Health Board initially targeted the second quarter of 2013-14 to reach a financially balanced position, only it is now reporting this will not be until the third quarter.

The Health Board has substantially strengthened its governance arrangements during 2012, particularly by clarifying and maturing the roles of Board Committees

12. The Board recognises it is on a journey towards maturity, and has developed the roles of its Committees in 2012. The internal control environment has been substantially changed and is maturing to support effective Board assurance. Management information benefited from significant development this year, but must continue to evolve and strengthen. Revised informatics arrangements are now in place, following some serious concerns around data accuracy, with new performance information structures still in flux.

My performance audit work indicated promising progress towards securing better use of resources in a number of key areas

13. My other performance work highlights promising progress on resolving issues inherited from predecessor organisations, in particular around service delivery and delivering improvement at the front-line. The internal re-structuring also featured positively in my other findings with a clear recognition that the current pattern of service provision is not clinically sustainable in light of increasing medical specialisation, and early signs of action to address this emerging issue. More specifically I found that:

- there has been a positive direction of travel across identified improvement areas from previous structured assessments and while some areas still need further development, the Health Board recognises, and is working towards resolving them;
- while the Health Board has a clear vision and commitment to partnership working to transform unscheduled care and chronic conditions management, rising demand, a shortfall in capacity and on-going challenges in educating the public about the appropriate use of services and self-care are constraining progress;
- there are some strengths in workforce management, but key challenges remain on sickness, medical staffing and developing financially sustainable long-term workforce plans to support transformational service change;
- strong commitment and a well-managed, proactive approach to public and stakeholder engagement is evident providing a good platform for delivering the fundamental changes to services which are necessary; and
- the Health Board is starting to monitor the implementation of recommendations through its structures.

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

14. This report has been agreed for factual accuracy with the Chief Executive and the Interim Director of Finance. It was presented to the Audit Committee on 11 March 2013. 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's own website (www.wao.gov.uk).

15. The assistance and co-operation of the Health Board's staff and members during the audit is gratefully acknowledged.

Detailed report

About this report

16. 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 2011 and December 2012.

17. 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.

18. 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.

19. 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.

20. 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.

21. 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

I issued an unqualified opinion on the 2011-12 financial statements of the Health Board, although in doing so, I brought a number of 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

22. I found the information provided to support the financial statements to be relevant, reliable and easy to understand. The good quality of the draft financial statements was maintained this year.

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 Audit Committee on 6 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
Accounting Treatment of Indexation of Accelerated Depreciation on two Assets.	Our audit identified two non-current assets which were being depreciated at an accelerated rate. The gross value of those assets had been correctly indexed but indexation had not been applied to the brought forward accumulated depreciation balance. Indexation was therefore overstated by approximately £0.43 million. The assets were subsequently depreciated to arrive at their correct net book value. This resulted in the accelerated depreciation charge and accelerated depreciation funding both being overstated by approximately £0.43 million.

Issue	Auditors' comments
Public Sector Payment Policy (PSPP)	The recorded performance against the PSPP target has an element of uncertainty. The Board currently 'starts the clock' on invoice payment performance when the invoice is received by the 'Procure to Pay Department'. The Welsh Government states that the clock should start when the invoice is initially received by the Board. Both internal audit and our testing has identified that some invoices are received by other departments. It is therefore not always possible to identify the correct start date. There is the possibility therefore that the Board's PSPP performance is overstated. For disputed invoices, the Welsh Government have recently clarified that the clock should start when the invoice is received by the Board, stopped when the invoice is identified as being disputed and then re-started when the dispute is resolved. The Board does not currently stop the clock when resolving disputes. It is therefore likely that PSPP performance is understated in relation to this aspect. The Board should look at how systems could be put in place to resolve these issues (particularly evidencing the date the invoice is received).

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 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.

25. My separate independent examination of Funds Held on Trust financial statements was completed in November 2012. No issues arose that I am required to (or wish to) report to you.

