

# Annual Audit Report 2023 – Cwm Taf Morgannwg University Health Board

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# Summary report

## About this report

- 1 This report summarises the findings from my 2023 audit work at Cwm Taf Morgannwg University NHS Trust (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 NHS bodies were still responding to the legacy of the COVID-19 pandemic as they look to recover and transform services and respond to the additional demand in the system that has built up during the pandemic. Furthermore, health bodies were also dealing with a broader set of challenges associated with the cost-of-living crisis, the climate emergency, inflationary pressures on public finances, workforce shortages, and an ageing estate. My work programme, therefore, was designed to best assure the people of Wales that public funds are well managed.
- 4 I aimed to ensure my work did not hamper public bodies in tackling the post-pandemic challenges they face, whilst ensuring it continued to support both scrutiny and learning. We largely continued to work and engage remotely where possible using 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 The delivery of my audit of accounts work has continued mostly remotely. Auditing standards were updated for 2022-23 audits which resulted in some significant changes in our approach. The specific changes were discussed in detail in my 2023 Audit Plan. The audited accounts submission deadline was extended to 31 July 2023. The financial statements were certified on 28 July 2023, meaning the deadline was met. This reflects a great collective effort by both my staff and the Health Board's officers.
- 6 I also adjusted the focus and approach of my performance audit work to ensure its relevance in the context of the post-pandemic challenges facing the NHS in Wales. I have commented on how NHS Wales is tackling the backlog of patients waiting for orthopaedic treatments. I have also published an NHS Workforce Data Briefing that brings together a range of metrics and trends to help illustrate the challenges

that need to be gripped locally and nationally. The data briefing complements my assessments of how the workforce planning arrangements of individual NHS bodies are helping them to effectively address current and future workforce challenges. My local audit teams have commented on the governance arrangements of individual bodies, as well as how they are responding to specific local challenges and risks. My performance audit work is conducted in line with INTOSAI auditing standards<sup>1</sup>.

- 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 2023 Audit Plan.
- 9 **Appendix 3** sets out the audit of accounts risks set out in my 2023 Audit Plan and how they were addressed through the audit.
- 10 The Chief Executive and the Director of Finance have agreed the factual accuracy of this report. We presented it to the Audit and Risk Committee on 22 February 2024. 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 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 concluded that the Health Board's 2022-23 accounts<sup>2</sup> were properly prepared and materially accurate and I therefore issued an unqualified true-and-fair opinion on them. My work did not identify any material weaknesses in the Health Board's internal controls (as relevant to my financial audit).
- 13 However, I qualified my regularity opinion because the Health Board breached its revenue resource limit. For the three-year period 2020-21 to 2022-23 the Health Board expended £24.221 million over the three-year revenue limit that the Welsh

<sup>1</sup> INTOSAI (International Organisation of Supreme Audit Institutions) is a global umbrella organisation for the performance audit community. It is a non-governmental organisation with special consultative status with the Economic and Social Council (ECOSOC) of the United Nations.

<sup>2</sup> I audit and certify the Health Board's Performance Report, Accountability Report and Financial Statements. 'Accounts' is a generic term.

Government had authorised. The Health Board did not exceed its authorised capital resource-limit for the for the three-year period 2020-21 to 2022-23.

- 14 I found no other regularity matters of a material adverse nature. I did however report that the Health Board did not meet its financial duty to have an approved three-year integrated medium-term plan in place for the period 2022-23 to 2024-25. This financial duty requires Health Boards to prepare, and have approved by the Welsh Ministers, a rolling three-year integrated medium-term plan.
- 15 I reported nine audit recommendations for improvement to the Health Board's Audit and Risk Committee. Management fully accepted seven of the nine recommendations and they have put actions in place to implement them. I will review the Health Board's progress with the actions as part of my 2023-24 audit.

