

# Annual Audit Report 2021 – Cwm Taf Morgannwg University Health Board

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# Summary report

## About this report

- 1 This report summarises the findings from my 2021 audit work at Cwm Taf Morgannwg University Health Board (the Health Board) undertaken to fulfil my responsibilities under the Public Audit (Wales) Act 2004. That Act requires me to:
  - examine and certify the accounts submitted to me by the Health Board and to lay them before the Senedd;
  - satisfy myself that expenditure and income have been applied to the purposes intended and are in accordance with authorities; and
  - satisfy myself that the Health Board has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 2 I report my overall findings under the following headings:
  - audit of accounts; and
  - arrangements for securing economy, efficiency and effectiveness in the use of resources.
- 3 This year's audit work took place at a time when public bodies continued responding to the unprecedented challenges presented by COVID-19 pandemic, whilst at the same time recovering services. My work programme was designed to best assure the people of Wales that public funds are well managed. I have considered the impact of the current crisis on both resilience and the future shape of public services. I aimed to ensure my work did not hamper public bodies in tackling the crisis, whilst ensuring it continued to support both scrutiny and learning. On-site audit work continues to be restricted, and we continued to work and engage remotely where possible through the use of technology. This inevitably had an impact on how we deliver audit work but has also helped to embed positive changes in our ways of working.
- 4 As was the case in 2020, the delivery of my audit of accounts work was not without its challenges, not only in how and where we undertook the work, but also in taking account of considerations for financial statements arising directly from the pandemic. The success in delivering reflects a great collective effort by both my staff and the Health Board's officers to embrace and enable new ways of working and remain flexible to and considerate of the many issues arising.
- 5 I have adjusted the focus and approach of my performance audit work to ensure its relevance in the context of the crisis and to enable remote working. My programme of work has provided focus on themes, lessons and opportunities relating to NHS governance and NHS staff wellbeing. I have reviewed the Test, Trace, Protect programme and the roll out of the COVID-19 vaccine. My local audit teams have commented on how governance arrangements have adapted to respond to the pandemic, and the impact the crisis has had on service delivery. I have also reviewed the governance arrangements of the Welsh Health Specialised Services Committee.

- 6 This report is a summary of the issues presented in more detailed reports to the Health Board this year (see **Appendix 1**). I also include a summary of the status of planned work currently in delivery or being re-scoped.
- 7 **Appendix 2** presents the latest estimate of the audit fee that I will need to charge to cover the costs of undertaking my work, compared to the original fee set out in the 2021 Audit Plan.
- 8 **Appendix 3** sets out the financial audit risks set out in my 2021 Audit Plan and how they were addressed through the audit.
- 9 The Chief Executive and the Director of Finance have agreed the factual accuracy of this report. My team presented it to the Audit and Risk Committee on 7 December 2021. 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 its wider publication. We will make the report available to the public on the [Audit Wales website](#) after the Board has considered it.
- 10 I would like to thank the Health Board's staff and members for their help and co-operation throughout my audit.

## Key messages

### Audit of accounts

- 11 I concluded that the Health Board's accounts<sup>1</sup> were properly prepared and materially accurate and issued an unqualified audit opinion on them. My work did not identify any material weaknesses in the Health Board's internal controls (as relevant to my audit). However, I placed an Emphasis of Matter paragraph in my report to the Senedd, to draw attention to disclosures in note 21.1 of the accounts relating to the impact of a Ministerial Direction issued on 18 December 2019 to the Permanent Secretary of the Welsh Government.
- 12 I brought nine audit issues, together with my audit recommendations, to the attention of officers and the Health Board's Audit and Risk Committee. I will review the Health Board's actions as part of my 2021-22 audit.
- 13 The Health Board achieved financial balance for the three-year period ending 31 March 2021, and had no other material financial transactions that were not in accordance with authorities nor used for the purposes intended, so I have issued an unqualified opinion on the regularity of the financial transactions within the Health Board's 2020-21 accounts.
- 14 Alongside my audit opinion, I included an Emphasis of Matter (EoM) commentary that draws attention to note 21 of the audited accounts. The note describes the impact of a Ministerial Direction issued on 18 December 2019 to the Permanent

<sup>1</sup> I audit and certify the Health Board's Performance Report, Accountability Report and Financial Statements. 'Accounts' is a generic term.