The Health Board's internal control environment reduces the risks of material misstatements and its significant financial systems were appropriately controlled and operating as intended although there are some areas for improvement

26. My work focuses primarily on the accuracy of the financial statements, reviewing financial systems and internal controls to assess whether they provide assurance that the financial statements are free from material misstatement.

27. Exhibit 2 highlights the key areas of work and findings, which I have included in a number of different reports and discussed with the Audit Committee.

Exhibit 2: Financial systems and controls

Area reviewed	Findings
Internal audit	Internal Audit complied with the requirements of the Chartered Institute of Public Finance and Accountancy Code of Practice for Internal Audit. However, we note that the level of coverage is significantly lower than many other Health Boards. As a consequence it has only limited capacity to undertake reviews of wider service and clinical areas.
Budgetary control	Our assessment of the Board's system overall gave us assurance that the budgetary control system was effective in identifying a potential material error or omission leading to its correction.
Annual Governance Statement (AGS)	The Board did not meet the timetable for the completion of a draft AGS and significant amendments were required to the draft before its approval. The production of a detailed AGS understandably can take a long time to produce. However, best practice would suggest that, to a large extent, it should naturally fall out of the Governance Framework already in place. We understand that the Board is finalising these arrangements, and this could make the production of the AGS less onerous in future. This will enable the document to be completed in line with the timetable specified by the Welsh Government and enhance the accuracy and completeness of versions which are submitted for audit.
Information Technology general controls	Controls within the main accounting system were operating as intended but the Board should ensure its departments have up-to-date business continuity plans.
Significant financial systems	The Board's significant financial systems had appropriate internal key controls in place and were operating satisfactorily but we identified some areas for improvement particularly in relation to the year-end calculations of Continuing Health Care liabilities.
Prevention and detection of fraud and corruption	Planned Local Counter Fraud Service days for proactive work continue to be lower than those recommended by the National Counter Fraud Service. As a consequence it is reliant on reactive rather than proactive work. The Board continues to develop its arrangements for complying with the Bribery Act 2010, and needs to complete this work during the next 12 months.

The Health Board achieved financial balance at the end of 2011-12, but only as a result of additional year-end non-recurring funding from the Welsh Government.

28. For the 2011-12 financial year, the Health Board incurred net expenditure of £597.2 million. Its final resource limit was £597.2 million, which included the receipt in March 2012 of an early draw down of £4 million from its 2012-13 allocation. The Health Board would have exceeded its resource limit had it not received the additional allocation. As a consequence, whilst not qualifying my audit opinion, I placed a substantive report on the accounts.

29. Whilst the additional allocation enabled the Health Board to achieve its Resource Limit for 2011-12, it also meant that the extent of the financial challenge for 2012-13 became even greater.

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 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; and
- specific use of resources work on unscheduled care, chronic conditions management, workforce planning, and stakeholder engagement.

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

The Health Board is forecasting it will stay within its resource limit for 2012-13, having recently received confirmation from the Welsh Government of an additional non–recurrent allocation of £10 million. Plans are being developed for financial sustainability in the medium-term

The Health Board's financial reporting accurately reflects transactions during the year

32. The Health Board is required to submit monthly monitoring returns to the Welsh Government that report its financial position each month, with a projection of the likely position at the end of the year. The financial position is also reported to each Board meeting.

33. Budgetary control work over recent years confirms that both the monthly monitoring returns and Board reports accurately show the income and expenditure transactions during the year.

The Health Board has targeted the start of the third quarter of 2013-14 to achieve recurrent financial balance

34. The Health Board's 2012-13 interim financial plan presented to the non-public part of the Board meeting in June 2012 estimated a financial deficit of £28.4 million (including the impact of the £4 million early draw forward in 2011-12 described above). The Health Board put plans in place to seek to meet this financial challenge, which included:

- £13.5 million efficiency targets given to Directorates (for example three per cent target for clinical directorates and 10 per cent for corporate support services);
- £5.15 million efficiency measures in additional to general targets above (for example, reduction in sickness levels, reduction in primary care prescribing, and better rostering and shift patterns);
- £2.75 million implementation of service redesign planning to reduce length of stay, increased day-case rates and increased used of community health facilities;
- £2.75 million site rationalisation savings; and
- £4.25 million arising from improved commissioning and contracting arrangements.