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

- 16 My programme of Performance Audit work has led me to draw the following conclusions:
- Urgent and sustainable action is needed to tackle the long waiting times for orthopaedic services. There's a clear commitment to improve waiting times, however, it could take three years or more to return the orthopaedic waiting list to pre-pandemic levels.
  - From an all-Wales perspective, despite an increasing NHS workforce, there remain vacancies in key areas, high sickness and staff turnover resulting in over-reliance on agency staffing. More positively, NHS Wales is becoming a more flexible and equal employer.
  - The Health Board has generally effective arrangements to ensure good governance; however, opportunities exist to improve some of these arrangements further. Addressing the financial challenges currently facing the Health Board and preparing a long-term Clinical Services Plan and an approvable Integrated-Medium Term Plan remain key priorities for the Board.
  - The Health Board had made significant progress in addressing the substantial concerns and recommendations set out in our 2019 joint review of Quality Governance arrangements with Healthcare Inspectorate Wales.
- 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 2023 Audit Plan set out the key risks for audit of the accounts for 2022-23 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 2022-23 accounts

- 21 I concluded that the Health Board’s accounts were properly prepared and materially accurate (true and fair), and I 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 financial audit).
- 22 I reported nine audit recommendations, to management and to the Health Board’s Audit and Risk Committee. Management fully accepted seven of the nine recommendations and formally agreed management actions and dates of implementation.
- 23 I must report issues arising from my work to those charged with governance (the Members of Board), for their consideration before I issue my audit opinion on the accounts. My audit team reported these issues to the Board on 27 July 2023. **Exhibit 1** summarises the key issues set out in that report.

### Exhibit 1: issues reported to the Audit and Risk Committee

Issue	Auditors’ comments
Uncorrected misstatements	There was one non-trivial uncorrected misstatement that related to the reversal of prior-year impairments that had been accounted for incorrectly. The error resulted in the understatement of the value of four properties and the overstatement of in-year expenditure. The misstated totalled £1,648,097, which is not material to the 2022-23 accounts and therefore did not adversely affect my audit opinion.

Issue	Auditors' comments
Corrected misstatements	I reported the six most significant areas of corrected misstatements. They related mainly to accounting classifications and disclosures.
Other significant issues	I reported nine recommendations for improvement, with management's formal responses. The Health Board's Audit and Risk Committee considered them on 19 December 2023.

- 24 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 2023 and the return was prepared in accordance with the Treasury's instructions.
- 25 I also audit the Health Board's Charity's annual report and accounts, which I reported to Trustee Members on 25 January 2024 and certified on 26 January 2024. The Charity Commission's deadline is 31 January.

## Regularity of financial transactions

- 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 income and incur 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 revenue and/or capital expenditure exceeds its powers to spend and so I must qualify my regularity opinion.
- 28 I qualified my regularity opinion because the Health Board breached its revenue resource limit. For the three-year period 2020-21 to 2022-23 the Health Board expended £24.221 million over the three-year revenue limit that the Welsh Government had authorised.
- 29 The Health Board did not exceed its authorised capital resource-limit for the for the three-year period 2020-21 to 2022-23. For the three-year period 2020-21 to 2022-23 the Health Board expended £132,000 below the three-year capital limit that the Welsh Government had authorised.
- 30 I have the power to place a substantive report on the Health Board's accounts, alongside my opinions, where I want to highlight an issue(s). Due to the regularity



issue set out above, I issued a substantive report setting out the factual details of my qualification of my regularity opinion.

- 31 My substantive report also highlighted that the Health Board did not meet its financial duty to have an approved three-year integrated medium-term plan in place for the period 2022-23 to 2024-25. This financial duty requires Health Boards to prepare and have approved by the Welsh Ministers a rolling three-year integrated medium-term plan. The duty is an essential foundation to the delivery of sustainable quality health services.

## 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:

- commenting on how NHS Wales is tackling the backlog of patients waiting for orthopaedic treatments;
- reviewing the Health Board's progress in implementing the 14 recommendations made in our 2019 Joint Review of Quality Governance Arrangements with Healthcare Inspectorate Wales;
- publishing an NHS Workforce Data Briefing that brings together a range of metrics and trends to help illustrate the challenges that need to be gripped locally and nationally; and
- undertaking a structured assessment of the Health Board's corporate arrangements for ensuring that resources are used efficiently, effectively, and economically.

