

Annual Audit Report 2022 – Betsi Cadwaladr University Health Board

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Contents

Summary report	
About this report	4
Key messages	5
Detailed report	
Audit of accounts	7
Arrangements for securing efficiency, effectiveness, and economy in the use of resources	10
Appendices	
Appendix 1 – reports issued since my last annual audit report	16
Appendix 2 – audit fee	18
Appendix 3 – audit of accounts risks	19

Summary report

About this report

- 1 This report summarises the findings from my 2022 audit work at Betsi Cadwaladr 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
 - Arrangements for securing economy, efficiency, and effectiveness in the use of resources
- 3 This year's audit work took place at a time when NHS bodies continued to respond to the unprecedented and ongoing challenges presented by the COVID-19 pandemic. Health bodies were not only tackling the immediate challenges presented by the public health emergency but were also seeking to recover and transform services to respond to the significant numbers of people who are waiting for treatment and improve population health. My work programme, therefore, 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.
- 4 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. We largely continued to work and engage remotely where possible through the use of technology, but some on-site audit work resumed where it was safe and appropriate to do so. This inevitably had an impact on how we deliver audit work but has also helped to embed positive changes in our ways of working.
- 5 As was the case in the previous two years, the delivery of my audit of accounts work has continued mostly remotely. The success in delivering it reflects a great collective effort by both my staff and the Health Board's officers.
- 6 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. I have commented on how NHS Wales is tackling the backlog of patients waiting for planned care. 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.

- 7 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 work still underway, but not yet completed.
- 8 **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 2022 Audit Plan.
- 9 **Appendix 3** sets out the audit of accounts risks set out in my 2022 Audit Plan and how they were addressed through the audit.
- 10 The Interim Chief Executive and the Interim Director of Finance have agreed the factual accuracy of this report. We presented it to the Audit Committee on 15 May 2023. The Board will receive the report at a later Board meeting and every member will receive a copy. I strongly encourage the Health Board to arrange its wider publication. I will make the report available to the public on the [Audit Wales website](#) after the Board have considered it.
- 11 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

- 12 I issued a qualified 'true and fair' opinion on the Health Board's 2021-22 accounts, because I could not obtain sufficient appropriate evidence that specific accruals, payables and expenditure were accurately stated and accounted for in the correct accounting period. I also qualified my 'regularity' opinion as the Health Board again failed to meet its financial duty to break-even over a three-year period, and (along with eight other NHS bodies in Wales) incurred irregular expenditure in year in complying with a direction by Ministers to fund clinicians' pensions tax liabilities.
- 13 Alongside my audit opinion, I placed a substantive report on the Health Board's accounts to highlight the issues identified.

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

- 14 Towards the end of 2022, specific concerns about the cohesiveness of the board and working relationships at senior level led me to undertake an urgent and focused review of the collective effectiveness of the board.
- 15 That review described a level of dysfunctionality within the Executive Team and wider board that was fundamentally compromising the ability of the board to discharge its functions. The nature and seriousness of my findings led me to issue a report in the public interest which called for urgent action to tackle the concerns my work had identified and create a board that is more cohesive and unified

around the significant challenges the organisation faces. It also recognised that the Health Board was unlikely to be able to make the changes required without some form of external intervention.

16 My other Performance Audit work at the Health Board has led me to draw the following conclusions:

- there are significant control weaknesses, including those highlighted within our qualified 2021-22 financial audit opinion. This, along with insufficient plans for ensuring financial sustainability in the medium-term, present the Health Board with urgent and significant financial challenges.
- while there has been some progress, systems of assurance need to more effectively support improvement and the new operating model needs to be fully implemented as a matter of urgency.
- while some aspects of strategic planning arrangements have improved, the Health Board is still without an approvable medium-term plan, and the new clinical strategy needs to have underpinning enabling plans which align with the strategy and have clear milestones and outcomes.
- the Health Board needs to ensure that the measures it has introduced to support staff wellbeing are having the intended impact. Improvements are needed in the way digital projects are resourced and delivered, and significant long-standing issues with the Health Board's estate also need addressing through implementation of the revised strategy.
- The Health Board is taking steps to improve quality governance and investing in and reorganising resources that support it. However, there are opportunities for improvement, such as ensuring quality priorities reflect risks arising from current significant service pressures and improving organisation-wide learning.
- Despite the additional investment in waiting list recovery, the significant growth in the numbers of people waiting is likely to mean that waiting lists will not return to pre-pandemic levels for many years.