35. Despite these targets, for most of the financial year the Health Board consistently reported a projected overspend of approximately £10 million.

36. The Welsh Government announced on 11 December 2012 that the Health Board would receive an additional non-recurrent allocation of £10 million for 2012-13 to '...enable the maintenance of appropriate quality and performance standards and the delivery of year-end break even.' As a consequence the Health Board is now projecting a break even position for the 2012-13 financial year.

37. To date, the Health Board has consciously concentrated on the short-term in their internal financial plans. The Health Board must now put in place a financial plan which looks more to the medium-term.

The Health Board has substantially strengthened its governance arrangements during 2012, particularly by clarifying and maturing the roles of the Board's sub committees

The organisational changes implemented in 2011 are helping to strengthen the Board's governance arrangements

38. In 2011, I recognised that a number of organisational changes were underway following the appointment of the new Chief Executive in the form of revision of roles and responsibilities between the executive team, and the introduction of the Finance and Performance Committee of the Board that would impact on the Health Board's governance structures. These changes were intended to improve its organisational structure, assurance and quality processes for greater clarity, scrutiny and transparency. During 2012, these changes were seen to be progressing well and the new arrangements were starting to mature and bed in. There is, however, still a need to further strengthen arrangements around the assurance framework, and to ensure new ways of working are fully adopted throughout the Health Board.

39. The Board has undertaken an honest self-assessment of its maturity, and openly shared this with key stakeholders as part of its renewed commitment to open and transparent engagement with external scrutiny.

40. My auditors have observed a willingness of Board members to openly discuss challenging issues at Committee meetings. Another positive development noted by my audit team was the strong and robust, yet supportive challenge exhibited by Independent Members, both at full Board and in Committee meetings.

41. My structured assessment work has shown that the Board and its committees have well developed arrangements for obtaining the necessary assurance that legislative requirements are being complied with. Auditors also noted the following key issues in relation to the work of the Board's various committees:

- The Integrated Governance Committee effectively supports the overall Board assurance framework, and makes linkages between Board committees; however, its role could be developed further to assist the Board in 'triangulating' issues across the breadth of its responsibilities.
- The Finance and Performance Committee is maturing rapidly, and provides effective scrutiny and challenge of the senior management team, and more recently has started to call in poorly performing Directorates.
- The Audit Committee shows a positive direction of travel, although opportunities exist to strengthen its scrutiny arrangements in a small number of areas, for example, in seeking the assurances provided by other Board Committees and from the clinical audit work that is undertaken in the Health Board.

- Some challenges remain in relation to management of the large Clinical Governance Committee agenda, following the Healthcare Inspectorate Wales (HIW) review: The balance between reviewing the detail and the ability to discuss key issues should be re-examined, and the use of sub-committees' work to provide assurance in a similar manner to the Board itself could be considered.
- The Health Board has started to consider how it will comply with the expected practices set out in the new Audit Committee Handbook, and expects that its revised committee arrangements remain suitable, but will need to test this assumption.

42. Board members undertake regular unannounced structured walkabouts and observational visits, in addition to 1000 Lives plus initiatives, which cover a balanced range of issues including dignity and cleanliness. These provide additional assurance to the Board through verbal and summary reports and visible leadership across the Health Board. My auditors noted that these were extended to cover additional risks during 2012, and primary care and community services were included in the programme.

43. Furthermore, the profile of patient experience at the Board is good, with Patient Stories at Board meetings, and reports summarising concerns, claims, incidents and lessons learned featuring on the Board agenda.