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

## Orthopaedic Services in Wales

- 34 In March 2023, I commented on orthopaedic services across Wales. My national report '[Orthopaedic Services in Wales – Tackling the Waiting List Backlog](#)' sets out the scale of orthopaedic waits, changes in demand, aspects of service capacity, and some of the nationally co-ordinated work to modernise services. My report also set out key actions NHS Wales needs to take to tackle the challenges in orthopaedic services.
- 35 My work found that securing timely treatment for people with orthopaedic problems has been a challenge for the NHS in Wales for many years, with the COVID-19 pandemic making this significantly worse. Previous monies allocated by Welsh

Government have resulted in short term improvements but have not achieved the sustainable changes to services that were necessary with orthopaedic waiting list targets not met since they were first established in 2009.

- 36 Since the impact of the pandemic has lessened, orthopaedic services have been slow to restart, and while necessary infection control regimes will continue to have an impact on throughput, there is scope for current capacity to be used more efficiently. My scenario modelling indicates that it could take between three to five years to return orthopaedic waits to pre-pandemic levels across Wales. This is based on both a significant drive on community-based prevention and an increase in capacity and activity. Without this, services may never return to pre-pandemic levels.
- 37 My work found that there is a clear commitment to improve orthopaedic services. NHS Wales commissioned efficiency and effectiveness reviews both nationally and locally, which set out a suite of recommendations. A national clinical strategy for orthopaedics was also commissioned which sets out service options and a clear clinical voice on what needs to be done. However, urgent action is needed to secure short-term improvements in waiting times to minimise how long people wait in pain and discomfort, as well as creating more sustainable longer-term improvements.
- 38 In addition to my national report, my team set out how the Health Board's orthopaedic services compare to other health boards across Wales. My comparative report highlighted that the Health Board has:
- an orthopaedic waiting list that is just below the all-Wales average in terms of total number of people waiting, patients waiting longer than a year for a first outpatient appointment, and patients who have been on the waiting list for longer than two years;
  - higher than average levels of potential latent 'lost' demand as an impact of patients not going to their GP during the pandemic;
  - higher than average levels of orthopaedic bed and medical workforce capacity;
  - the longest waits for radiology services, but some of the shortest waits for physiotherapy; and
  - very low uptake of new initiatives to reduce unnecessary follow-up outpatient appointments.
- 39 My scenario modelling indicates that optimistically the waiting list for the Health Board could return to pre-pandemic levels by 2029, but without concerted effort may take many years to return to pre-pandemic levels, if at all.
- 40 My local report sets out a series of prompts and questions for Board members to inform debate and obtain assurance that improvement actions at a local level are having the desired effect.

## Quality Governance Arrangements Joint Review Follow-up

- 41 In August 2023, I published jointly a [report](#) with Healthcare Inspectorate Wales which describes the progress made by the Health Board in strengthening its quality governance arrangements following our [original joint review work in 2019](#). We published a [summary of progress against our 2019 recommendations](#) in May 2021.
- 42 Our work found that the Health Board had made significant progress in addressing the substantial concerns and recommendations set out in our 2019 report. Of the 14 recommendations we made in 2019, we found that the Health Board had fully implemented 9 recommendations and partially implemented 4 recommendations. 1 recommendation had been superseded.
- 43 The Health Board has a stronger strategic focus on quality and patient safety compared to 2019. The Health Board's new three-year Quality Strategy clearly articulates the organisation's quality vision, mission, pledge, ambitions, and goals. It also sets out clearly the Health Board's approach to quality, as well as what success will look like. The strategy, together with the new three-year Quality and Patient Safety Framework, provides a good foundation to support the delivery of the new Duty of Quality and Duty of Candour, which came into effect in April 2023. There is also greater clarity on roles, responsibilities, accountability, and governance in relation to quality and patient safety compared to 2019, and the Health Board has significantly increased capacity to support its quality and patient safety arrangements.
- 44 The organisational scrutiny of quality and patient safety has improved considerably, with greater openness and transparency evident in comparison to 2019. The Health Board's Quality and Safety Committee is operating effectively. The Health Board has also established new arrangements to oversee, scrutinise, and escalate quality and patient safety matters at an operational level. Whilst this is a positive development and a clear improvement on the situation in 2019, the Health Board still has more to do to ensure the arrangements are fully embedded and operating effectively as intended across the new Care Group structure.
- 45 The Health Board has significantly improved its risk management arrangements, with greater awareness of risk management across the organisation, and clearer processes in place for identifying, managing, and escalating risks. The Health Board has an approved Board Assurance Framework (BAF), which is operating well. It is underpinned by a comprehensive risk management strategy and a suite of risk management policies and procedures, which have been updated to reflect the new operating model. The organisational (corporate) risk register has also been strengthened, and there is good evidence of corporate risks being actively reviewed and managed. Operational risks are captured in the Care Group risk registers. However, opportunities remain to strengthen the content of these risk registers, particularly around the identification of mitigating actions.
- 46 The Health Board has improved its approach to the management of concerns and complaints since 2019. The concerns and complaints process is clear, and new corporate roles have been created to support implementation and ensure consistency. There is also an improved culture of learning within the Health Board,

