

Archwilydd Cyffredinol Cymru
Auditor General for Wales



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Annual Audit Report 2015

Velindre NHS Trust

Issued: December 2015

Document reference: 665A2015

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The team who assisted me in the preparation of this report comprised Ann-Marie Harkin, David Thomas, Tracy Veale, Stephen Lisle and Gillian Gillett.

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Summary report

1. This report summarises my findings from the audit work I have undertaken at Velindre NHS Trust (the Trust) during 2015.
2. The work I have done at the Trust allows me to discharge my responsibilities under the Public Audit (Wales) Act 2004 (the 2004 Act) in respect of the audit of accounts and the Trust's arrangements to secure efficiency, effectiveness and economy in its use of resources.
3. My audit work has focused on strategic priorities as well as the significant financial and operational risks facing the Trust, and which are relevant to my audit responsibilities. More detail on the specific aspects of my audit can be found in the separate reports I have issued during the year. These reports are discussed and their factual accuracy agreed with officers and presented to the Audit Committee. The reports I have issued are shown in [Appendix 1](#).
4. The factual accuracy of this report has been agreed with the Chief Executive and the Director of Finance. It was presented to the Audit Committee on 8 December. It will then be presented to a subsequent Board meeting and a copy provided to every member of the Trust Board. We strongly encourage wider publication of this report by the Trust Board. Following Trust Board consideration, the report will also be made available to the public on the Wales Audit Office's own website (www.audit.wales).
5. The key messages from my audit work are summarised under the following headings.

Section 1: Audit of accounts

6. I have issued an unqualified opinion on the 2014-15 financial statements of the Trust, although in doing so I have brought several issues to the attention of officers and the Audit Committee. These related to the validity of a residual creditors balance for stock balances transferred to the Trust on 1 April 2014 and the calculation of defence legal costs.
7. In addition, I placed a substantive report on the Trust's financial statements alongside my audit opinion. My report explains the new financial duties introduced on 1 April 2014 by the NHS Finance (Wales) Act 2014, the Trust's performance against them, and the implications for 2015-16.
8. I have also concluded that:
 - the Trust's accounts were properly prepared and materially accurate;
 - the Trust's internal control environment reduces the risk of material misstatements to the financial statements; and
 - the Trust's significant financial and accounting systems were appropriately controlled and operating as intended.
9. The Trust achieved financial balance at the end of 2014-15. I set out more detail about the financial position and financial management arrangements in [Section 2](#) of this report.

Section 2: Arrangements for securing efficiency, effectiveness and economy in the use of resources

- 10.** I have reviewed the Trust's arrangements for securing efficiency, effectiveness and economy in the use of its resources. This includes my Structured Assessment work which has examined the robustness of the Trust's financial management arrangements and the adequacy of its governance arrangements, including arrangements to plan effectively and gauging progress on quality governance and arrangements since last year. I have also reviewed the arrangements to support good use of resources as part of Structured Assessment, which is informed by performance audit on specific areas of service delivery. This work led me to conclude the following.

The Trust broke even in 2014-15 and sound financial management is ensuring that breakeven is likely in 2015-16. We identified some financial challenges that will require further attention

- 11.** The Trust has a sound approach to in-year financial management. Financial pressures continued but savings plans were developed early and the Trust achieved its financial targets for the 2014-15 financial year.
- 12.** The Trust's financial management is sound and breakeven is likely in 2015-16. Challenges remain, particularly in relation to funding and demand pressures at the cancer centre, and at the Trust level there is further scope to improve the approach to savings.

Governance and board assurance continue to evolve with good progress made in strengthening approaches to risk management and performance management

- 13.** Our work on strategic and operational planning found that the Trust's refresh of its Integrated Medium Term Plan (IMTP) took an inclusive bottom-up approach and produced a clear vision that was approved by the Welsh Government. The IMTP is becoming more embedded in the Trust's normal ways of work. However, there remains scope to strengthen workforce planning and whilst the Trust has deliberately set ambitious objectives, some of the IMTP actions will not be delivered on time.
- 14.** The Board and its committees provide sound scrutiny and assurance, with work ongoing to optimise the management of busy agendas. The Trust recognises the need to review the governance arrangements of the Transforming Cancer Services (TCS) programme and address succession planning for independent members.
- 15.** The Trust has made good progress in improving the way it identifies and manages risks. Risk registers are more prominent and are more frequently considered at the Board and its committees. The next steps are about ensuring consistency of risk assessments at operational levels and ensuring valuable committee time is not used discussing minor inaccuracies in the risk register.