44. The concern I had in 2011 around the potential duplication of the Turnaround[1] Team's work with both Board Committees and operational management has been resolved by close working relationships, and good integration of work-streams. Revised operational structures and arrangements are in place, and starting to embed. The Chief Operating Officer is supported on each acute site by a deputy; and the Turnaround team has dedicated capacity; both teams work to support Directorates and implement improvements to both service delivery and financial targets. The turnaround methodology is based on 60-day 'improvement cycles'. These improvement cycles are used flexibly across the Health Board, with 41 areas covered so far, resulting in improvements to both finances and processes. Another positive is the involvement of Independent Members as chairs of the project boards for the cycles, giving a good line of sight from the Board to actions being taken within the Health Board to change services, and achieve savings.

The internal control environment has been substantially changed and is maturing to support effective Board assurance

45. High standards of governance and accountability are fundamental requirements in demonstrating effective stewardship of public money and the efficient, effective and economical use of resources. As part of my work on structured assessment, my audit team reviewed the internal control environment, to ensure good governance can be demonstrated across a wide range of key areas.

[1] Turnaround is defined as financial and generally in healthcare performance recovery of an organisation that has been performing poorly for an extended time.

46. I have reviewed risk management at the corporate level as the HIW governance review and Internal Audit had previously highlighted this as an area for improvement. It is clear from my work that risk management arrangements have been refreshed and are starting to mature. In particular the corporate risk register is now clearer in the way it describes risks, with key controls, residual risks and the Board Committee responsible for scrutinising each risk outlined against each risk. There are clear risk management policies and procedures and place, and both senior management and Independent Members believe they are sighted of the key organisational risks, and that they are articulated and escalated appropriately. At a corporate level the risk register is scrutinised by a number of Board Committees, for example the Corporate Risk Committee scrutinises health and safety, and fire risks, whilst the Clinical Governance Committee examines clinical risks, whilst the Audit Committee reviews the comprehensive coverage of risks across the committee structure. The electronic DATIX system is used across the organisation, and users have been trained. The risk register is also used to identify and monitor the barriers to achieving the Health Board's strategic objectives as part of the regular mechanisms for scrutiny and review. All of this represents significant improvement, but further work is still needed by the Health Board to obtain assurance that the new risk management arrangements are adequately embedded at the operational level.

47. There is a clear clinical effectiveness and clinical audit strategy, and an annual clinical audit plan. This covers the key mandated national audits and audits to provide assurance on key risks identified by the Health Board. In addition, in line with the Audit Committee Handbook, the annual clinical audit plan is considered by the Audit Committee.

48. Although the above findings represent positive developments, a number of other key aspects of internal control require further development in order to support more effective governance arrangements:

- Due to late guidance, and in common with other health boards, the approach taken by the Health Board to producing the AGS in 2012 was not strong (Exhibit 2). The Health Board recognises that improvements are necessary for the 2013 iteration. This process must also support the production of the new Annual Quality Statement. The AGS needs to be an honest and frank reflection of the Health Board's governance system. Critically it should not be a year-end process, and should build through the year and fall out of existing assurance arrangements. Key to these assurances is the testing of controls every year. My auditors will keep this area under review in 2013.
- Arrangements for escalating serious concerns or clinical incidents to Board are in place, but the Health Board needs to undertake further work on publicising its approach to whistleblowing in order to create a climate of openness where staff can feel comfortable in raising concerns through appropriate channels.
- Clearly articulating the key components of the assurance framework to staff to help strengthen and embed new arrangements and ensure a comprehensive and consistent understanding across the Health Board.

- Internal audit and counter fraud require strengthening to support wider governance requirements (Exhibit 2). In particular whilst Internal Audit maintains core coverage, it has only limited capacity which constrains its ability to examine other arrangements.

Management information has benefited from significant development this year, but extending the range of information and how it is presented would further enhance Board assurance

49. My Structured Assessment work this year has focused on whether the Health Board and its sub-committees have access to relevant management information to plan, make decisions and underpin effective scrutiny and board assurance. I found that the Health Board has completely revised its approach to information production and management in 2012. With a new Director of Planning and completely revised structures to split scrutiny from delivery, performance reports are evolving monthly.

