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Auditor General for Wales

Annual Audit Report 2018 – Powys Teaching Health Board

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Summary report

About this report

- 1 This report summarises the findings from the audit work I have undertaken at Powys Teaching Health Board (the Health Board) during 2018. I did that work to carry out my responsibilities under the Public Audit (Wales) Act 2004. That Act requires me to:
 - a) examine and certify the accounts submitted to me by the Health Board, and to lay them before the National Assembly;
 - b) satisfy myself that the expenditure and income to which the accounts relate have been applied to the purposes intended and in accordance with the authorities which govern it; and
 - c) satisfy myself that the Health Board has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 2 I have reported my findings under the following headings:
 - Key messages
 - Audit of accounts
 - Arrangements for securing economy, efficiency and effectiveness in the use of resources
- 3 I have issued several reports to the Health Board this year. This annual audit report is a summary of the issues presented in these more detailed reports, a list of which is included in [Appendix 1](#).
- 4 [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 2018 Audit Plan.
- 5 [Appendix 3](#) sets out the significant financial audit risks highlighted in my 2018 Audit Plan and how they were addressed through the audit.
- 6 The Chief Executive and the Director of Finance have agreed this report is factually accurate. We presented it to the Audit Committee on 17 January 2019. The Board will receive the report at a later Board meeting and every member will receive a copy. We strongly encourage the Health Board to arrange wider publication of this report. We will make the report available to the public on the [Wales Audit Office website after the Board have considered it](#).
- 7 I would like to thank the Health Board's staff and members for their help and co-operation during the audit work my team has undertaken over the last 12 months.

Key messages

Audit of accounts

- 8 I have concluded that the Health Board's accounts were properly prepared and materially accurate, and my work did not identify any material weaknesses in the Health Board's internal controls relevant to my audit of the accounts. I have therefore issued an unqualified opinion on their preparation.
- 9 However, in issuing this unqualified opinion, I have brought several issues to the attention of officers and the Audit and Assurance Committee. These relate to journals processing and authorisation, enhanced disclosures in the Annual Governance Statement and calculation of the remuneration relationship. The Health Board achieved financial balance for the three-year period ending 31 March 2018 and so I have issued an unqualified opinion on the regularity of the financial transactions within its 2017-18 accounts.
- 10 As the Health Board achieved financial balance and has an approved three-year plan in place and there were no other issues which warranted highlighting, no substantive report was placed on the Health Board's accounts.

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

- 11 My 2018 structured assessment work at the Health Board has found that:
 - the Health Board is generally well led and well governed and is taking forward work in a number of areas to continue to strengthen its governance arrangements;
 - the Health Board's strategic planning is increasingly systematic with improving mechanisms for monitoring implementation and it is rolling out a new approach to translating its IMTP into action; and
 - the Health Board is working hard to tackle workforce challenges, is maintaining financial performance overall but faces challenges in relation to the condition of the estate and managing medical equipment.
- 12 Reviews of primary care services and follow-up outpatients have found some aspects of good practice as well as opportunities to strengthen arrangements for securing efficient, effective and economical use of resources.
- 13 The Health Board is participating in the National Fraud Initiative but has made limited use of the data matches released in 2017.
- 14 These findings are considered further in the following sections.

Detailed report

Audit of accounts

- 15 This section of the report summarises the findings from my audit of the Health Board's financial statements for 2017-18. These statements are how the organisation shows its financial performance and sets out its net operating costs, recognised gains and losses, and cash flows. Preparing the statements is an essential element in demonstrating appropriate stewardship of public money.
- 16 In examining the Health Board's financial statements, I must 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 prepared in accordance with statutory and other requirements, and meet the relevant requirements for accounting presentation and disclosure;
 - whether that part of the remuneration report to be audited is properly prepared;
 - whether the other information provided with the financial statements (usually the annual report) is consistent with them; and
 - the regularity of the expenditure and income in the financial statements.
- 17 In giving this opinion, I have complied with my Code of Audit Practice and the International Standards on Auditing (ISAs).