with a range of arrangements now in place to support the identification and sharing of learning and improvement. However, the Health Board is still dealing with a significant concerns legacy as it has failed to submit a number of Learning From Events Reports (LFERs) within the mandatory timescales. The Health Board needs to address the situation as a matter of urgency, and improve its processes to ensure LFERs are submitted on a timelier basis in future.

- 47 The Health Board has also taken a number of steps to improve the culture of the organisation since 2019. The Health Board has a clear Values and Behaviours Framework in place, which appears to be well embedded across the organisation. Staff report that the Health Board's culture is much improved, and they also feel that senior leaders are more visible and accessible. However, responses to our staff survey indicate that there are still pockets of poor behaviour within operational teams that need to be addressed, particularly in relation to bullying and harassment. We also found early evidence of the new operating model supporting further improvements in organisational culture. The staff we spoke to were positive about the changes. In their view, the new operating model should reduce silo working and strengthen the "one CTM" ethos. However, there is still work to be done to fully integrate the Princess of Wales hospital into the organisation's operational arrangements following the change to the Health Board's geographical footprint in 2019.
- 48 Overall, we felt that this is a positive achievement and a clear demonstration of the Health Board's commitment, drive, and desire to address our concerns in full and put things right. Nevertheless, it still needs to take further action to fully embed its revised quality governance arrangements across the organisation and implement all remaining recommendations in full. However, we do not feel it necessary to schedule any further detailed follow-up work. Where we have identified the need for continued action, we will maintain oversight of the Health Board's progress in these areas through our respective routine work programmes

## NHS workforce data briefing

- 49 In September 2023, I published a [data briefing](#) which set out key workforce data for NHS Wales. My briefing highlighted continued growth of NHS Wales, and reflected that in some instances, the growth in staff levels, particularly in nursing and some medical specialties hasn't kept up with increasing demand.
- 50 The pandemic clearly had an impact on staff and the workforce remains under significant pressure. The recent key trends show increased staff turnover, sickness absence and vacancies. This has resulted in greater reliance on external agency staffing and notably increased agency costs to £325 million in 2022-23. Wales is growing its own workforce, with increased nurses and doctors in training.
- 51 Despite this, there is still a heavy reliance on medical staff from outside of Wales, demonstrating a need to both ensure that education commissioning is aligned to demand, but also that health bodies can recruit sufficient graduates once they have

completed their training. My report also highlights some positive trends that show that the NHS is becoming a more flexible and equal employer.

- 52 The data briefing provides context for the local review of workforce planning my team are currently undertaking at the Health Board.

## Structured assessment

- 53 My 2023 structured assessment work took place at a time when NHS bodies were continuing to deal with the legacy of the COVID-19 pandemic in terms of recovering and transforming services and responding to the additional demand in the system that built up during the pandemic. Furthermore, they were also dealing with a broader set of challenges associated with the cost-of-living crisis, the climate emergency, inflationary pressures on public finances, workforce shortages, and an ageing estate.
- 54 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: Board transparency, effectiveness, and cohesion; corporate systems of assurance; corporate approach to planning; and corporate approach to managing financial resources. Auditors also paid attention to progress made to address previous recommendations. At the time of my structured assessment work, the Health Board had been placed by Welsh Government under 'enhanced monitoring' for planning and finance; 'enhanced monitoring' for maternity and neo-natal services; 'enhanced monitoring' for quality and governance, leadership and culture, trust and confidence; and 'targeted intervention' for quality issues relating to performance.