50. The iterative development of management information is in response to the Board's requirements and resulted by the end of 2012 in the creation of performance dashboard. The dashboard summarises performance across a range of Tier one priorities, local indicators, and now includes some quality and primary care metrics, all on a red/amber/green scorecard. The dashboard is supported by detailed analysis for each indicator, which not only tracks performance over time against target, but in many cases also includes benchmarking information. In addition, the clear split between explanation of the current position and the actions being taken improves interpretation. The Board and committees generally get the right level of information; it is not overly summarised and sufficient detail is available for effective and timely decision making.

51. The Health Board is committed to further developing its dashboard, and the Finance and Performance Committee recently explored some of the additional quality and primary care metrics it would like to see in future. As part of this development, I expect the Health Board to address the following gaps noted by auditors:

- Delays in coding and obtaining data from some feeder systems can affect reporting timeliness and the ability to develop necessary early warning systems.
- To further strengthen the Board's ability to plan, make decisions and scrutinise, and support the move to more comprehensive reporting of the Board's entire range of responsibilities, there needs to be more:
  - information on the quality of care, outcomes, and attention given to user satisfaction and patient pathway experience at Board level;
  - care with data aggregation, as this can mask variation between the two acute sites, and between community hospitals;
  - reporting on the effectiveness of improvement actions taken (Mental Health provides a good example of how this can be done); and
  - the thematic analysis of complaints/incidents (and of lessons learned) need to be included in the dashboard as it expands to cover quality metrics.

- The use of summaries and visuals to aid interpretation, (trend analysis and benchmarking seen in the dashboard and supporting report) must extend to financial and quality reports.

Revised informatics arrangements are now in place, following some serious concerns around the accuracy of reported waiting list data

52. I expressed concerns around the pace of development and capacity on informatics in my 2011 Annual Audit Report. These concerns were shared by the reshaped senior management team. During 2012 work by the Delivery and Support Unit identified fresh concerns in respect of anomalies in reported waiting list data. Following the necessary internal reviews and investigations into these concerns, roles and responsibilities relating to performance information within the Health Board have been comprehensively revised, as have policies and procedures for collecting and managing data on waiting lists. A recently completed 'due diligence review' of the new process, led by an experienced senior manager from England, provides some assurance that the new processes address weaknesses in the previous arrangements. However, further independent testing will be required during 2013 to provide full assurance that the Health Board has adequately addressed these issues.

53. My audit team undertook a high-level examination of the Health Board's arrangements for ensuring the data that it produces is reliable and accurate. Whilst this work did not seek to validate the quality of specific NHS datasets or performance indicators, it did review basic patient demographic data to determine the extent of duplicate and missing information on Patient Administrative and Radiology systems. This work relied, to a significant extent, on information provided by staff working in the performance team where concerns over waiting list data anomalies were centred. Consequently I cannot take full assurance from the evidence that was provided and I therefore propose to undertake fresh work in 2013 to re-test data quality arrangements.

54. During 2012, I also examined the Health Board's arrangements for implementing Caldicott guidance on confidentiality of patient data. Overall, the Health Board's arrangements in respect of Caldicott requirements appear adequate in that there are defined management arrangements supported by policies and procedures, under the leadership of the Caldicott Guardian. However, I found gaps between corporate and operational teams resulting from the state of flux of the Information Team. The Health Board did, however, take immediate steps to address this gap. The Health Board is aware of the need to improve staff training; and to strengthen the arrangements for informing patients on the use and access to their information in Prince Charles Hospital. In addition, although the Health Board understands its information confidentiality responsibilities and has identified 'high risk' patient and staff information; other information subject to Caldicott principles needs to be assessed.