I have issued an unqualified opinion on the accuracy and proper preparation of the 2017-18 financial statements of the Health Board, although in doing so, I have brought several issues to the attention of officers and the Audit and Assurance Committee

I have concluded that the Health Board's accounts were properly prepared and materially accurate, and my work did not identify any material weaknesses in the Health Board's internal controls relevant to my audit of the accounts

- 18 We received the draft financial statements for the year ended 31 March 2018 on 27 April 2018, in line with the agreed timetable. The working papers were prepared to a high standard.
- 19 I reviewed those internal controls that I considered to be relevant to the audit to help me identify, assess and respond to the risks of material misstatement in the accounts. I did not consider them for the purposes of expressing an opinion on the operating effectiveness of internal control. My review did not identify any significant deficiencies in the Health Board's internal controls.

- 20 I must 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 and Assurance Committee on 29 May 2018. [Exhibit 1](#) summarises the key issues set out in that report.

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

The following table summarises and provides comments on the key issues identified.

| Issue | Auditors' comments |
|---------------------------|---|
| Uncorrected misstatements | None. |
| Corrected misstatements | Numerous corrections were made to disclosures in the financial statements, including correction of a misclassification of employee costs. There was no financial impact as a result of these corrections. |
| Other significant issues | Recommendations were made around journals processing and authorisation, enhanced disclosures in the Annual Governance Statement and calculation of the remuneration relationship. |

- 21 As part of my financial audit, I also undertook a review of the 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 2018 and the return was prepared in accordance with the Treasury's instructions.
- 22 My separate audit of the charitable funds financial statements was reported to trustees on 15 November 2018.

I have issued an unqualified audit opinion on the regularity of the financial transactions within the financial statements of the Health Board

The Health Board achieved financial balance for the three-year period ending 31 March 2018 and so I have issued an unqualified opinion on the regularity of the financial transactions within its 2017-18 accounts

- 23 The Health Board's financial transactions must be in accordance with authorities that govern them. It must have the powers to receive the income and incur the expenditure that it has. Our work reviews these powers and tests that there are no material elements of income or expenditure which the Health Board does not have the powers to receive or incur.
- 24 Where a Health Board does not achieve financial balance, its expenditure exceeds its powers to spend and so I must qualify my regularity opinion. The Health Board achieved financial balance in 2015-16, 2016-17 and 2017-18 as shown in [Exhibit 2](#)

below. The Health Board therefore met its statutory duty to break even over the three years.

Exhibit 2: financial position at the year-end that meets the three-year statutory duty

| Financial Year | Financial position at the year-end (£000) |
|----------------|---|
| 2015-16 | 40 |
| 2016-17 | 85 |
| 2017-18 | 96 |

As the Health Board achieved its financial balance duty and has an approved three-year plan in place and there were no other issues which warranted highlighting, no substantive report was placed on the Health Board's accounts

25 I have the power to place a substantive report on the Health Board's accounts alongside my opinions where I want to highlight issues. As the Health Board met both of its financial duties: to achieve financial balance (as set out above) and to have an approved three-year plan in place, and there were no other issues warranting report, I did not issue a substantive report on accounts.

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

26 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:

- assessing the effectiveness of the Health Board's governance and assurance arrangements;
- reviewing the Health Board's approach to strategic planning;
- examining the arrangements in place for managing the Health Board's finances, workforce, assets and procurement;
- specific use of resources work on Primary Care services and regional partnership working;
- reviewing the Health Board's arrangements for tracking progress against external audit recommendations; and
- assessing the application of data-matching as part of the National Fraud Initiative (NFI).

27 My conclusions based on this work are set out below.

The Health Board is generally well led and well governed and is taking forward work in a number of areas to continue to strengthen its governance arrangements

28 My structured assessment work examined the Health Board's governance arrangements, the way in which the Board and its sub-committees conduct their business, and the extent to which organisational structures are supporting good governance and clear accountabilities. I also looked at the information that the Board and its committees receive to help them oversee and challenge performance and monitor the achievement of organisational objectives. I found the following.

29 **Arrangements for Board and Committees are generally good with scope to further improve some aspects of their arrangements for assurance.** My work found the administration of the Board meetings is generally good with a good flow of assurance and risk between the committees and the Board and appropriate challenge. There have been changes to the Standing Orders to strengthen administration of Board and Committees, and administration will be more efficient once they move away from paper documents to Board software as planned. The Board could also usefully explore opportunities to increase the visibility of the Board's public meetings.