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16. The Trust has made good progress in further improving its performance management framework. The new IMTP Delivery and Monitoring Framework is making the IMTP more embedded in the Trust's day-to-day work and there have been noticeable improvements in the Trust's performance reporting approach.

My performance audit work identified some opportunities to improve the use of resources by addressing challenges related to workforce and change management, strengthening aspects of nutritional screening and developing a strategy for medicines management

17. My Structured Assessment has reviewed how the Trust is managing a number of key enablers of efficient, effective and economical use of resources. We considered aspects of change management; workforce and organisational development; and partnerships and engagement. We concluded that the Trust is working hard to engage with others. We also concluded that the Trust has a small number of workforce challenges and there are risks to the delivery of large-scale change due to leadership capacity issues. We reached this conclusion because:

- the Trust is undergoing a period of prolonged and profound change and whilst change programmes are progressing well, the considerable additional workload presents risks to delivery;
- while the Trust is continuing to experience a small number of performance difficulties in relation to workforce issues, the forthcoming Organisational Development Strategy has significant potential to drive improvement; and
- the Trust is engaging with a range of stakeholders in relation to its major change programmes and recognises the importance of improving partnership working with staff given the extent of organisational change that is planned.

18. My local audit work also considered how well the Trust was managing the enablers of efficient, effective and economical use of resources. The main findings at the time of our local audits are summarised in the bullet points below:

- The Trust's approach to staff health and well-being is in the formative stage and on the right track. A stronger strategic approach underpinned by a robust evaluation framework would help the Trust prioritise its actions and make the most of its many opportunities for improvement.
- We found many good aspects of medicines management in the cancer centre. However, the pharmacy team is struggling to meet demand, facilities do not fully comply with requirements and there is not a clear strategy for driving improvement.
- There is a proportionally higher level of investment in ICT than most other NHS bodies and our diagnostic work indicates that the current ICT resources in the Trust are largely effective in supporting the delivery of healthcare.
- The Trust has made good progress in addressing recommendations to improve catering and nutrition services. More work is needed to strengthen some aspects of nutritional screening and to continue reducing the level of subsidy for non-patient catering.

19. We gratefully acknowledge the assistance and co-operation of the Trust's staff and members during the audit.

Detailed report

About this report

- 20.** This Annual Audit Report to the Board members of the Trust sets out the key findings from the audit work that I have undertaken between December 2014 and November 2015.
- 21.** My work at the Trust is undertaken in response to the requirements set out in the 2004 Act¹. That Act requires me to:
- a)** examine and certify the accounts submitted to me by the Trust, and to lay them before the National Assembly;
 - b)** satisfy myself that the expenditure and income to which the accounts relate have been applied to the purposes intended and in accordance with the authorities which govern it; and
 - c)** satisfy myself that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 22.** In relation to c), I have drawn assurances or otherwise from the following sources of evidence:
- the results of audit work on the Trust's financial statements;
 - work undertaken as part of my latest Structured Assessment of the Trust, which examined the arrangements for financial management, governance and accountability, and management of resources;
 - performance audit examinations undertaken at the Trust;
 - the results of the work of other external review bodies, where they are relevant to my responsibilities; and
 - other work, such as data-matching exercises as part of the National Fraud Initiative (NFI) and certification of claims and returns.
- 23.** The 2015 Audit Plan set out the proposed audit fee of £200,829 (excluding VAT). My latest estimate of the actual fee, on the basis that some work remains in progress, is in accordance with the fee set out in the outline.
- 24.** I have issued a number of reports to the Trust this year. The messages contained in this Annual Audit Report represent a summary of the issues presented in these more detailed reports, a list of which is included in [Appendix 1](#).
- 25.** The findings from my work are considered under the following headings:
- Section 1: Audit of accounts
 - Section 2: Arrangements for securing efficiency, effectiveness and economy in the use of resources
- 26.** Finally, [Appendix 2](#) sets out the significant financial audit risks highlighted in my 2015 Audit Plan and how they were addressed through the audit.

