

Annual Audit Report 2021 – Betsi Cadwaladr University Health Board

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Summary report

About this report

- 1 This report summarises the findings from my 2021 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 public bodies continued responding to the unprecedented challenges presented by the 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 it 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 rollout 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 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. We are presenting it formally to the full Board at its meeting on 20 January 2022 and ensuring that the Audit Committee have the opportunity to discuss and comment on the report when it next meets on 15 March 2022. 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 have 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 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 draw attention to disclosures in the accounts in note 21 relating to the impact of a Ministerial Direction, issued on 18 December 2019 to the Permanent Secretary of the Welsh Government, to fund NHS clinicians' pension tax liabilities in respect of the 2020-21 financial year.
- 12 The Health Board's material financial transactions were in accordance with authorities and used for the purposes intended. However, it did not achieve financial balance for the three-year period ending 31 March 2021, so I have issued a qualified opinion on the regularity of the financial transactions within the Health Board's 2020-21 accounts.
- 13 Alongside my audit opinion, I placed a substantive report on the Health Board's financial statements to highlight the failure to achieve financial balance, to have an approved three-year plan in place and to set out further detail on the Emphasis of Matter paragraph that I included in my audit opinion.

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

14 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 relation to the Welsh Health Specialised Services Committee Governance Arrangements: 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'.
- 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. A clear plan is now needed for the challenges which lie ahead.
- we are assured that the Health Board has set out broadly clear plans for how it will spend the strategic financial support funding it is receiving from the Welsh Government. Plans appropriately consider the resources that will be needed to deliver them, but workforce capacity, any associated estate investment, and procurement timeframe constraints are likely to present ongoing risks.
- 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.
- the Health Board had improving short-term planning arrangements and is refreshing its strategy to help drive improvement, service recovery and sustainability.
- the Health Board has made a promising start and is demonstrating strong ownership of the targeted intervention process. Governance and risk management arrangements are improving as is the approach for supporting service change and improvement. However, considerable service pressures and waiting list backlogs are likely to present ongoing challenges.
- additional income alongside improving financial planning is strengthening the Health Board's financial outlook, but there is a risk that limited capital

funding could inhibit longer-term sustainable models of care built and resourced in North Wales.

- there has been a substantial deterioration in eye care service performance because of the pandemic. The Health Board is keen to improve and is adopting what is understandably a reactive response to waiting list growth caused by the pandemic alongside building on its more proactive plans that it had started to develop in 2018.
- my cross-sector regional review of care home commissioning identified that whilst partners are working individually and collectively to provide care home placements for vulnerable service users, this is made more difficult by complex national processes, resulting in a significant focus on costs, which causes division amongst partners and has the potential to impact adversely on service users and their families.

15 These findings are considered further in the following sections.

Detailed report

Audit of accounts

- 16 This section of the report summarises the findings from my audit of the Health Board's financial statements for 2020-21. These statements 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 statements 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 the Health Board's 2020-21 financial statements. **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 financial statements are described in my [Statement of Responsibilities](#) publications, which are available on the [Audit Wales website](#).

Accuracy and preparation of the 2020-21 financial statements

- 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 paragraph in my report to draw attention to disclosures in the accounts relating to a Ministerial Direction to fund NHS clinicians' pension tax liabilities in respect of the 2019-20 financial year.
- 20 We acknowledge the significant achievement of the Finance team in preparing the financial statements to a good standard, in the face of the challenges posed by the pandemic.
- 21 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 Committee on 10 June 2021. **Exhibit 1** summarises the key issues set out in that report.

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

| Issue | Auditors' comments |
|---------------------------|--|
| Uncorrected misstatements | There were no uncorrected misstatements. |
| Corrected misstatements | There were several corrected misstatements which corrected classification errors or provided additional narrative disclosure. |
| Other significant issues | <p>An issue was noted where a number of declarations of interest relevant to the financial statements had not been made.</p> <p>We also raised that, in order to best facilitate the audit of the Remuneration Report, an Officer of sufficient seniority and suitable access to relevant information prepare that report.</p> |

- 22 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 as at 31 March 2021 and the return was prepared in accordance with the Treasury's instructions.
- 23 My separate audit of the Charitable Funds financial statements is currently ongoing, and I anticipate that the accounts will be approved by the Charitable Funds Committee on 20 January 2021, following consideration of my report on the financial statements, and the audit opinion will be issued shortly afterwards.

Regularity of financial transactions

- 24 The Health Board's material financial transactions were in accordance with authorities and used for the purposes intended. However, it did not achieve financial balance for the three-year period ending 31 March 2021, so I have issued a qualified opinion on the regularity of the financial transactions within the Health Board's 2020-21 accounts.
- 25 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.