30 **The Health Board continues to strengthen its Board assurance framework and risk management arrangements.** My work found that work is underway to update the Board assurance framework by implementing its assurance framework improvement and deployment plan. The corporate risk register has continued to evolve although the level of risks has stayed the same despite lots of activity to reduce them. The commissioning assurance framework is being used effectively to report on concerns with performance of commissioned services.

31 **While formal internal controls are generally sound, some areas require further attention.** My work found focussed work programmes for Internal Audit, Local Counter Fraud and Post-Payment Verification, but clinical audit arrangements continue to develop. Standing Orders and Scheme of Reservation and Delegation are current but Standing Financial Instructions need to be updated and arrangements for declarations of interests and gifts and hospitality are not in place. While arrangements for General Data Protection Regulation (GDPR) are reasonable, they are working to strengthen arrangements to ensure they can escalate breaches to the Information Commissioner's Office within 72 hours.

32 **Portfolio changes amongst the Executive team and arrangements to strengthen delegation to deputies are supporting effective governance.** There have been a significant number of changes to Executive Directors and portfolios during 2018 and these changes have continued to affect different areas of the business throughout the year. Some progress has been made to strengthen directorates by appointing Deputy Directors in most areas with plans to recruit

more. Plans are also in development to make changes to organisational design to better align resources to objectives at all levels and will be implemented in 2019.

- 33 **While the Health Board has maintained a good focus on delivering recommendations from internal audit, there has been no Committee review of the full audit recommendations tracker.** Although the Audit and Assurance Committee has received regular reports on progress with implementing internal audit recommendations, during 2018, the Committee has not received any similar information on the progress with implementing external audit recommendations. The Committee has not been presented with the full recommendation tracker to support overview and scrutiny by Independent Members, although I understand plans are underway to implement a more accessible tracker in 2019. I discuss the Health Board's progress in implementing my recommendations further in [paragraphs 50 and 51](#).

The Health Board's strategic planning is increasingly systematic with improving mechanisms for monitoring implementation and it is rolling out a new approach to translating its IMTP into action

- 34 My work examined how the Board engages partners and sets the strategic direction for the organisation. I also assessed how well the Health Board plans the delivery of its objectives and how it monitors progress in delivering the plans. My findings are set out below.
- 35 The Health Board has an IMTP that was approved by the Board and the Welsh Government for 2018-2021. This is the fourth year running that the Health Board's IMTP has been approved. The IMTP for 2018-2021 was re-structured around the eight wellbeing objectives to align it with the Powys ten-year Health and Care Strategy that was approved in 2017. The Health Board has undertaken extensive engagement with stakeholders in the development of its plans. The Health Board continues to influence the numerous strategic change programmes that are underway in the organisations that Powys patients access.
- 36 Planning for the 2019-2021 IMTP started earlier in the year. Work on clinical change is being undertaken under the umbrella of 'tackling the big 4', namely mental health, cancer, respiratory conditions and circulatory conditions. A clinical strategy will start development in the coming months.
- 37 The Health Board is improving its arrangements for monitoring and reporting its IMTP through the Executive Delivery and Performance Group and twice-yearly programme of directorate performance reviews. An organisational development framework, to be implemented early in 2019, will provide a new approach to translating the IMTP into action.
- 38 The monitoring and reporting arrangements are largely adequate. The integrated performance report format was revised at the start of 2018-19 aligned to the eight wellbeing objectives and providing benchmarking information.

The Health Board is working hard to tackle workforce challenges, is maintaining financial performance overall but faces challenges in relation to the condition of the estate and managing medical equipment