My performance audit work indicated promising progress towards securing better use of resources in a number of key areas, although a number of significant challenges remain

There has been a positive direction of travel across identified improvement areas from previous structured assessments and while some areas still need further development, the Health Board recognises this, and is working towards resolving them

55. My Structured Assessment work has indicated that the Health Board has made progress against a range of issues identified by auditors in previous years. The issues explored in Exhibit 3 are set against the backdrop of a significant programme of on-going organisational development work, set in place by the Chief Executive, in post since February 2011. The direction of travel is positive, but some significant challenges remain and it is essential that these positive changes are tested to ensure that organisational change embeds throughout the Health Board, and is reflected at the front-line. My audit team will maintain an overview of this development agenda, and undertake some testing of specific areas in 2013.

56. The Healthcare Inspectorate Wales Governance Review was published in 2012, and identified a number of areas of specific concern, in particular around Board and Committee operation, and clinical governance and handling of concerns and claims. My structured assessment work indicates that the Health Board is making progress in addressing the issues identified by HIW. However, HIW will be undertaking its own work to determine progress being made against its action plan, and I shall be liaising with them to ensure that follow up is appropriately co-ordinated.

Exhibit 3: Addressing issues identified in my previous Structured Assessment work

Theme(s)	Progress made by the Health Board
Strategic direction and organisational structure	My previous structured assessments found that the Health Board had taken a structured, considered and inclusive approach to service redesign, and community engagement. Overall, the emergence of plans for service redesign has been slower than expected, because the Health Board has needed to take into account the regional context. Proposals on regional service reconfiguration are in the engagement phase, and formal consultation will now follow in 2013. In the meantime, the Health Board has faced challenges in sustaining existing services. For example, in Autumn 2011 the Health Board had to instigate temporary closure of the Minor Injuries Unit at Ysbyty Cwm Rhondda to release staff to maintain accident and emergency services at Royal Glamorgan Hospital. While the underlying staffing issues have been a concern for some time, they are not unique to Cwm Taf.

Theme(s)	Progress made by the Health Board
(Continued)	Following internal restructuring, and the appointment of a Chief Operating Officer in August 2011, changes to senior management portfolios are now clearly embedded within the senior management team. The key principles include bringing directorate teams closer to the executive team, enhancing clinical leadership, separating delivery and governance functions, and enhanced integration of services. These changes give the Health Board the opportunity to address some of the concerns I raised in previous years about the balance of responsibilities, and some of the issues raised by HIW, and the Public Services Ombudsman Wales in particular around patient concerns and complaints.
Committee structures and performance management	As part of its organisational development work, and in response to the HIW review, the Health Board set out a revised governance framework. The Health Board's progress in strengthening its governance arrangements during 2012 has already been covered in paragraphs 38 to 42. Other key developments include: • Clear separation between operational delivery, including those accountable for delivery, and performance monitoring. • The 'holding to account' process started in 2011 for performance management is impacting on performance in many Directorates, particularly on financial performance, with many Directorates achieving their required efficiency savings whilst maintaining performance against targets. This is supplemented in underperforming Directorates by both additional support from Turnaround and Operating Officer teams, with scrutiny from the Finance and Performance Committee of the Board.
Operational Planning	Operational planning continues to mature, and whilst my work did not specifically examine this in 2012, my auditors found progress on integration of operational service planning with financial and workforce plans. In particular, there are now ambitious plans to deliver incremental changes and financial balance within the next year. However, medium-term planning to deliver the Health Board's wider aims of delivering sustainable long-term transformational change and live within its resource limit; await the outcome of the South Wales Plan consultation. The Health Board recognises the need to develop such medium-term plans, and a route map for implementation, and intends to develop these in 2013.

Theme(s)	Progress made by the Health Board
Complaints, claims and litigation	The Welsh Risk Pool, HIW and the Public Services Ombudsman Wales all raised concern that prior to 2011, the Health Board had serious deficiencies in the way it responded to and managed complaints, concerns and litigation. In 2012, my audit team examined the revised management arrangements the Health Board had put in place to address these concerns. They noted revised procedures, internal guidance, and training for staff across the Health Board. The new procedures place an emphasis on NHS Redress, and on learning for the organisation to prevent recurrence. Scrutiny has improved with Independent Members chairing Concerns and Redress panels. The Health Board also monitors the implementation of its HIW action plan at the Clinical Governance Committee. All of this represents positive progress, and the Welsh Risk Pool awarded a substantially improved compliance score in 2012 of over 70 per cent. However, the reality of whether this has completely addressed all of the issues raised in the past can only be assessed from on-going improvement in performance on timeliness of responses; the attitudes and behaviours of Health Board staff when concerns are raised; and when concern is justified, the learning and changes necessary to prevent recurrence. Only time will show if these changes in arrangements and culture are truly embedded, and my team will keep this area under review in 2013.