- 26 Where a Health Board does not achieve financial balance, its expenditure exceeds its powers to spend and so I must qualify my regularity opinion. For the three-year period ending 31 March 2021, the Health Board exceeded its cumulative revenue resource limit of £4,922 million by £79.485 million and therefore did not meet its financial duty.
- 27 I have the power to place a substantive report on the Health Board's accounts alongside my opinions where I want to highlight issues. Due to the Health Board's failure to meet its financial duties I issued a substantive report setting out the factual details: it failed its duty to achieve financial balance (as set out above) and it does not have an approved three-year plan in place and is operating under annual planning arrangements. The report also sets out more detail on the Emphasis of Matter paragraph in my audit opinion.

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

- 28 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;
 - reviewing how well the rollout of the COVID-19 vaccination programme was progressing;
 - considering how the Health Board plans to use and monitor the additional Welsh Government allocation;
 - reviewing how NHS bodies supported staff wellbeing during the COVID-19 pandemic;
 - undertaking a phased structured assessment of the Health Board's corporate arrangements for ensuring that resources are used efficiently, effectively and economically;
 - reviewing eye care services; and
 - completing a regional cross-sector review of the commissioning of older people's care home placements.

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

Test, Trace, Protect programme

- 30 My work examined how public services responded to the challenges of delivering the Welsh Government's Test, Trace, Protect Programme (TTP). 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.
- 31 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.
- 32 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.
- 33 Despite increased testing and tracing activity, the virus continued to spread, and as in other parts of the UK and internationally, testing and tracing have needed to be supplemented with local and national lockdown restrictions in an attempt to reduce transmission rates.
- 34 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

- 35 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.
- 36 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.

- 37 My review found a number of improvements have been made to the overall governance arrangements in WHSCC 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.
- 38 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'.
- 39 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.

Vaccination programme

- 40 My audit focused on the rollout of the COVID-19 programme in Wales up to June 2021, the factors that affected the rollout and future challenges and opportunities.
- 41 The vaccine programme has 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.
- 42 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.
- 43 The organisations involved in the rollout have worked well to set up a range of vaccination models which make the best use of the vaccines available, while also providing opportunities to deliver vaccines close to the communities they serve.

- 44 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.
- 45 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 the vaccine rollout effectively.
- 46 As the programme moved into the second half of 2021, challenges presented themselves around encouraging take-up amongst some groups, vaccine workforce resilience and venue availability. A longer-term plan is needed to address these and other elements of the ongoing vaccination programme.

Use of the additional Welsh Government allocation

- 47 I undertook a high-level review of the Health Board's plans to utilise the additional strategic financial allocation from the Welsh Government that was announced in November 2020 for a three-and-a-half-year period and is expected to total some £297 million.
- 48 Of the £297 million, £51 million was allocated for 2020-21. £40 million of this supported the financial deficit position with the remaining £11 million being used for planned care, unscheduled care and mental health service improvements.
- 49 For the current 2021-22 financial year, the Health Board's Annual Plan clearly apportions the annual £82 million strategic support allocation over a number of schemes in line with the broad conditions set by the Welsh Government. Of the £82 million, £40 million is allocated to improve the financial position, with the remainder allocated on 18 planned areas for investment across a range of service improvement areas. The annual plan shows the expected impact and return from these investments. I also found improving formal arrangements for the management of the additional allocation through adoption of business cases, although at the time of the work some were slow to be developed.
- 50 The Health Board is putting in place appropriate arrangements to monitor and oversee the use of strategic support funding. It has adopted a revenue business case tracker and strengthening officer level governance and oversight through its new Executive Delivery Groups. My work found evolving arrangements in place for ongoing monitoring of plans but also a need to ensure that monitoring arrangements focus on whether the funding is achieving its intended benefits.

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

- 51 My review considered how NHS bodies 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 to 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 a 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's 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 the effective recovery of services.
- 59 My work found that the Health Board had improving short-term planning arrangements and is refreshing its strategy to help drive improvement, service recovery and sustainability.
- 60 The Health Board's Quarter 3-4 plan broadly met the Welsh Government's guidance requirements focussing on the four COVID harms and including 2020 winter pressures modelling. The Quarter 3-4 plan provided a good link between previous plans, carrying over actions and projects not fully completed, and longer-term challenges such as restarting and recovering services.
- 61 The Health Board set out an ambitious but challenging approach for developing its Annual Plan 2021-22 requiring top-down design and bottom-up engagement. However, because pandemic pressures on service delivery limited the capacity of key service management to engage. Plans are scrutinised prior to approval and there is reporting and challenge of progress against plan delivery, but there needs to be a stronger focus on the outcomes that are achieved through the delivery of the plan.
- 62 The Health Board has now committed to refreshing its corporate strategy, developing an integrated medium-term plan, and commencing the development of a clinical strategy. There are significant pressures facing the Health Board currently, but it is promising that it is not only seeking to address those immediate challenges, but also to undertaking work to shape the organisation so that it is fit and sustainable in the future.