17 These findings are considered further in the following sections.

Detailed report

Audit of accounts

- 18 Preparing annual accounts is an essential part of demonstrating the stewardship of public money. The accounts show the organisation's financial performance and set out its net assets, net operating costs, gains and losses, and cash flows. My annual audit of those accounts provides an opinion on both their accuracy and the proper use ('regularity') of public monies.
- 19 My 2022 Audit Plan set out the key risks for audit of the accounts for 2021-22 and these are detailed along with how they were addressed in **Appendix 3 - Exhibit 4**.
- 20 My responsibilities in auditing the accounts are described in my [Statement of Responsibilities](#) publications, which are available on the [Audit Wales website](#).

Accuracy and preparation of the 2021-22 accounts

- 21 I issued a qualified 'true and fair' opinion on the Health Board's 2021-22 accounts, because I could not obtain sufficient appropriate evidence that specific accruals, payables and expenditure were accurately stated and accounted for in the correct accounting period. I also placed a substantive report setting out further detail in respect of these matters.
- 22 My initial audit testing identified significant levels of error and uncertainty about whether payables and accruals of £9.1million existed at 31 March 2022 and whether expenditure of £9.4 million occurred in the year or had been properly accounted for in the correct accounting period. The errors and uncertainties identified by my initial testing of £9.4 million represented 7.8% of the sample tested of £121.2 million.
- 23 The Health Board stated that it was unable to support me in undertaking any further testing owing to 'limited resources within the finance team and the additional work they have had to manage since April; the significant impact any further delay would have on the Welsh Government Summarised Accounts and Annual Governance Statement and the resulting implications for the production of the Welsh Government Resource Accounts, as well as the requirement for the finance team to focus on the Health Board delivering its objectives for 2022-23'. Consequently, I was unable to complete the necessary further testing to assess the full extent of the error and uncertainty in the financial statements.
- 24 I qualified my audit opinion on the grounds that the Health Board was unable to provide sufficient appropriate audit evidence that:
 - Non-NHS payables and accruals of £73.2 million in Note 18 'Trade and Other Payables' existed at 31 March 2022; and
 - expenditure of £122.2 million in Note 3.3 'Expenditure on Hospital and Community Health Services' occurred in the year or has been properly accounted for in the correct accounting period.

25 My Financial Audit Engagement Lead reported several issues to the Audit Committee on 24 August 2022. **Exhibit 1** summarises the key issues set out in that report.

Exhibit 1: issues reported to the Audit Committee

Issue	Auditors' comments
Uncorrected misstatements	<p>My initial audit testing of Note 18 'Trade and other payables' identified significant levels of error and uncertainty about whether payables and accruals of £9.1million existed at 31 March 2022.</p> <p>My testing of Note 3.3 'Expenditure on Hospital and Community Health Services' identified further errors of £0.3 million (in addition to those identified within Note 18).</p> <p>Indexation applied to building valuations included an understatement of £7.7 million in the indexation (cost) figures with further impacts on other areas of the accounts.</p>
Corrected misstatements	<p>Numerous amendments were made to the accounts. The most significant being an amendment to Note 11 'Property, Plant and Equipment' in respect of a misclassification of capital spend of £426,000 as revenue expenditure. The reclassification impacted on Note 2.2 'Capital Resource Performance' that discloses the Health Board's performance against its 'Capital Resource Allocation' set by Welsh Government. Other than for a retrospective increase in the capital resource allocation from Welsh Government in June 2022, the Health Board would have breached its original 2021-22 capital resource allocation.</p>
Other significant issues	<p>In addition to the significant deficiencies in internal controls over the recognition of accruals, payables and expenditure referred to above, my team also identified that the Health Board failed to obtain Welsh Government and Board approval for a contract of more than £1 million, contrary to the requirements of the NHS (Wales) Act 2006 and the health Board's Standing Financial Instructions.</p>