¹ Public Audit (Wales) Act 2004.

Section 1: Audit of accounts

27. This section of the report summarises the findings from my audit of the Trust's financial statements for 2014-15.
28. These statements are the means by which the organisation demonstrates its financial performance and sets out its surplus or deficit, recognised gains and losses, and cash flows. Preparation of an organisation's financial statements is an essential element in demonstrating appropriate stewardship of public money.
29. In examining the Trust's financial statements, I am required to give an opinion on:
- whether they give a true and fair view of the financial position of the Trust and of its income and expenditure for the period in question;
 - whether they are free from material misstatement – whether caused by fraud or by error;
 - whether they are prepared in accordance with statutory and other requirements, and comply with all relevant requirements for accounting presentation and disclosure;
 - whether that part of the Remuneration Report to be audited is properly prepared; and
 - the regularity of the expenditure and income.
30. In giving this opinion, I have complied with my Code of Audit Practice and the International Standards on Auditing (ISAs).
31. In undertaking this work, auditors have also examined the adequacy of the Trust's internal control environment and financial systems for producing the financial statements.

I have issued an unqualified opinion on the 2014-15 financial statements of the Trust, although in doing so, I have brought several issues to the attention of officers and the Audit Committee

The Trust's accounts were properly prepared and materially accurate

32. The Trust submitted its draft financial statements by the Welsh Government deadline of 1 May. I found the information provided to support the financial statements to be relevant and reliable and the continued improvements to the accounts preparation process had a positive impact on the quality of the draft financial statements and the supporting working papers.
33. I am required by ISA 260 to 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 Trust's Audit Committee on 2 June 2015. **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
Residual creditor balance	The Trust was unable to provide a creditors listing or other documentation to support a residual creditor balance of £464,000 for stock that transferred to the Trust on 1 April 2014 from Abertawe Bro Morgannwg University Health Board. We were therefore unable to confirm the validity of this liability. NHS Wales Shared Services Partnership (NWSSP) is planning to review all creditor balances relating to the stores during 2015-16.
Defence legal costs	The provision for defence legal costs was not calculated in accordance with guidance set out in the Manual for Accounts issued by the Welsh Government. Some local health boards, whose balances are consolidated into the Trust's accounts, decided to depart from the guidance in calculating their own defence legal cost provisions. Wales Audit Office auditors of the local health boards confirmed that provisions were based on local knowledge and historical trends and that the calculation of these provisions was reasonable.

34. As part of my financial audit, I also undertook the following reviews:
- Whole of Government Accounts return – I concluded that the counterparty consolidation information was consistent with the financial position of the Trust at 31 March 2015 and the return was prepared in accordance with the Treasury's instructions; and
 - Summary Financial Statements and Annual Report – I concluded that the summary statements were consistent with the full statements and that the Annual Report was compliant with Welsh Government guidance.
35. My separate audit of the charitable funds financial statements has been completed and the issues arising from this work were reported to the Charitable Funds Committee on 11 November 2015. I plan to issue an unqualified opinion on the 2014-15 financial statements of the charitable funds.

The Trust's internal control environment reduces the risks of material misstatements to the financial statements

36. I reviewed the Trust's internal controls that I considered to be relevant to the audit to help me identify, assess and respond to the risks of material misstatement. I did not consider them for the purposes of expressing an opinion on the effectiveness of internal control. My review did not identify any significant deficiencies in the Trust's internal controls.

The Trust's significant financial and accounting systems were found to be operating as intended

37. My work did not identify any significant weaknesses within the Trust's financial systems. However, there were some less significant areas for improvement identified during the audit and recommendations have been made to management to address these and appropriate action agreed.