Governance arrangements

- 63 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.
- 64 My work found that the Health Board has made a promising start and is demonstrating strong ownership to make improvements to address the issues within the targeted intervention framework. Governance and risk management arrangements are improving as is the approach for supporting service change and improvement. However, considerable service pressures and waiting list backlogs

will present ongoing challenges. The Health Board has undertaken a balanced but critical self-assessment against the maturity framework as a basis to drive improvements. The Health Board is adapting its governance arrangements as the nature of the pandemic and wider service pressures evolve both in terms of emergency preparedness as well as reviewing its wider corporate governance arrangements.

- 65 The extent of the recovery challenge, although not unique to the Health Board, is substantial. The pandemic, alongside significant unscheduled care pressures, continues to affect the available service capacity and productivity of wider services. Sustainable recovery, both for planned and unscheduled care, will require stronger approaches for integration of services across acute sites, and integration of services between acute and community services. The Health Board has initiated a 'Stronger Together' programme focussed on improving quality, performance, productivity, and this should help to shape organisational development requirements and design. The Health Board is taking steps to further strengthen its arrangements for overseeing the quality and safety of services. This is particularly important because the continued strain on primary, community and acute care services may introduce additional quality and safety risks.

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 additional income alongside improving financial planning is strengthening the Health Board's financial outlook, but there is a risk that limited capital funding could inhibit longer-term sustainable models of care built and resourced in North Wales.
- 67 The Health Board has not been able to achieve a balanced financial revenue position for several years. But in 2020-21, the annual financial revenue funding, together with additional Welsh Government financial allocations enabled the Health Board to balance its expenditure within its revenue resource limit. Because legislation requires financial balance over three years as well as a financially sustainable medium-term plan, this has meant that the Health Board currently continues not to meet its two main statutory financial duties.
- 68 Financial planning is improving, and while the Health Board understands its financial risks, limited financial capital allocation may affect the longer-term sustainability and efficiency of services. The Health Board is continuing to focus on improving its financial controls in relation to COVID-19 spending. The Health Board has implemented improvements identified by its 'financial governance cell' on the Health Board's COVID-19 financial governance arrangements. Both COVID-19 spending, and wider finances are appropriately reported and scrutinised in (the previous) Finance and Performance Committee.

Review of eye-care services

- 69 As part of my local audit programme, I have reported on the Health Board's eye care services and arrangements in place to support, improve and modernise services.
- 70 Overall, my review found that there has been a substantial deterioration in eye care service performance because of the pandemic. Referral demand is now increasing at a higher rate than service capacity is recovering, leading to waiting list growth. My report clearly identifies the need to improve service efficiency, which was below average before the pandemic and has deteriorated since. The Health Board is keen to improve and is adopting what is understandably a reactive response to waiting list growth caused by the pandemic, alongside building on its more proactive plans that it had started to develop in 2018.
- 71 The Health Board is strengthening its approach for eye care service change through its eye care business case. It has built stronger relationships with primary care services, expanding community services, and is exploring further ways to provide care closer to home. The Health Board is also seeking to develop regional treatment centres which are likely to include eye care services. That additional local capacity will take time to develop, and the Health Board has taken a logical approach by agreeing a major new contract with an external provider to provide additional outsourced services.
- 72 Longer-term models for acute care will require a strong workforce and an estate that supports efficient and good quality care. However:
- workforce risks within the service are significant, and the Health Board needs to ensure it has good workforce plans which are fit for the future. Vacancies in the clinical leadership structure need to be filled, and there is an opportunity to consider how Ophthalmology and Optometry clinical leadership come together in a more integrated structure.
 - the Health Board also needs to better consider the changes it needs to make to its estate to build capacity that is both fit for the future and supports improvements in efficiency.

Commissioning Older People's Care Home Placements

- 73 During 2020-21, we examined whether North Wales councils and Betsi Cadwaladr University Health Board as partners in the Regional Partnership Board were collaborating effectively in the strategic commissioning of older people's care home placements. We concluded that partners are working individually and collectively to provide care home placements for vulnerable service users, however, this is made more difficult by complex national processes, resulting in a significant focus on costs, which causes division amongst partners and has the potential to impact adversely on service users and their families. Strengthening accountability and developing a regional strategy and delivery plan have the potential to drive positive

change and better partnership working, especially in relation to complex and more specialist care.