While the Health Board has a clear vision and commitment to partnership working to transform unscheduled care and chronic conditions management, rising demand, a shortfall in capacity and on-going challenges in educating the public about the appropriate use of services and self-care are constraining progress

57. Previous Wales Audit Office reports in 2008 and 2009 have highlighted the need to improve key aspects of unscheduled care and chronic conditions management services. During 2011 and 2012 I undertook a detailed programme of follow-up audit work on chronic conditions and unscheduled care across Wales. This work considered progress against previous audit recommendations, but also aimed to provide new insight into the barriers and enablers affecting progress locally. As there are a number of key interrelationships between chronic conditions and unscheduled care, the work was delivered as a single integrated review.

58. Within Cwm Taf, there is rising demand for unscheduled care and accident and emergency (A&E) departments remain under significant pressure. A&E departments have increasing numbers of attendances and comparatively fewer staff than in other health boards. Despite a number of positive actions to manage pressures in A&E departments, improvement against targets is not evident. In particular, performance against the four-hour waiting time target for A&E department patients has been consistently poor. In addition, many patients arriving at A&E departments by ambulance wait too long to be handed over to the care of hospital staff.

59. It is evident that the Health Board is taking action to reduce its reliance on the acute sector to manage chronic conditions, and it has made more progress than most other health boards. The Health Board has made good progress in strengthening the way it seeks to support people in the community and prevent unnecessary use of hospitals. Actions underway include new ways to identify individuals at risk of unplanned admissions and support them in the community; and service redesign and investment to shift the location of care from hospital to community. Although the Health Board and some GP practices are taking positive action to improve access for patients during core hours, demand for out-of-hours services is rising and the reasons are not yet clear. Primary care contracts are also being used to support patients with chronic conditions and unscheduled care needs. However, despite positive action to tackle delayed transfers of care, which appears to be taking effect, multiple admission rates and lengths of stay for some chronic conditions remain above target.

60. The Health Board has had limited success so far in changing the way that the public uses services: The 'Choose Well' campaign appears to have had little impact so far, and plans for the communications hub to signpost people to the right services are still in their infancy. Although support for patient education and self-care has improved, the uptake and completion of dedicated self-care programmes is still too low.

61. Looking forward, I found that the Health Board has a clear vision for the future management of chronic conditions and unscheduled care, supported by revised governance arrangements and a clear commitment to partnership working. Successful delivery of that vision will depend upon effective public engagement and clarity on service planning. Revised governance arrangements for chronic conditions management and unscheduled care are now in place and I have noted the work of the Setting The Direction Implementation Board. When set alongside the Health Board's commitment to building strong partnerships with key stakeholders I concluded that the Health Board is now better placed to deliver planned service changes.

There are some strengths in workforce management, but key challenges remain on sickness, medical staffing and developing financially sustainable long-term workforce plans to support transformational service change

62. My Structured Assessment included an examination of workforce planning as a key enabler of service change and improvement. The Health Board continues to take a pragmatic approach to medium-term workforce planning in the absence of agreed service transformation plans, whilst it awaits the outcome of the engagement and consultation around the South Wales Plan.