- 26 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 on 31 March 2022 and the return was prepared in accordance with the Treasury's instructions.
- 27 My separate audit of the charitable funds (Awyr Las) accounts is complete on which I issued an unqualified audit opinion. No matters arose that were reported to the Trustees.

Regularity of financial transactions

- 28 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. My 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.
- 29 I qualified my opinion on the regularity of the Health Board's financial statements as it breached its resource limit by spending £37.9 million over the amount that it was authorised to spend in the three-year period 2019-2020 to 2021-2022. This spend constituted irregular expenditure.
- 30 The Health Board also included a provision of £2.3 million relating to the Health Board's estimated liability arising from the Ministerial Direction dated 18 December 2019 on senior NHS clinicians' pensions. In my view, this expenditure is irregular and material by its nature.
- 31 My substantive report also set out further detail in respect of these matters.

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

32 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:

- Reviewing Board Effectiveness because of increasing concerns identified in the last six months of the year.
- undertaking a structured assessment of the Health Board's corporate arrangements for ensuring that resources are used efficiently, effectively, and economically.
- reviewing the effectiveness of the Health Board's quality governance arrangements.
- undertaking a high-level review of how NHS Wales is tackling the planned care backlog.

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

Review of Board Effectiveness

34 My work considered the extent to which the board is working effectively and cohesively as a team to discharge its role and functions, including providing the collective leadership that is required to grip the numerous challenges the Health Board is facing.

35 I found that there are a number of concerning issues which in combination are fundamentally compromising the ability of the board to work effectively and in an integrated manner to address the significant challenges the organisation faces.

36 Central to our concerns are the clear and deep-seated factions that exist within the Executive Team and, to an extent, the wider board. The dysfunctionality within the Executive Team is clearly visible to the Independent Members on the board. This, along with concerns about Executive Team grip on operational challenges and the quality of assurances, has eroded Independent Member trust and confidence in the Executive Team.

37 In the face of growing concerns about the inability to address long-standing service performance, quality, and safety challenges there have been examples of very challenging public scrutiny of the executive by some Independent Members. These have adversely affected working relationships and functionality within the board, further embedding divisions between the Executive Team and Independent Members. Board development activities have largely failed to resolve these and other tensions and facilitate more integrated and effective board working.

- 38 Continuity of leadership and pace of change has been affected by turnover and portfolio changes within the Executive Team. The organisation again finds itself without a substantive Chief Executive and with a number of other executive posts also currently being occupied on an interim basis. A heavy reliance on interim posts within the wider senior management structure is still evident and points to ongoing difficulties securing the senior leadership capacity that the Health Board needs.
- 39 Urgent action is needed to tackle the concerns set out in this report and to create a board and Executive Team environment that is more cohesive and unified around the significant challenges the organisation faces.

Structured assessment

- 40 My 2022 structured assessment work took place at a time when NHS bodies were not only continuing to tackle the challenges presented by COVID-19 but were also seeking to recover and transform services to respond to the significant numbers of people who are waiting for treatment and improve population health.
- 41 My team focussed on the Health Board's corporate arrangements for ensuring that resources are used efficiently, effectively, and economically, with a specific focus on the organisation's systems of assurance; strategic planning arrangements; financial management arrangements; and arrangements for managing the workforce, digital assets, the estate, and other physical assets. Auditors also paid attention to progress made to address previous recommendations.