## Board transparency, effectiveness, and cohesion

- 55 My work considered whether the Health Board's Board conducts its business appropriately, effectively, and transparently. I paid particular attention to:
- public transparency of Board business;
  - arrangements to support the conduct of Board business;
  - Board and committee structure, business, meetings, and flows of assurance;
  - Board commitment to hearing from staff, users, other stakeholders; and
  - Board skills, experiences, cohesiveness, and commitment to improvement.
- 56 My work found that the Board and its committees operate effectively, cohesively, and transparently, but opportunities to further enhance some arrangements remain.
- 57 The Board continues to conduct its business in an open and transparent manner. Agendas and papers for Board and committee meetings continue to be published on the Health Board's website in a timely manner. The Health Board makes good use of social media to promote Board meetings, which continue to be livestreamed

and recorded. But it should provide more guidance on how members of the public can request to attend meetings in person should they wish to do so.

- 58 The Board and committees are operating well. Board meetings are generally well chaired, with members and attendees observing the necessary etiquette. Board and committee work programmes and agendas cover all aspects of their respective terms of reference and are shaped by the Board Assurance Framework. Board and committee oversight of the Health Board's estate is improving. Papers for Board and committee meetings are generally well written and clear. The Board and committees receive good support from the Corporate Governance Team despite the significant capacity challenges the team faced during 2023.
- 59 The Board acts cohesively with Independent Members providing a good balance of scrutiny, support, and challenge. The Health Board has continued to make effective use of self-assessments, appraisals, and Board Development Sessions to support learning, development, and continuous improvement. The Board also continues to demonstrate a strong commitment to hearing from staff and patients.

## Corporate systems of assurance

- 60 My work considered whether the Health Board has a sound corporate approach to managing risks, performance, and the quality and safety of services. I paid particular attention to the organisation's arrangements for:
- overseeing strategic and corporate risks;
  - overseeing organisational performance;
  - overseeing the quality and safety of services; and
  - tracking recommendations.
- 61 My work found that the Health Board's risk, performance, and quality governance arrangements continue to strengthen, but further work is required to ensure they are fully embedded across the organisation and achieving the desired impact.
- 62 The Health Board's Board Assurance Framework is well embedded. There is an appropriate Board-approved risk management framework in place, with the risk management strategy, risk statement, and risk domains up-to-date and reflecting the organisation's new operating model. Whilst the Health Board has appropriate arrangements in place to manage performance, it lacks a documented framework that clearly sets out roles, responsibilities, and frequency for reviewing performance at all levels of the organisation.
- 63 The Health Board's Integrated Performance Dashboard continues to provide a detailed overview of its performance, and now appropriately focusses on the key challenges facing the organisation. The Health Board's arrangements for quality governance have improved significantly. The Health Board has a stronger strategic focus on quality and patient safety. There is greater clarity on roles, responsibilities, accountability, and governance in relation to quality and patient safety. Organisational scrutiny of quality safety has also improved considerably, with greater openness and transparency evident. This is a positive development,

and the Health Board is aware that some further action is required to fully embed its revised quality governance arrangements across the organisation.

- 64 The Health Board's arrangements for monitoring internal and external audit recommendations have improved, and positive steps have been taken to track recommendations from other inspectorates and regulators. However, opportunities exist to better identify and analyse key themes arising from audits and inspections.

### **Corporate approach to planning**

- 65 My work considered whether the Health Board has a sound corporate approach to planning. I paid particular attention to the organisation's arrangements for:

- producing and overseeing the development of strategies and corporate plans, including the Integrated Medium-Term Plan (IMTP); and
- overseeing the delivery of corporate strategies and plans.