- 39 My structured assessment work examined the Health Board arrangements for managing its workforce, its finances and other physical assets to support the efficient, effective and economical use of resources. I also considered the arrangements for procuring goods and services, and the action being taken to maximise efficiency and productivity. My findings are set out below.
- 40 **Whilst the Health Board continues to achieve a break-even position, aspects of financial governance and management require improvement.** The Health Board has an approved IMTP for 2018-2021 which shows a projected break-even position over the next three financial years, however, this does include a forecasted deficit of £3.5 million in 2018-19.
- 41 To achieve financial balance in 2018-19, the Health Board must deliver savings totalling £3.371 million. At month 7 the overspend was £1.188 million and £0.910 million off profile against the break-even plan. They have delivered savings of £1.429 million against the year-to-date target of £1.937 million which is a shortfall of £0.508 million. The forecast is for full-year delivery of £3.096 million against the £3.371 million target which is a forecast shortfall of £0.275 million. The Health Board has made significant progress in developing savings plans, but there remain opportunities for further improvement.
- 42 The revenue budget process has been developing over recent years although budget letters have not all been signed by the Executive Team. The capital budgeting process has also been strengthened over the past couple of years. The Health Board has continued to manage the risk of service failure in out-of-hours care provided by Shropdoc although the risk of service failure remains of concern.
- 43 **The Health Board is improving arrangements for managing and supporting staff but there is scope to improve key performance measures.** I found that the sickness absence rates were better than the Wales average but continue to be above target. The Health Board remains committed to looking after the health and wellbeing of its staff and the NHS Staff Survey 2018 was very positive overall. However, the turnover rate remains the highest in Wales despite considerable work to understand why. While there have been improvements to arrangements for temporary staffing the Health Board continues to have a high reliance on agency staff. The Health Board has put arrangements in place to meet the requirements of section 25A of the Nurse Staffing Levels (Wales) Act which is the only section that currently applies.
- 44 **The Health Board has a good focus on improving productivity.** There are several projects and work streams that have been established to deliver prudent health and care and there is increasing use of benchmarking of services to promote improvement. Performance against the annual plan and Welsh

Government measures was good at the end of 2017-18 and is mostly on track for 2018-19.

45 **The age and condition of the estate continue to be a high risk; the Health Board is developing its long-term approach to public sector assets and is targeting the capital programme to address compliance.**

46 While the Health Board does not yet have an estates strategy, the Board has agreed the long-term direction for services through the Health and Care Strategy and it has committed to develop a long-term estates strategy during 2018-19. Following a recent survey, the condition of the estate is understood to be the worst in Wales with high backlog maintenance which continues to be a high risk. Work has continued to strengthen long standing compliance issues.

47 Information Communications Technology (ICT) arrangements have been strengthened at the Health Board during the year although the joint strategy with Powys County Council has not been approved. Although a cyber security action plan is in place, further work is needed to be confident that it is receiving an appropriate level of assurance over the strength of its cyber security arrangements.

My wider programme of work indicates that the Health Board is responding to risks and opportunities, but continues to face several challenges

The Health Board has clear plans for primary care and is making steady progress with implementing the key elements of the national vision. However, performance is mixed, and there is a lack of clarity about the Health Board's overall investment in primary care

48 I found that the Health Board has a clear primary care planning framework and is strengthening its engagement and support arrangements with primary care clusters and GP networks. The Health Board is making steady progress in delivering its plans, but primary care performance is mixed and several difficult challenges remain. There is also scope to increase focus on primary care in performance monitoring and Board business.

49 The Health Board effectively monitors cluster spending, although it is not able to quantify the amount of resource it has redirected to primary care and the available data make it difficult to accurately calculate overall primary care investment. The Health Board has regular contact with practices to monitor sustainability, however, gaps in data hinder workforce planning and there are barriers to the further development of multi-disciplinary teams.

The Health Board is making good progress with implementing my previous recommendation on follow-up outpatient appointments although further work is required in assurance and development of alternative pathways

50 During the last 12 months, I have undertaken detailed 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 follow-up outpatient appointments. The findings from this follow-up work are summarised in **Exhibit 2**.

Exhibit 3: progress in implementing audit recommendations in specific service areas

| Area of follow-up work | Conclusions and key audit findings |
|--|--|
| Review of Follow-up Outpatients – Assessment of Progress | The Health Board has made good progress in identifying clinical need and the risks associated with follow-up outpatient delays within its own services, but greater attention is needed to strengthen commissioning assurance arrangements and prioritise alternative pathways for patients treated outside the Health Board area. |

My emerging findings on the Integrated Care Fund indicate that it is having a number of positive impacts but there are also some challenges which need to be worked through by the Regional Partnership Board

51 I have completed the fieldwork for my cross-sector Integrated Care Fund review. I intend to prepare a national summary report early in 2019, setting out my all-Wales findings. My audit team has presented local findings to Regional Partnership Boards. The key messages for the Powys Regional Partnership Board (RPB) are:

- the Integrated Care Fund (the Fund) has had a positive impact in bringing organisations together across the Powys Region. Unlike many other regions, Powys RPB has housing representation, which is positive, and has chosen to have more service user and carer representatives than required by legislation.
- decisions surrounding the use of the Fund are delegated to sub-groups of the regional partnership board, but some of these have only recently been established and still need to further embed and mature. Also, the level of understanding within partner organisations of the work of the RPB and its sub-groups, including what the Fund is being used for and its impact, needs to improve.
- slippage on ICF projects has previously been an issue, resulting in funds being handed back to the Welsh Government at the year-end. Improved oversight by the RPB and a shift in managing projects over a two-year period has helped to improve the management of the Fund. Given the

annual nature of the allocation, however, the two-year profiling creates a separate risk to projects if the fund is not available to the same extent in the second year.

- there is general agreement that the Fund is supporting the right projects and having a positive impact on service users, but like other regional partnership boards across Wales, very few projects are being mainstreamed into core services. The Powys region is attempting to demonstrate outcomes more clearly, but this presents an ongoing challenge.

The Health Board has made limited use of the National Fraud Initiative to detect fraud and overpayments

52 The National Fraud Initiative (NFI) is a biennial data-matching exercise that helps detect fraud and overpayments by matching data across organisations and systems to help public bodies identify potentially fraudulent or erroneous claims and transactions. It is a highly effective tool in detecting and preventing fraud and overpayments and helping organisations to strengthen their anti-fraud and corruption arrangements.

53 In January 2017, the Health Board received 147 high-risk data-matches from the 2016 data matching exercise. The Health Board has made limited progress in reviewing these matches and while no frauds had been identified to date, it is important that the Health Board makes effective use of the NFI to ensure it is well placed to detect fraud and to provide assurance that its counter-fraud arrangements were working effectively. In October 2018, participating bodies submitted data for the next data matching exercise. The outcomes of this exercise will be available early in 2019.

Appendix 1

Reports issued since my last annual audit report

Exhibit 4: reports issued since my last annual audit report

The following table lists the reports issued to the Health Board in 2018.

| Report | Date |
|--|----------------|
| Financial audit reports | |
| Audit of Financial Statements Report | May 2018 |
| Opinion on the Financial Statements | June 2018 |
| Opinion on the Charitable Fund | December 2018 |
| Performance audit reports | |
| Review of Follow-up Outpatients – Assessment of Progress | February 2018 |
| Primary Care | September 2018 |
| Structured Assessment 2018 | January 2019 |
| Other reports | |
| 2018 Audit Plan | March 2018 |

Exhibit 5: performance audit work still underway

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

| Report | Estimated completion date |
|-----------------|---------------------------|
| Clinical coding | May 2019 |
| Orthopaedics | October 2019 |

Appendix 2

Audit fee

The 2018 Audit Plan set out the proposed audit fee of £264,305 (excluding VAT). My latest estimate of the actual fee is that it will need to increase by £8,933 (excluding VAT) to reflect the work undertaken in respect of a full audit of the 2017-18 financial statements of the Health Board's Charitable Fund. A full audit of these statements was required given the value of the Fund exceeded the threshold for the more routine Independent Examination.

Appendix 3

Significant financial audit risks

Exhibit 6: significant audit risks

My 2018 Audit Plan set out the significant financial audit risks for 2018. The table below lists these risks and sets out how they were addressed as part of the audit.

| Significant audit risk | Proposed audit response | Work done and outcome |
|--|---|--|
| The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33]. | <p>My audit team will:</p> <ul style="list-style-type: none">• test the appropriateness of journal entries and other adjustments made in preparing the financial statements;• review accounting estimates for biases; and• evaluate the rationale for any significant transactions outside the normal course of business. | <p>We have:</p> <ul style="list-style-type: none">• tested the appropriateness of a sample of journal entries, based on our risk assessment, and other adjustments made in preparing the financial statements;• reviewed accounting estimates for biases; and• evaluated the rationale for any significant transactions outside the normal course of business. <p>Two recommendations have been raised in relation to journal entries.</p> |