- 74 In concluding this work, we recognised that responsibility for the current challenges in the commissioning arrangements was widespread. The Welsh Government sets the national framework which is complex, and local partners have responsibility for the way that national policy and guidance are implemented. I have therefore reported locally to councils and the Health Board, and nationally to the Welsh Government, recommending actions that these bodies should take.

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 2021.

| Report | Date |
|--|--------------|
| Financial audit reports | |
| Audit of Financial Statements Report | June 2021 |
| Opinion on the Financial Statements | June 2021 |
| Performance audit reports | |
| 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 |
| Welsh Health Specialised Services Committee Governance Arrangements | May 2021 |
| Structured Assessment 2021: Phase 1 Operational Planning Arrangements | May 2021 |
| Rollout of the COVID-19 vaccination programme in Wales | June 2021 |
| Use of the additional Welsh Government allocation | August 2021 |

| Report | Date |
|--|---------------|
| 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 |
| Review of eye-care services | December 2021 |
| Commissioning Older People's Care Home Placements | December 2021 |
| Other | |
| 2021 Audit Plan | March 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 3: audit work still underway

There are a number of 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 – January 2022 Timing of further work included as part of the 2022 plan still to be confirmed. |
| Orthopaedics | February 2022 |
| Quality Governance | January 2022 |
| Audit of the Charitable Funds Financial Statements Report | January 2022 |
| Opinion on the Charitable Funds Financial Statements | January 2022 |
| Follow-up Outpatients | April 2022 |

Appendix 2

Audit fee

The 2021 Audit Plan set out the proposed audit fee of £407,921 (excluding VAT). My latest estimate of the actual fee, on the basis that some work remains in progress, is in keeping with the fee set out in the outline.

Appendix 3

Financial audit risks

Exhibit 4: 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.

| 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 we tested both journal entries and accounting estimates and found no evidence of the management override of controls.</p> <p>We were satisfied that the accounts were free from material error.</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 our audit testing, we carried out work to provide assurance over the completeness of miscellaneous income, including third party verification. We were satisfied that it was free from material error.</p> |

| Audit risk | Proposed audit response | Work done and outcome |
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| <p>Although the Board is currently forecasting to break even in 2020-21, it will 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, we will place a substantive report on the financial statements highlighting the failure and qualify your regularity opinion.</p> <p>The financial pressures on the Board increase the risk that management judgements and estimates could be biased to ensure the forecast position is met.</p> | <p>My audit team will focus its testing on areas of the financial statements which could potentially contain reporting bias.</p> | <p>We undertook a range of audit work to provide assurance over the risk of bias to ensure that the actual deficit position did not worsen from the forecasted position. 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>We were satisfied that the accounts were free from material error. However, I qualified the regularity audit opinion.</p> |

| Audit risk | Proposed audit response | Work done and outcome |
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| <p>The COVID-19 national emergency continues and the pressures on staff resources 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>We will discuss your closedown process and quality monitoring arrangements with the accounts preparation team and monitor the accounts preparation process. We will help to identify areas where there may be gaps in arrangements.</p> | <p>We 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. We satisfied ourselves that the Finance Team had made good arrangements in order to provide an accurate and high-quality set of financial statements.</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>We will identify the key issues and associated risks and plan our work to obtain the assurance needed for our audit.</p> | <p>We 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. We satisfied ourselves that the additional income and expenditure were free from material error and correctly classified in the accounts.</p> |

| Audit risk | Proposed audit response | Work done and outcome |
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| <p>The implementation of the 'scheme pays' initiative in respect of the NHS pension tax arrangements for clinical staff is ongoing. Last year we included an Emphasis of Matter paragraph in the 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 Public Monies.</p> | <p>We 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 contingent liability disclosure made in the accounts was appropriate. An Emphasis of Matter in respect of this matter was contained in the audit report.</p> |
| <p>Introduction of IFRS 16 Leases has been deferred until 1 April 2022 and may pose implementation risks. There is considerable work required to identify leases, and the COVID-19 national emergency may pose implementation risks.</p> | <p>The audit team will undertake some early work to review preparedness for the introduction of IFRS 16 Leases.</p> | <p>As a result of the COVID-19 pandemic, the implementation of IFRS 16 was delayed into 2021-22. We will undertake this work next year. We did, however, carry out preliminary discussions on the progress of IFRS16 preparedness.</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.