Secretary of the Welsh Government. The Ministerial Direction covered the need for interim remedial action to address the impact of HM Treasury's changes to the tax arrangements on senior clinicians' pension contributions. While I did not modify my audit opinion in respect of this matter, I did place a substantive report on the Health Board's financial statements.

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

15 My programme of Performance Audit work has led me to draw the following conclusions:

- the Test, Trace, Protect programme is making an important contribution to the management of COVID-19 in Wales. Whilst the programme struggled to cope with earlier peaks in virus transmission, it has demonstrated an ability to rapidly learn and evolve in response to the challenges it has faced.
- in respect of my work at the Welsh Health Specialised Services Committee. Since the previous reviews in 2015, governance, management and planning arrangements have improved, but the impact of COVID-19 will now require a clear strategy to recover services and there would still be benefits in reviewing the wider governance arrangements for specialised services in line with the commitments within 'A Healthier Wales'.
- I found that the Health Board was making good progress in addressing the recommendations from our 2019 Joint Review of Quality Governance, particularly considering the challenges presented by COVID-19. However, some of the actions had not progressed as quickly as the Health Board intended, and there is still work to do to fully implement the recommendations made in 2019.
- the COVID-19 vaccination programme in Wales has been delivered at significant pace with local, national and UK partners working together to vaccinate a significant proportion of the Welsh population. However, a clear longer-term national plan is now needed for the challenges which lie ahead.
- all NHS bodies have maintained a clear focus on staff wellbeing throughout the pandemic and implemented a wide range of measures to support the physical health and mental wellbeing of their staff during the crisis. It is vital that these activities are built upon, and that staff wellbeing remains a central priority for NHS bodies as they deal with the combined challenges of recovering services, continuing to respond to the COVID-19 pandemic, and also managing seasonal pressures.
- I found the Health Board's operational planning processes are generally robust providing flexibility to respond to changing circumstances, however, opportunities exist to strengthen arrangements for monitoring and reporting on delivery of operational plans. The Health Board has set out its plans for

recovery of routine services and addressing waiting list backlogs, however, delivery of these will continue to be challenging.

- the Board and its committees are generally working effectively. It is important that these collective governance arrangements continue to provide oversight and scrutiny of the progress that is being made to address issues with service delivery, quality of care, organisational culture and clinical leadership that have been identified in various external reviews.
- the Health Board achieved its financial duties at the end of 2020-21, but delivery of planned savings in 2021-22 will be challenging. Financial controls are generally appropriate, and progress has been made to address previous weaknesses, but further improvements are possible. Financial reporting is clear and accessible, but there are opportunities to improve the clarity for readers without a financial background.

# Detailed report

## Audit of accounts

- 16 This section of the report summarises the findings from my audit of the Health Board's accounts for 2020-21. The accounts are how the organisation shows its financial performance and sets out its net assets, net operating costs, recognised gains and losses, and cash flows. Preparing the accounts is an essential element in demonstrating the appropriate stewardship of public money.
- 17 My 2021 Audit Plan set out the financial audit risks for the audit of 2020-21 accounts. **Exhibit 4 in Appendix 3** lists these risks and sets out how they were addressed as part of the audit.
- 18 My responsibilities in auditing the Health Board's accounts are described in my Statement of Responsibilities publications, which are available on the [Audit Wales website](#).