Governance arrangements

- 42 Because I undertook a separate Review of Board Effectiveness this year, my review of the Health Board's governance arrangements, specifically focussed on key systems of assurance. My work found that while the Health Board is taking action to strengthen some systems of assurance, there remain significant weaknesses. This can result in lack of assurance that significant and ongoing risks and performance challenges are being addressed and that necessary improvements are being delivered.
- 43 Health Board has recently refreshed its risk strategy for 2022-25 and its Board Assurance Framework. Our review indicates that the risks in the Framework are reflective of the main challenges currently facing the Health Board. However, many risks are longstanding indicating that the risk management approach and mitigating actions are not having the desired impact. Equally there is a need to ensure that performance reporting into the Board and committees provides sufficient focus on the impact of improvement actions. We also found reporting on progress of recommendations at Audit Committee is high-level, providing limited detail, particularly on recommendations considered complete.
- 44 In general, the Health Board has an open reporting culture in relation to incidents. However, work undertaken by NHS Wales Delivery Unit has identified scope to

better analyse nationally reportable incident trend data and build on lessons learnt internally and from others. We also found a need to ensure processes are in place to prevent misreporting of the number of Public Services Ombudsman for Wales complaints about the Health Board.

Strategic planning arrangements

- 45 My work considered the Health Board's strategic planning arrangements, with a particular focus on the organisation's:
- vision and strategic objectives;
 - Integrated Medium-term Plan;
 - planning arrangements; and
 - arrangements for implementing and monitoring the delivery of corporate strategies and plans.
- 46 My work found that while some aspects of strategic planning arrangements have improved, the Health Board is still without an approvable medium-term plan, and the new clinical strategy needs to have underpinning enabling plans which align with the strategy and have clear milestones and outcomes.
- 47 It is positive to note that the Board approved its new Clinical Strategy for 2022-32 in August 2022. However, the clinical strategy is still a very high-level document, and it is unclear how the Health Board will monitor progress and judge its success. Whilst, the Health Board's medium-term planning arrangements have improved in overall terms, it was unable to produce an approvable Plan for 2022-2025 and the Health Board was developing an annual plan, rather than a three-year plan for 2023-24 at the time of writing, with development delayed due to internal factors. The Health Board has also developed other corporate strategies and plans including digital, people and estates. However, it must take steps to ensure they are fully aligned with clinical strategy and that they exploit value-based healthcare opportunities.

Managing financial resources

- 48 My work considered the Health Board's arrangements for managing its financial resources, with a particular focus on the organisation's:
- arrangements for meeting key financial objectives;
 - financial controls; and
 - arrangements for reporting and monitoring financial performance.
- 49 My work found that there are significant control weaknesses, including those highlighted within our qualified 2021-22 financial audit opinion. This, along with insufficient plans for ensuring financial sustainability in the medium-term, present the Health Board with urgent and significant financial challenges.

- 50 Our audit of the Health Board's 2021-22 accounts identified significant accounting errors and weaknesses resulting in the Auditor General qualifying his 'true and fair' and 'regularity' opinions. The extensive use of single tender actions in Betsi Cadwaladr raises significant concerns about financial planning and control arrangements within the Health Board.
- 51 Despite balancing the financial position in the 2021-22 financial year, the Health Board failed to break-even over a three-year period, reporting a £37.9 million deficit at the end of 2021-22. This has occurred because of year-end deficits carried forward from previous years. The financial plan for 2022-23 included reasonable budget assumptions, however, the Health Board made slow progress on delivery against 2022-23 £35 million savings target. Savings and financial recovery plans for 2023-24 are currently insufficient and are slow to develop. Consequently, there is a risk of a substantial underlying deficit. This position will be significantly worsened if the Welsh Government's additional £82 million targeted intervention funding allocation ceases at the end 2023-24. There needs to be a stronger approach to financial recovery, focus on recurring savings, effective delivery of value-based healthcare and potentially some difficult disinvestment decisions.