| Significant audit risk | Proposed audit response | Work done and outcome |
|--|--|---|
| Valuation of Property Plant and Equipment – Revaluation measurements not correct | <p>My audit team will:</p> <ul style="list-style-type: none"> • review management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • consider the competence, expertise and objectivity of any management experts used; and • review and challenge the information used by the valuer to ensure it is robust and consistent with our understanding. <p>Test the revaluations made during the year to ensure they are input correctly into the asset register.</p> | <p>We have:</p> <ul style="list-style-type: none"> • reviewed management's processes and assumptions for the calculation of the estimate; • reviewed the competence, expertise and objectivity of any management experts used; • reviewed the instructions issues to valuation experts and the scope of their work; • reviewed and challenged the information used by the valuer to ensure it is robust and consistent with our understanding; • tested the revaluations made during the year to ensure they are input correctly into the asset register; and • reviewed the accounting entries in respect of any revaluations to ensure these are fully and accurately reflected in the financial statements. <p>We have no matters to report as a result of our audit work.</p> |

| Significant audit risk | Proposed audit response | Work done and outcome |
|---|---|--|
| <p>Healthcare commissioning – Activity variation adjustments to expenditure not correct</p> | <p>My audit team will:</p> <ul style="list-style-type: none"> • walk through the controls; • substantively test contract expenditure; • agree NHS creditors, debtors, income and expenditure to balance agreements; • test around the year-end transactions to ensure that accruals are complete; and • substantively test accruals. | <p>We have:</p> <ul style="list-style-type: none"> • walked through the controls; • substantively tested contract expenditure; • agreed NHS creditors, debtors, income and expenditure to balance agreements; • tested transactions around the year-end to ensure that accruals are complete; and • substantively tested accruals. <p>We have no matters to report as a result of our audit work.</p> |

| Significant audit risk | Proposed audit response | Work done and outcome |
|--|---|--|
| <p>Employee remuneration accruals understated. (Remuneration expenses not correct)</p> | <p>My audit team will:</p> <ul style="list-style-type: none"> • document our understanding of the processes and key controls over the transaction cycle; • walk through the key controls to assess whether those controls are designed effectively; • reconcile the payroll figure in the Statement of Comprehensive Net Expenditure (and supporting notes) to the general ledger and payroll subsidiary system; • undertake a trend analysis of monthly payroll data, to identify any unusual variance on which audit procedures may be required; • review pensions disclosures and agree to underlying evidence for completeness and accuracy; and • review senior managers' remuneration, salary banding and exit packages disclosures, for completeness and accuracy. | <p>We have:</p> <ul style="list-style-type: none"> • documented our understanding of the controls operating in the payroll system; • performed a walkthrough to confirm that the controls identified are in operation; • reconciled the payroll figure in the Statement of Comprehensive Net Expenditure (and supporting notes) to the general ledger and payroll subsidiary system; • undertaken analysis of trends and relationships to identify any anomalous areas for additional substantive work; • reviewed pensions disclosures and agreed to underlying evidence for completeness and accuracy; and • reviewed senior managers' remuneration, salary banding and exit package disclosures for completeness and accuracy. <p>Adjustments and a recommendation were proposed as a result of our work.</p> |

| Significant audit risk | Proposed audit response | Work done and outcome |
|--|---|--|
| <p>Funded Nursing Care (FNC) – last year the Supreme Court delivered its ruling that Health Boards in Wales must revisit their approach to funding nursing care in care homes.</p> <p>Negotiations are ongoing but the impact at the Health Board could be material and the accounting approach in 2017-18 is likely to involve significant estimates and judgements.</p> <p>As such, FNC is viewed as a significant risk.</p> | <p>My audit team will undertake specific work in this area to ensure accounting and reporting are materially correct.</p> | <p>We discussed the impact with the Director of Finance and verified the receipt of Welsh Government funding to fund this provision fully, mitigating the risk raised in the Audit Plan.</p> <p>We have no matters to report as a result of our audit work.</p> |
| <p>There is an emerging risk relating to the new HRG4+ specialised services tariff in England. This could potentially increase the costs payable by the Health Board, which could impact upon the break-even position.</p> | <p>My audit team will discuss the impact with the Director of Finance and review any corresponding entries that may need to be made in the financial statements to reflect any additional costs incurred.</p> | <p>We discussed the impact with the Director of Finance and reviewed corresponding entries that needed to be made in the financial statements to reflect any additional costs incurred.</p> <p>We also verified the receipt of Welsh Government funding to fund this additional cost fully, mitigating the risk raised in the Audit Plan.</p> <p>We have no matters to report as a result of our audit work.</p> |

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