- 66 My work found that the Health Board's corporate planning arrangements continue to mature. It has a clear Board-approved vision and strategic goals, which are being used to shape its Clinical Services Plan. There is a clear timeline in place for developing the Clinical Services Plan, and progressing this work at pace remains a priority for the Health Board. The Health Board has effective arrangements in place for preparing its Integrated Medium-Term Plan (IMTP). However, in common with other Health Boards in Wales, it has been unable to produce a Welsh Government approved IMTP for 2023-26 and is instead working to an Annual Plan. Further work is still required to develop clear milestones, targets, and outcomes for corporate plans and strategies to enable the Board and its committees to ensure effective monitoring, assurance, and scrutiny of progress.

### **Corporate approach to managing financial resources**

- 67 My work considered whether the Health Board's has a sound corporate approach to managing its financial resources. I paid particular attention to the organisation's arrangements for:

- achieving its financial objectives;
- overseeing financial planning;
- overseeing financial management; and
- overseeing financial performance.

- 68 My work found that despite a clear process for financial planning, and good arrangements for managing and monitoring the financial position, the Health Board's financial position is extremely challenging for 2023-24.

- 69 The Health Board has a clear process for financial planning, with good involvement from the Board. However, the Health Board did not meet its statutory duties in 2022-23 in respect of achieving financial balance and having an approvable Integrated Medium-term Plan. The financial position for 2023-24 is extremely challenging with the Health Board working to a planned financial deficit of £79.6m

million. The Health Board reported a £36.0 million year-to-date deficit against its core revenue plan in Month 5 2023-24, which was £2.8 million worse than plan. In October 2023 additional allocations were made available to Health Boards, alongside a requirement for a 10% stretch saving delivery. As a result, the Health Board now has a break-even planning position for 2023-24. Arrangements to oversee and scrutinise financial management are effective, and the Health Board has updated several of its financial control procedures. However, the delivery of its savings plan is a challenge. The Health Board requires savings of £22.9 million but was reporting a gap of £4.4 million in its savings plans at Month 5 2023-24.



# 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 2023.

Report	Month
<b>Financial audit reports</b>	
Audit of Accounts Report	July 2023
Opinion on the Financial Statements	July 2023
Audit of Accounts Addendum Report	December 2023
Charitable Funds Audit of Accounts Addendum Report (2021-22 Accounts)	January 2023
Charitable Funds Audit of Accounts Addendum Report (2022-23 Accounts)	January 2024
<b>Performance audit reports</b>	
Orthopaedic Services in Wales – Tackling the Waiting List Backlog	March 2023
Orthopaedic Services in Wales – Tackling the Waiting List Backlog: A comparative picture for Cwm Taf Morgannwg University Health Board	March 2023
Quality Governance Arrangements Joint Review Follow-up	August 2023

Report	Month
NHS Workforce Data Briefing	September 2023
Structured Assessment 2023	December 2023
<b>Other</b>	
2023 Audit Plan	May 2023

My wider programme of national value for money studies in 2023 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 several 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: Flow out of Hospital	February 2024
Discharge Planning: Progress Update	February 2024
Review of Financial Efficiencies	March 2024
Review of Workforce Planning Arrangements	March 2024
Primary Care Follow Up Review	March 2024
Unscheduled Care: Arrangements for Managing Access	June 2024
Review of Planned Care Services Recovery	July 2024

# Appendix 2

## Audit fee

My 2023 Audit Plan set out my fee estimate of £467,328 (excluding VAT, which is not chargeable). I also set a fee estimate of £28,750 in the 2023 Audit Plan for my audit of the Health Board's Charity's annual report and accounts. My staff will determine the final audit costs once all audits are fully concluded. My audit team will then notify management of the closing position, which I will set out as usual in my 2024 Audit Plan.