Managing the workforce, digital resources, the estate, and other physical assets

- 52 My work considered the Health Board's arrangements for managing its wider resources, with a particular focus on the organisation's:
- arrangements for supporting staff wellbeing;
 - arrangements for managing its digital resources; and
 - arrangements for managing its estate and other physical assets.
- 53 My work found that the Health Board needs to ensure that the measures it has introduced to support staff well-being are having the intended impact. Improvements are needed in the way digital projects are resourced and delivered, and long-standing issues with the Health Board's estate also need addressing.
- 54 Although the Health Board has range staff wellbeing support services in place there needs to be a greater focus on evaluating their impact to inform any future investment. The Health Board has made some progress against its digital strategy and subsequent plans. However, delivery is hampered by long-standing resourcing issues, both locally and nationally. The Health Board's estate is also a concern due to limited availability of capital funding, meaning several key programmes may be 'at risk' and may require further prioritising. The updated estate strategy clearly sets out the extent of the challenge and risks. There will now need to be focussed and ongoing oversight on the extent that this strategy is addressing estate risks and supporting new care models.

Quality governance arrangements

- 55 My review examined whether the organisation's governance arrangements support delivery of high quality, safe and effective services. The review focused on both the operational and corporate approach to quality governance, organisational culture and behaviours, strategy, structures and processes, information flows and reporting.
- 56 At the time of my review, I found that that the Health Board is taking steps to improve quality governance and investing in and reorganising resources that support it. However, there are opportunities for improvement, such as ensuring quality priorities reflect risks arising from current significant service pressures and improving organisation-wide learning.
- 57 The Health Board is investing in quality improvement through its Stronger Together programme. The Health Board has adequate corporate and operational resources to support quality governance, which it is reorganising to avoid silo working and duplication. The Board receives a good level of information to scrutinise harm from COVID-19 and the Health Board is taking steps to improve quality dashboards.
- 58 However, there are opportunities for improvement. The Health Board's new Quality Improvement Strategy needs clear outcomes that can be monitored. Whilst risk management arrangements are improving, we found variation in risk management resource and training at an operational level. We also found that the Health Board needs to better deploy its resources for quality improvement activities such as clinical audit and mortality reviews and ensure it demonstrates learning and impact from these activities. A relatively high proportion of Health Board staff responding to the NHS Wales staff survey said they had experienced bullying, harassment or abuse. Given less than half of the respondents felt the organisation takes effective action when it did occur, the Health Board needs better systems for managing, addressing, and learning from these concerns. The Health Board's also needs a stronger focus on local quality measures, to provide assurances on the quality of wider of services that the Health Board delivers and commissions.

Tackling the planned care backlog in Wales

- 59 In May 2022, I published a report that set out the extent of the planned care backlog in NHS Wales, and the key actions the system needs to take to start to tackle the backlog. My report highlighted the continued growth of the overall waiting list numbers month on month, whilst noting the rate of growth was slowing. It also noted that the inevitable drop in referrals seen during the pandemic would likely result in this latent demand eventually coming back into the system. Taking these and other factors into account my work estimated that it could as much as seven years before overall waiting list numbers in Wales returned to pre-pandemic levels.
- 60 The Welsh Government has produced a national recovery plan for planned care with key milestones for health boards to achieve, including an initial focus on those

patients facing very long waits. However, those milestones are already proving difficult to achieve.

- 61 In line with the key actions I set out in my report, the Health Board, along with others in Wales, will need to both build and protect capacity for planned care, and continue to maintain a focus on efficiency and productivity.
- 62 The Health Board will also need to ensure that it actively manages the clinical risks to patients that are facing long waits for treatment and enhance its systems for communicating with patients to help them manage their condition whilst they are waiting and inform them of what to do if their condition deteriorates.

Appendix 1

Reports issued since my last annual audit report

Exhibit 2: reports issued since my last annual audit report

The following table lists the reports issued to the health board in 2022-23.