## Accuracy and preparation of the 2020-21 accounts

- 19 I concluded that the Health Board's accounts were properly prepared and materially accurate and issued an unqualified audit opinion on them. My work did not identify any material weaknesses in the Health Board's internal controls (as relevant to my audit). However, I placed an Emphasis of Matter (EoM) paragraph in my report to draw attention to disclosures in the accounts relating to note 21 of the accounts, which describes the impact of a Ministerial Direction issued on 18 December 2019 to the Permanent Secretary of the Welsh Government, instructing her to fund NHS clinicians' pension tax liabilities incurred by NHS Wales bodies in respect of the 2019-20 financial year. I did not qualify my audit opinion in respect of this matter.
- 20 I brought nine audit recommendations for improvement to the attention of officers and the Audit and Risk Committee. The Health Board accepted all my recommendations and set out its intended actions and implementation dates. I will review the Health Board's actions as part of my 2021-22 audit. The issues included:
  - weaknesses in the appointment of two senior officers and the retirement and return of another senior officer;
  - weaknesses in the reporting of the related party transactions and balances, in respect of independent members and senior officers; and
  - the need for ongoing improvement in the financial management and reporting of amounts owed by the Health Board to third parties (its liabilities).
- 21 The Health Board submitted its draft accounts by the Welsh Government's deadline, and I met the Welsh Government's timetable for audit certification.
- 22 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 Risk Committee, and its Board, on 9 June 2021. **Exhibit 1** summarises the key issues set out in that report.

#### Exhibit 1: issues identified in the Audit of Accounts Report

Issue	Auditors' comments
Uncorrected misstatements	There were no significant uncorrected misstatements.
Corrected misstatements	I reported the four most significant corrected misstatements. They related mainly to accounting classifications and disclosures.
Other significant issues	I reported nine recommendations for improvement, with management's formal responses, which the Audit and Risk Committee considered on 17 August 2021.

- 23 I also undertook a review of the Whole of Government Accounts return. I concluded that the counterparty consolidation information was consistent with the Health Board's financial position at 31 March 2021 and the return was prepared in accordance with the Treasury's instructions.
- 24 My separate audit of the charitable funds' financial statements is currently ongoing. I received the draft financial statements on 3 November 2021, and I am due to report my findings to the Health Board's Charitable Funds Committee on 20 January 2022.

### Regularity of financial transactions

- 25 The Health Board achieved financial balance for the three-year period ending 31 March 2021 and had no other material financial transactions that were not in accordance with authorities nor used for the purposes intended, so I have issued an unqualified opinion on the regularity of the financial transactions within the Health Board's 2020-21 accounts.
- 26 The Health Board's financial transactions must be in accordance with authorities that govern them. The Health Board must have the powers to receive the income and incur the expenditure. 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.

- 27 Where a Health Board does not achieve financial balance, its expenditure exceeds its powers to spend and so I must qualify my regularity opinion. **Exhibits 2 and 3** show that the Health Board met both its revenue and capital resource allocations.

**Exhibit 2: financial performance against the revenue resource allocation**

	2018-19 £'000	2019-20 £'000	2020-21 £'000	Total £'000
Operating expenses	686,502	1,066,192	1,234,552	2,987,246
Revenue resource allocation	686,518	1,067,075	1,234,640	2,988,233
Under (over) spend against allocation	16	883	88	987

**Exhibit 3: financial performance against the capital resource allocation**

	2018-19 £'000	2019-20 £'000	2020-21 £'000	Total £'000
Capital charges	24,168	38,328	52,231	114,727
Capital resource allocation	24,178	38,332	52,278	114,808
Under (over) spend against allocation	8	10	47	81

Source: audited 2020-21 accounts

- 28 Alongside my audit opinion, as reported in **paragraph 19** I included an 'emphasis of matter' commentary that draws attention to note 21 of the audited accounts. The note describes the impact of a Ministerial Direction issued on 18 December 2019 to the Permanent Secretary of the Welsh Government. I concluded my report by confirming that I had not modified my regularity opinion because, in accordance with accounting standards, no expenditure had been recognised in the accounts for the year ended 31 March 2021.