# Appendix 3

## Audit of accounts risks

### Exhibit 4: audit of accounts risks

My 2023 Audit Plan set out the risks for the audit of the Health Board's 2022-23 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>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 numerous accounting estimates and samples of transactions that included journal entries.</p> <p>The results of my testing were satisfactory.</p>
<p>Under the NHS Finance (Wales) Act 2014, health boards moved to a rolling three-year resource limit for both revenue and capital. For 2022-</p>	<p>I monitor the Health Board's financial position for 2022-23 and the cumulative three-year position to 31 March 2023. My review will also consider the impact of</p>	<p>As set out in this report, my audit confirmed that the Health Board met its three-year capital resource limit but did not meet its three-year resource limit</p>

Audit risk	Proposed audit response	Work done and outcome
<p>23 the Health Board has exceeded its revenue resource limit by £24.481 million; and by £24.221 million for the three financial years to 31 March 2023. This outcome could affect my regularity opinion.</p>	<p>any relevant uncorrected misstatements over the three years. 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 2022-23 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>and I therefore qualified my regularity opinion.</p>
<p>The quinquennial valuation of the NHS estate took place as at 1 April 2022. There is a risk that assets are not valued on appropriate bases and that movements in the carrying values of assets are not appropriately accounted for and disclosed. Given the current economic climate, there is a further risk that the carrying values of assets have changed during 2022-23 and that 1 April 2022 valuations are materially misstated at the balance sheet date of 31 March 2023.</p>	<p>I will:</p> <ul style="list-style-type: none"> <li>• consider the appropriateness of the work of the Valuation Office as a management expert;</li> <li>• test the appropriateness of asset valuation bases;</li> <li>• review a sample of movements in carrying values to ensure that movements have been accounted for and disclosed in accordance with the Welsh Government's Manual for Accounts; and</li> <li>• consider whether the carrying value of assets at 1 April 2022 remains materially</li> </ul>	<p>The results of my prescribed audit testing were satisfactory. I reported one material adjustment of £16.120 million, to correct a misclassification of valuation indexation between asset categories.</p>

Audit risk	Proposed audit response	Work done and outcome
	<p>appropriate or whether additional in-year adjustments are required due to the impact of current economic conditions.</p>	
<p>A new accounting standard, IFRS16 Leases, has been introduced from 2022-23. The standard significantly changes how most leased assets are to be accounted for, with leased assets needing to be recognised as assets and liabilities in the Statement of Financial Position (the balance sheet). There are also significant additional disclosure requirements specific to leased assets that need to be reflected in the financial statements.</p>	<p>I will:</p> <ul style="list-style-type: none"> <li>• consider the completeness of the lease portfolios identified by the Health Board, as needing to be included in IFRS16 calculations;</li> <li>• review a sample of calculated asset and liability values and ensure that these have been accounted for and disclosed in accordance with the new requirements; and</li> <li>• ensure that all material disclosures have been made.</li> </ul> <p>As part of my audit planning, I have liaised with officers and provided them with the main audit questions to be raised.</p>	<p>The results of my prescribed audit testing were satisfactory.</p>
<p>I audit some of the disclosures in the remuneration report to a far lower level of materiality, as set out on page 8. The</p>	<p>I will examine all entries in the remuneration report to verify that they are materially accurate, and that remuneration is at the appropriately</p>	<p>The results of my prescribed audit testing were satisfactory. I found and reported some important, albeit immaterial, corrections.</p>

Audit risk	Proposed audit response	Work done and outcome
<p>disclosures are therefore more prone to material misstatement. In some of the past audits I have identified material misstatements in the remuneration report, which the Health Board corrected. I therefore judge the 2022-2023 disclosures to be at risk of misstatement. There is also the regularity risk that the Health Board remunerates a senior officer(s)5 above the Welsh Government's approved pay bands, but without the Welsh Government's formal approval for any salaries that exceed its bandings.</p>	<p>Welsh Government approved levels.</p>	<p>All senior appointments (i.e. those relevant to the remuneration report) had been approved by the Welsh Government where necessary.</p>
<p>I also audit the disclosure of related party transactions and balances to a far lower level of materiality. In some of my past audits I have identified omitted or incorrect disclosures, which were material and required correcting.</p>	<p>I will verify that all the necessary signed declarations have been received, evaluated, and disclosed appropriately and accurately. My examinations also include other means of testing, such as my review of Companies House records using data analytics.</p>	<p>I identified numerous material omissions and misstatements, all of which were corrected and reported as such. I made recommendations for improvement.</p>







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We welcome correspondence and telephone calls in Welsh and English.  
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