Report	Date
Financial audit reports	
Audit of Financial Statements Report	August 2022
Opinion on the Financial Statements	August 2022
Opinion on the Charitable funds – Awyr Las	January 2023
Performance audit reports	
Review of Quality Governance Arrangements	March 2022
Tackling the Planned Care Backlog in Wales	May 2022
Review of Board Effectiveness	February 2023
Structured Assessment 2022	February 2023
Other	
2022 Audit Plan	April 2022

My wider programme of national value for money studies in 2022 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 3: 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: <ul style="list-style-type: none">• patient flow out of hospital• access to unscheduled care services	April 2023 August 2023
Follow up outpatients	April 2023
Workforce planning	June 2023

Appendix 2

Audit fee

The 2022 Audit Plan set out the proposed audit fee of £423,000 (excluding VAT). My latest estimate of the actual fee, on the basis that some work remains in progress, is £537,902. The increase is due to additional work carried out during the year:

- Audit of the 2021-22 accounts - This additional work was required as a result of significant issues identified during the course of the Audit. The additional work amounts to £78,902.
- Review of Board effectiveness - I completed a review on board effectiveness because of significant concerns identified in November. This work, while replacing an existing audit review already included in the plan, required greater resource input and a higher experience and skill mix. The additional charge for this work amounts to £36,000.

Appendix 3

Audit of accounts risks

Exhibit 4: audit of accounts risks

My 2022 Audit Plan set out the risks for the audit of the Health Board's 2021-22 accounts. The table below lists these risks and sets out how they were addressed as part of the audit.

Audit risk	Proposed audit response	Work done and outcome
<p>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>	<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>On a sample basis my team tested both journal entries and accounting estimates and found no evidence of the management override of controls.</p> <p>As noted within the main body of this report we identified errors within payables and accruals.</p> <p>My team was unable to quantify the total of the errors within the accounts and issued a qualified audit opinion.</p>
<p>There is a risk of material misstatement due to fraud in revenue recognition and as such is treated as a significant risk [ISA 240.26-27].</p>	<p>My audit team will consider the completeness of miscellaneous income.</p>	<p>As part of audit testing, my team carried out work to provide assurance over the completeness of miscellaneous income, including third party verification. My team were satisfied that it was free from material error.</p>

Audit risk	Proposed audit response	Work done and outcome
<p>There is a risk of material misstatement due to fraud in expenditure and as such is treated as a significant risk [PN 10].</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • substantively test all material areas of pay and non-pay expenditure; • review the basis of accruals for any estimation biases; • review the year-end cut-off of expenditure; and • review the basis of new provisions and increases in provision levels in year. 	<p>My team tested journal entries and a sample of accounting estimates.</p> <p>As noted within the main body of this report we identified errors within payables, accruals and expenditure.</p> <p>My team was unable to quantify the total of the errors within the accounts and issued a qualified audit opinion.</p>
<p>Although the Health Board forecast to break even in 2021-22, it is anticipated to once again fail to meet its first financial duty to break even over a three-year period.</p> <p>Where you fail this financial duty, I will place a substantive report on the financial statements highlighting the failure and qualify your regularity opinion.</p> <p>The financial pressures increase the risk that management judgements and estimates could be</p>	<p>My audit team will focus its testing on areas of the financial statements which could potentially contain reporting bias.</p>	<p>My team undertook a range of audit work to provide assurance over the risk of bias. This included:</p> <ul style="list-style-type: none"> • detailed sample testing of transactions either side of the year-end to ensure that they were recorded in the correct accounting period. This was focussed on the areas of greatest risk. • ensuring that accounting estimates were prepared on a reasonable basis and were supported by appropriate accounting judgements. <p>My team was unable to satisfy ourselves to obtain assurances that the accounts</p>