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

- 29 I have a statutory requirement to satisfy myself that the Health Board has proper arrangements in place to secure efficiency, effectiveness and economy in the use of 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:
- examining how NHS bodies have responded to the challenges of delivering the Test, Trace, Protect programme;
  - reviewing the governance arrangements of the Welsh Health Specialised Services Committee;
  - undertaking a follow-up of progress against the recommendations in our 2019 Joint Review of Quality Governance;
  - reviewing how well the roll out of the COVID-19 vaccination programme was progressing across Wales;
  - reviewing how NHS bodies supported staff wellbeing during the COVID-19 pandemic; and
  - undertaking a phased structured assessment of the Health Board's corporate arrangements for ensuring that resources are used efficiently, effectively and economically.
- 30 My conclusions based on this work are set out below.

### Test, Trace, Protect programme

- 31 My work examined how public services responded to the challenges of delivering the Welsh Government's Test, Trace, Protect (TTP) programme. As well as commenting on the delivery of TTP up to and including December 2020, my report set out some key challenges and opportunities that will present themselves as part of the ongoing battle to control COVID-19.
- 32 I found that the different parts of the Welsh public and third sector had worked well together to rapidly build the TTP programme. The configuration of the system blended national oversight and technical expertise with local and regional ownership of the programme, and the ability to use local intelligence and knowledge to shape responses.
- 33 Arrangements for testing and contact tracing have evolved as the pandemic has progressed. But maintaining the required performance in these arrangements proved challenging in the face of increasing demand.

- 34 Despite increased testing and tracing activity, the virus continued to spread, and as in other parts of the UK and internationally, testing and tracing has needed to be supplemented with local and national lockdown restrictions in an attempt to reduce transmission rates.
- 35 While a range of support mechanisms exist, it remains difficult to know how well the 'protect' element of TTP has been working in supporting people to self-isolate.

## **Welsh Health Specialised Services Committee governance arrangements**

- 36 In May 2021, I published my review on the governance arrangements of the Welsh Health Specialised Services Committee (WHSSC). WHSSC is a joint committee made up of, and funded by, the seven local health boards in Wales. On a day-to-day basis, the Joint Committee delegates operational responsibility for commissioning to Welsh Health Specialised Services officers, through the management team. WHSSC, which is hosted by Cwm Taf Morgannwg University Health Board, has an annual budget of £680 million and makes collective decisions on the review, planning, procurement, and performance monitoring of specialised services for the population of Wales on behalf of health boards.
- 37 In 2015, two separate reviews highlighted issues with WHSSC's governance arrangements. Considering the time passed since the two reviews, together with increasing service and financial pressures and the changing landscape of collaborative commissioning, I felt it was timely to review WHSSC's governance arrangements.
- 38 My review found a number of improvements have been made to the overall governance arrangements in WHSSC since 2015. Good progress has been made to strengthen arrangements for quality assurance of specialised services, although scope still exists to increase the attention given to finance, performance, and quality reporting at Joint Committee. There is also a need to review the arrangements for recruiting and remunerating independent members that sit on the Joint Committee given some of the challenges in filling these roles. Current Joint Committee members have a healthy working relationship and operate well together. However, the current model creates potential conflicts of interest due to the fact some Joint Committee members are also the Chief Officers of the health bodies commissioned to provide specialised services.
- 39 My review found that arrangements for planning commissioned services are generally good and there is an improving focus on value. However, some key new services such as new service models for major trauma and thoracic surgery have taken a long time to agree and implement. My review also found that the COVID-19 pandemic has significantly affected the delivery of specialised services, and that the development of a plan for the recovery of specialised services should now be a priority. The Welsh Government's long-term plan for health and social care, A Healthier Wales, signals the intention to review a number of hosted national

functions, including WHSSC, with the aim of 'consolidating national activity and clarifying governance and accountability'.

- 40 Whilst the governance arrangements for WHSSC have continued to improve, my report shows that there are still a number of facets of the WHSSC model that merit further attention.