63. There are some strengths in workforce management, with a robust process to evaluate all vacancies before approval. My auditors found that this process happens quickly, within a week, and examines both patient safety considerations, and workforce re-design opportunities. Electronic Staff Record implementation is now complete, and the measured approach taken by the Health Board helped. The Health Board is also in the process of rolling out e-rostering software, which is uncovering anomalies and challenging assumptions at operational level, but is expected to ensure safe and appropriate staffing levels in all clinical areas. However, a number of challenging priorities remain, including:

- addressing medical staffing sustainability, with on-going difficulties recruiting medical staff to key acute specialities such as A&E, and a probable looming challenge in primary care, as many GPs near retirement age;
- staff sickness levels remain problematic, despite a number of initiatives and promising progress in 2011, staff sickness rose again, and remains above target at 5.67 per cent; and
- preparing managers to lead complex workforce change needed to support the move of care into community settings, and to implement the forthcoming South Wales Plan.

64. This pragmatic approach to workforce planning within year and the close working around planning frameworks encourages operational ownership of workforce issues. The importance of linking service, workforce and financial plans is recognised but these are not yet properly integrated and this year's annual workforce plan was not financially balanced and it is noted that tensions remain between making financial savings and investing for the future.

Strong commitment and a well-managed, proactive approach to public and stakeholder engagement is evident providing a good platform for delivering the fundamental changes to services which are necessary

65. My work this year on public and stakeholder engagement has identified that the Health Board has a strong organisational commitment to continuous engagement. There is significant executive and independent member focus and 'investment' of time and energy in regular and longstanding engagement fora in each of the four localities. This is supported by effective communications and patient experience teams who use a wide range of methods to engage with staff, stakeholders and partners. Another key contributor is the constructive working relationship with the Community Health Council, and the use of 'expert' support to review plans and assist with collecting and analysing engagement views.

66. The Health Board successfully used this approach to effectively handle mental health service change. The Health Board learned from this engagement experience that involving senior clinicians and open, transparent dialogue help both stakeholders and the wider public understand the need for change. It has developed a well thought through and co-ordinated approach to engagement on major service change. This is a good platform, but formal consultation on options, financial costing and subsequent workforce changes remain the major challenge for 2013.

There is evidence that the Health Board is implementing recommendations from previous performance audit work

67. During the last 12 months my audit team have kept a watching brief on progress that has been made in addressing concerns and recommendation arising from previous audit work in specific areas of service delivery. This has been achieved through the review of formal progress reports to Board and other committees and through contact with the Health Board operational managers. I have summarised key findings from previous structured assessments in Exhibit 3, and the combined review of unscheduled care and chronic conditions management demonstrates that the Health Board is making progress embedding recommendations in its work streams. I also noted progress on operating theatres efficiency and day surgery throughout the year, with inclusion in the performance dashboard, and regular scrutiny from the Finance and Performance Committee complemented by support from both the Turnaround and Chief Operating Officer Teams.

68. The remainder of my follow up work, with specific investigations from my audit team will be completed in the first quarter of 2013, and reported in my 2013 Annual Audit Report.

Appendix 1

Reports issued since my last Annual Audit Report

Report	Date
Financial audit reports	
Audit of Financial Statements Report	May 2012
Opinion on the Financial Statements	June 2012
Financial Statements Memorandum	August 2012
Performance audit reports	
Combined Review unscheduled care, chronic conditions and clinical engagement	July 2012
Structured Assessment, including probes on management information, Caldicott, data quality, workforce planning and public and stakeholder engagement	November 2012
Primary care prevention and detection of fraud	March 2013
Other reports	
Outline of Audit Work 2012	March 2012
Annual Audit Report 2012	January 2013

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. The scheduling of this work reflects discussions with Health Board leads for each topic.

Report	Estimated completion date
Hospital Nutrition and Catering Follow Up	January 2013
Operating Theatres Follow up (cancelled and budget re-assigned to Ward Staffing follow up)	none
Consultant Contract Follow Up	March 2013
Ward Staffing Follow Up	April 2013
Primary Care Prescribing	May 2013
Orthopaedics	September 2013

Appendix 2

Audit fee

The Outline of Audit Work for 2012 set out the proposed audit fee of £453,032 (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. As detailed in the Audit Outline the fee includes the audit work undertaken in respect of the shared services provided to the Health Board by the Business Services Centre of £6,894.

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