Audit risk	Proposed audit response	Work done and outcome
<p>biased to achieve the financial duty.</p>		<p>were free from material error and a qualified audit opinion was issued.</p>
<p>Although COVID-19 restrictions have now been removed, there have been ongoing pressures on staff resource and of remote working that may impact on the preparation, audit and publication of accounts.</p> <p>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 make arrangements to monitor the accounts preparation process. I will help to identify areas where there may be gaps in arrangements.</p>	<p>My team maintained constant contact with the Finance Team to understand the accounts preparation process, and any changes made to this process due to the COVID-19 pandemic.</p>
<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 the audit opinion drawing attention to your disclosure of the contingent liability. Applications to the scheme will close on 31 March 2022, and if any</p>	<p>I will review the evidence one year on around the take-up of the scheme and the need for a provision, and the consequential impact on the regularity opinion.</p>	<p>We satisfied ourselves that the provision included within the accounts was appropriate. The regularity opinion has been qualified as this expenditure is considered to be irregular.</p>

Audit risk	Proposed audit response	Work done and outcome
<p>expenditure is made in-year, I would consider it to be irregular as it contravenes the requirements of Managing Welsh Public Money.</p>		
<p>There continues to be increased funding streams and expenditure in 2021-22 to deal with the COVID-19 pandemic. These could have a significant impact on the risks of material misstatement and the shape and approach to our audit. Examples of issues include accounting for decommissioning field hospital and their associated costs; fraud, error and regularity risks of additional spend; valuation (including obsolescence) 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>My team carried out a range of audit work to identify all additional funding and expenditure streams expected within the accounts through liaison with the Finance Team and the Welsh Government. Central guidance was provided to assist in the audit of this complex area. No issues were identified from the work completed.</p>

Audit risk	Proposed audit response	Work done and outcome
<p>Introduction of IFRS 16 Leases has been deferred until 1 April 2022. There may be considerable work required to identify leases and the COVID-19 national emergency may pose additional implementation risks. The 2021-22 accounts will need to disclose the potential impact of implementing the standard.</p>	<p>I will review the completeness and accuracy of the disclosures.</p>	<p>As a result of the COVID19 pandemic, the implementation of IFRS 16 was delayed into 2022-23. My team will undertake this work next year. My team did, however, carry out preliminary discussions on the progress of IFRS16 preparedness and no issues were identified</p>
<p>Disclosure of related party transactions are important as these transactions identify relationships that might materially prevent a body pursuing its separate interests or allow the body to prevent another party from pursuing its interests independently. I identified related party transactions as material to the accounts as they can provide scope to distort financial information and/or obscure the substance of transactions. I previously identified weaknesses in the Health Board's systems for identifying and recording declarations of interest for those related parties that are required to be included</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • review whether all required Declarations of Interest have been completed; and • review the content of all declarations and ensure that information has been correctly recorded within the Health Board's systems and the financial statements. 	<p>My team undertook work to confirm the required Declarations of Interest had been received by the Health Board and that the disclosure of related party transactions was complete. No issues were identified from the work completed.</p>

Audit risk	Proposed audit response	Work done and outcome
<p>within the financial statements and reported this to you within our Audit of the Accounts report 2020-21.</p>		
<p>The Remuneration Report contains important disclosures required by Welsh Government and accounting standards. Our review of the disclosures within the 2020-21 Remuneration Report identified issues with the completeness and accuracy of the information reported. Discussions with the Health Board confirmed this was due to the officer responsible for the preparation of the report not having complete information relating to senior officer pay. I previously recommended that the Health Board needs to ensure that the officer responsible for the preparing the Remuneration Report is appropriately positioned to understand the disclosure requirements, has complete access to all the relevant information for its preparation, is able to provide the</p>	<p>My audit team will undertake some early work to understand the processes for collating information to support the Remuneration Report and will highlight any concerns with senior management.</p>	<p>My audit team did not identify any issues with the preparation of the remuneration report for 2021-22.</p>

Audit risk	Proposed audit response	Work done and outcome
<p>necessary audit evidence and can directly address any audit queries arising.</p>		



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We welcome correspondence and telephone calls in Welsh and English.
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.