## **An overview of quality governance arrangements: a summary of progress against Joint Review recommendations**

- 41 I undertook joint work with Healthcare Inspectorate Wales to measure progress to date against the original 14 recommendations made in our 2019 review of quality governance arrangements. I found that the Health Board was making good progress in addressing the recommendations, particularly considering the challenges presented by COVID-19. However, some of the actions had not progressed as quickly as the Health Board intended.
- 42 I found progress had been made at a strategic level, with a greater focus on quality, patient safety and risk. Accountability for quality and safety is clearer, with operational and executive responsibilities clearly defined in the Health Board's Quality and Patient Safety Governance Framework. Organisational scrutiny of quality and patient safety had improved with clearer flows of assurance from services to the Board. There were also positive steps taken by the Board in terms of improving its organisational culture and learning.
- 43 Despite this, I was unable to judge any of the original 14 recommendations as complete. There remains a need to focus on collective responsibility for quality and patient safety and embed the revised arrangements. Work also remains to continue to address cultural issues and empower autonomy amongst clinicians which have been highlighted in recent reports.

## **COVID-19 vaccination programme**

- 44 In June 2021, I published the findings from my initial review of the rollout of the COVID-19 programme in Wales. My work considered the factors that affected the rollout and future challenges and opportunities.
- 45 I found that the vaccine programme has been delivered at significant pace. At the time of reporting, vaccination rates in Wales were the highest of the four UK nations, and some of the highest in the world. The milestones in the Welsh Government's vaccination strategy provided a strong impetus to drive the programme and up to the time of reporting, the key milestones had been met.
- 46 The UK's Joint Committee on Vaccination and Immunisation guidance on priority groups was adopted, but the process of identifying people within some of those groups has been challenging.

- 47 The organisations involved in the rollout have worked well to set up a range of vaccination models which make best use of the vaccines available, while also providing opportunities to deliver vaccines close to the communities they serve.
- 48 Overall vaccine uptake to the time of reporting was high, but there was a lower uptake for some ethnic groups and in the most deprived communities. At the time of the audit, vaccine wastage was minimal but concerns were emerging about non-attendance at booked appointments.
- 49 The international supply chain is the most significant factor affecting the rollout with limited vaccine stock held in Wales. However, increasing awareness of future supply levels was allowing health boards to manage vaccine rollout effectively.
- 50 As the programme moved into the second half of 2021, challenges presented around encouraging take-up in some groups, vaccine workforce resilience and venue availability. I identified the need for a longer-term plan to address these and other elements of the ongoing vaccination programme.

## **How NHS bodies supported staff wellbeing during the COVID-19 pandemic**

- 51 My review considered how NHS bodies in Wales have supported the wellbeing of their staff during the pandemic, with a particular focus on their arrangements for safeguarding staff at higher risk from COVID-19.
- 52 NHS staff have shown tremendous resilience and dedication throughout the pandemic, despite facing huge strains on their mental and physical health.
- 53 The NHS in Wales was already facing a number of challenges relating to staff wellbeing prior to the pandemic, and the crisis has highlighted the importance of supporting the mental and physical health of the NHS workforce. Through my Structured Assessment work, I found that NHS bodies moved quickly at the beginning of the pandemic to enhance wellbeing initiatives to support staff through unprecedented times. As the pandemic unfolded, I found that NHS bodies in Wales implemented a range of measures to improve staff wellbeing, such as creating dedicated rest spaces, increasing mental health and psychological wellbeing provision, enhancing infection and prevention control measures, and enabling remote working.
- 54 My work also looked at how NHS bodies in Wales protected staff at higher risk from COVID-19. Amongst other safeguarding initiatives, I found that all bodies rolled out the All-Wales COVID-19 Workforce Risk Assessment Tool which identifies those at higher risk and encourages a conversation about additional measures to be put in place to ensure staff are adequately protected. Although NHS bodies promoted and encouraged staff to complete the assessment tool, completion rates varied between NHS bodies.
- 55 While the crisis has undoubtedly had a considerable impact on the wellbeing of staff in the short term, the longer-term impacts cannot be underestimated.

56 With a more emotionally and physically exhausted workforce than ever, NHS bodies in Wales must maintain a focus on staff wellbeing and staff engagement to navigate through the longer-term impacts of the crisis. My report, therefore, is accompanied by a checklist which sets out some of the questions NHS Board members should be asking to ensure their health bodies have good arrangements in place to support staff wellbeing.

## Structured assessment

57 My structured assessment work was designed in the context of the ongoing response to the pandemic. I ensured a suitably pragmatic and relevant approach to help me discharge my statutory responsibilities, whilst minimising the impact on NHS bodies as they continue to respond to the pandemic. My team undertook the work into two phases this year:

- phase 1 considered the planning arrangements underpinning the development and delivery of the operational plan for quarters three and four of 2020-21.
- phase 2 considered how corporate governance and financial management arrangements adapted over the year. Auditors also paid attention to progress made to address previous recommendations.

## Operational planning arrangements

58 My work considered the Health Board operational planning arrangements underpinning the operational plan for quarters three and four of 2020-21. The planning framework covered the maintenance of effective and efficient operational planning arrangements in health bodies to guide their response to the pandemic as well as responding to winter pressures and laying the foundations for effective recovery of services.

59 My work found that the Health Board's operational planning processes are generally robust providing flexibility to respond to changing circumstances, however, opportunities exist to strengthen arrangements for monitoring and reporting on delivery of operational plans.

60 The Health Board submitted its Quarter 3-4 Plan in line with the extension agreed with the Welsh Government. The plan satisfied the requirements of the Welsh Government's national planning framework guidance and received the required Board scrutiny.

61 The Quarter 3-4 Plan was a progression from the previous two quarterly plans and was informed by robust demand and capacity modelling. Whilst the Quarter 3-4 Plan includes high level statements about what the Health Board is seeking to achieve by delivering the plan, the plan does not include specific, measurable and timebound actions for delivery. There are also opportunities to strengthen the monitoring and reporting on progress to deliver operational plans. At the time of our review neither the Board nor its committees had received formal reports enabling them to scrutinise progress to deliver the Quarter 3-4 Plan.



## Governance arrangements

- 62 My work considered the Health Board's ability to maintain sound governance arrangements while having to respond to the unprecedented challenges presented by the pandemic. The key focus of the work has been the corporate arrangements for ensuring that resources are used efficiently, effectively, and economically. I also considered how business deferred in 2020 was reinstated and how learning from the pandemic is shaping future arrangements for ensuring continued good governance and recovery.
- 63 My work found that the Health Board has effective Board and committee arrangements and has set out its plans for recovery of routine services and addressing waiting list backlogs. However, delivery of these plans will continue to be challenging. A number of service and quality concerns have been raised, in areas including Ophthalmology and the emergency department at Prince Charles Hospital. Healthcare Inspectorate Wales has also highlighted serious concerns with the provision of some mental health services and, in June 2021, Welsh Health Specialised Services placed Tŷ Llidiard<sup>2</sup> into the highest level of escalation, reflecting their concerns. There remains work to fully address all recommendations from external reviews and address concerns relating to clinical leadership and culture.
- 64 I found that the Health Board has effective Board and committee arrangements. Risk management arrangements have improved, although further work remains to ensure that the Board Assurance Framework enables good scrutiny of strategic risks.
- 65 I found that whilst the Health Board has set out its plans for recovery and addressing waiting list backlogs, responding to COVID-19 and recovering routine services will continue to be challenging. Recent reports have highlighted concerns in a number of services, and this requires continued focus by the Health Board.

## Managing financial resources

- 66 I considered the Health Board's financial performance, financial controls and arrangements for monitoring and reporting financial performance. I found that the Health Board achieved its financial duties at the end of 2020-21, but delivery of planned savings in 2021-22 will be challenging. Financial controls are generally appropriate, and progress has been made to address previous weaknesses, but further improvements are possible. Financial reporting is clear and accessible, but there are opportunities for improvement.
- 67 At the end of 2020-21, the Health Board met its financial duty to break even over a rolling three-year period. COVID-19 has a considerable impact on the revenue and spending costs the Health Board set out in its financial plan for 2020-21. In 2021-22, delivery of planned savings will be challenging to achieve financial targets.

<sup>2</sup> An adolescent mental health unit based at the Princess of Wales Hospital, Bridgend.



- 68 I found that generally the Health Board has appropriate financial controls and is making good progress to review and correct old current liabilities, however, there are further opportunities for improvement to controls relating to agency staffing expenditure.
- 69 The Health Board produces clear and accessible financial reports, however, the high-level summary could be made clearer to aid understanding for those without a financial background.

# 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 2021.

Report	Month
<b>Financial audit reports</b>	
Audit of Financial Statements Report	June 2021
Opinion on the Financial Statements	June 2021
Audit of Financial Statements Report Addendum	August 2021
Charitable Funds (2019-20 Accounts)	January 2021
<b>Performance audit reports</b>	
Doing it Differently, Doing it Right? (Structured Assessment 2020 All-Wales themes, lessons and opportunities relating to NHS governance during COVID-19)	January 2021
Test, Trace, Protect in Wales: An Overview of Progress to Date	March 2021
Structured Assessment 2021: Phase 1 Operational Planning Arrangements	April 2021
An Overview of Quality Governance Arrangements at Cwm Taf Morgannwg University Health Board: A summary of progress made against recommendations	May 2021

Report	Month
Welsh Health Specialised Services Committee Governance Arrangements	May 2021
Rollout of the COVID-19 vaccination programme in Wales	June 2021
Taking care of the carers? (Structured Assessment 2020 All-Wales themes, lessons and opportunities relating to NHS staff wellbeing during COVID-19)	October 2021
Structured Assessment 2021: Phase 2 Corporate Governance and Financial Management Arrangements	November 2021
<b>Other</b>	
2021 Audit Plan	January 2021

My wider programme of national value for money studies in 2021 included reviews that focused on the NHS and pan-public-sector topics. These studies are typically funded through the Welsh Consolidated Fund and are presented to the Public Accounts Committee to support its scrutiny of public expenditure. Reports are available on the [Audit Wales website](#).

### Exhibit 5: performance audit work still underway

There are 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
Unscheduled care	Phase 1 – December 2021 Timing of further work included as part of the 2022 plan still to be confirmed
Orthopaedics	January 2022
Review of the commissioning and contracting arrangements post Bridgend boundary change	January 2022

# Appendix 2

## Audit fee

My 2021 fee letter of 8 March 2021 set out the fee estimate of £442,859 (excluding VAT, which is not chargeable). I currently expect the actual fee to be a little lower than the estimate, by some £2,000 to £3,000. I will write to you separately to confirm the final fee, which, if lower than the estimate, will result in a small rebate.

# Appendix 3

## Financial audit risks

My 2021 Audit Plan set out the financial audit risks for the audit of the Health Board's 2020-21 financial statements. The table below lists these risks and sets out how they were addressed as part of the audit.

**Exhibit 6: financial audit risks**

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>I will:</p> <ul style="list-style-type: none"><li>• test the appropriateness of journal entries and other adjustments made in preparing the financial statements;</li><li>• review accounting estimates for biases;</li><li>• evaluate the rationale for any significant transactions outside the normal course of business; and</li><li>• add additional procedures to address any specific risks of management override which are not addressed by the mandatory work above.</li></ul>	<p>I reviewed a number of the accounting estimates and a sample of transactions that included journal entries. I again undertook considerable extended audit work in respect of the Health Board's current liabilities. My audit findings were materially satisfactory.</p>

Audit risk	Proposed audit response	Work done and outcome
<p>Under the NHS Finance (Wales) Act 2014, health boards ceased to have annual resource limits with effect from 1 April 2014. Health boards instead moved to a rolling three-year resource limit for both revenue and capital, with the first three-year period therefore running to 31 March 2017.</p> <p>While the Health Board currently forecasts that it will operate within its revenue and capital resource limits for the three years to 31 March 2021, there is a risk that it will not do so. This is particularly acute for the capital resource limit, because for the past three years the Health Board has had a cumulative surplus of just £42,000 against a resource limit of £102.5 million.</p>	<p>I will continue to monitor the Health Board's financial position for 2020-21 and the cumulative three-year position to 31 March 2021. This review will also consider the impact of any relevant uncorrected misstatements over those three years.</p> <p>If the Health Board fails to meet the three-year resource limits for revenue and/or capital, I would expect to qualify my regularity opinion on the 2020-21 financial statements. I would also expect to place a substantive report on the statements to explain the basis of the qualification and the circumstances under which it had arisen.</p>	<p>As set out in this report, my audit confirmed that the Health Board met its three-year resource allocations for both revenue and capital.</p>

Audit risk	Proposed audit response	Work done and outcome
<p>As reported to you last year, I have concerns over the validity of a significant number and value of the Health Board's current liabilities. Since my 2019-20 audit, the Health Board has examined its records as at 31 August 2020 (month 5). I have undertaken follow-up testing based on month 5 and relayed my findings to officers. In November, the Health Board confirmed that liabilities totalling some £19 million are to be removed; and liabilities totalling £4 million (which I am yet to review) are to be introduced.</p> <p>While the Health Board is undertaking remedial work, which is making good progress, there is still the risk that its current liabilities are materially misstated.</p>	<p>Further to my audit of the month 5 position, I have agreed with the Health Board to review and test its month 11 position (subject to the Health Board's completion of its review and posting of all corrections required, at month 11).</p> <p>I will also test the year-end position as usual.</p>	<p>I undertook a significant level of additional audit testing, which included the examination of Month 5 (31 August 2020) and Month 11 (28 February 2021).</p> <p>My audit findings were materially satisfactory, although I did make a formal recommendation to make further improvements for 2021-22.</p>



Audit risk	Proposed audit response	Work done and outcome
<p>The COVID-19 national emergency continues and the pressures on staff resource and of remote working may impact on the preparation and audit of accounts. There is a risk that the quality of the accounts and supporting working papers may be compromised leading to an increased incidence of errors. Quality monitoring arrangements may be compromised due to timing issues and/or resource availability.</p>	<p>I will discuss your closedown process and quality monitoring arrangements with the accounts preparation team and monitor the accounts preparation process. I will help to identify areas where there may be gaps in arrangements.</p>	<p>I regularly monitored and evaluated this risk and I am pleased to report that no significant problems arose.</p>
<p>The increased funding streams and expenditure in 2020-21 to deal with the COVID-19 pandemic will have a significant impact on the risks of material misstatement and the shape and approach to our audit. Examples of issues include accounting for field hospitals and their associated costs; fraud, error, and regularity risks of additional spending; valuation of year-end inventory, including PPE; and estimation of annual leave balances.</p>	<p>I will identify the key issues and associated risks and plan our work to obtain the assurance needed for our audit.</p>	<p>I examined transactions and balances relating to COVID-19. I applied a lower materiality to the Health Board's field hospitals, which resulted in some extended testing.</p> <p>My audit findings were satisfactory.</p>

Audit risk	Proposed audit response	Work done and outcome
<p>The implementation of the 'scheme pays' initiative in respect of the NHS pension tax arrangements for clinical staff is ongoing. Last year I included an 'Emphasis of Matter' paragraph in my audit opinion drawing attention to your disclosure of the contingent liability. However, if any expenditure is made in-year, we would consider it to be irregular, as it contravenes the requirements of 'Managing Welsh Public Money'.</p>	<p>I will review the evidence one year on in respect of the take-up of the scheme and the need for a provision, and the consequential impact on the regularity opinion.</p>	<p>As set out in this report, I added an Emphasis of Matter text alongside my audit opinion, and I placed a substantive report on the accounts. I did not qualify my regularity opinion as there was no expenditure within the 2020-21 accounts.</p>





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