Section 2: Arrangements for securing efficiency, effectiveness and economy in the use of resources

38. I have a statutory requirement to satisfy myself that NHS bodies have proper arrangements in place to secure efficiency, effectiveness and economy in the use of their resources. I have undertaken a range of performance audit work at the Trust over the last 12 months to help me discharge that responsibility. This work has involved:
- reviewing the Trust's financial management arrangements, including the progress being made in delivering cost saving plans and their contribution to achieving financial balance;
 - assessing the effectiveness of the Trust's governance arrangements through my Structured Assessment work; and
 - specific use of resources work on maximising staff health and well-being, medicines management at Velindre Cancer Centre, hospital catering and patient nutrition and a diagnostic review of ICT capacity and resources.
39. The main findings from this work are summarised under the following headings.

The Trust broke even in 2014-15 and sound financial management is ensuring that breakeven is likely in 2015-16. We identified some financial challenges that will require further attention

The Trust has sound financial management arrangements. Financial pressures continued but the Trust achieved a small surplus in 2014-15

40. The Trust has a sound approach to in-year financial management and achieved its financial targets for the year, reporting a surplus of £39,000.
41. For the first year of the Trust's IMTP, the Trust identified a funding gap of £3.4 million. Cost improvement plans were identified to set a balanced budget and 70.6 per cent of the planned savings were recurring. Overall, the Trust achieved 84.4 per cent of its savings target in 2014-15 albeit with some schemes overachieving and others underachieving.

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42. During 2013-14, Velindre Cancer Centre realised £1.2 million of non-recurring savings, which created an initial funding gap at the start of 2014-15 before the Trust even considered the in-year financial pressures. This made the identification of achievable and recurring savings more challenging in 2014-15. Although progress against savings targets was carefully monitored throughout the year, at the end of 2014-15, Velindre Cancer Centre had delivered 73.2 per cent of its £2.149 million savings target.

The Trust's financial management is sound and breakeven is likely in 2015-16. Challenges remain, particularly in relation to funding and demand pressures at the cancer centre, and at the Trust level there is further scope to improve the approach to savings

43. NHS trusts are required to prepare an IMTP reflecting longer-term planning and delivery objectives which support the safe and sustainable delivery of patient-centred quality services. The IMTP is a three-year rolling plan which focuses on service planning, workforce and financial decisions. The Trust's IMTP has been subject to peer review and has been approved by the Board and the Welsh Government.
44. The Trust has a robust and balanced plan for 2015-16 which includes a savings requirement of £3.636 million. The Trust monitors its financial position monthly in a transparent and consistent manner and there is no evidence that financial decisions have impacted on the levels or quality of services.
45. Appropriate arrangements are in place to identify potential savings at the start of the financial year which are subject to scrutiny and challenge. As at month six, 83 per cent of planned savings to date have been realised.
46. As at month six, the Trust is on course to achieve overall financial balance in 2015-16. The Welsh Blood Service (WBS) is anticipating an underspend in 2015-16, partly due to a slight reduction in demand for red-blood products and partly due to impacts of the ongoing change programme within WBS.
47. However, the cancer centre is likely to overspend. The cancer centre faces significant financial challenges including an increase in demand for services, a level of core baseline funding that has not changed over the past four years (although there has been some increase each year for the provision of specific additional services) and difficulties in identifying savings. The cancer centre is unlikely to achieve its entire £2.6 million savings target for 2015-16.
48. There is scope to further improve the Trust's approach to planning and securing longer-term savings. The IMTP identifies savings requirements spanning more than one year but future schemes have yet to be identified.
49. Budget holders are engaged in the development of cost improvement plans but there is no evidence of engagement with external stakeholders although this is due to change going forward.
50. The Trust must continue to focus on reducing reliance on non-recurrent savings and must ensure that it continues to carefully monitor the delivery of planned savings at divisional level. Non-recurring savings brought forward from previous years will continue to make the extent of savings required greater.

Governance and Board assurance continue to evolve with good progress made in strengthening approaches to risk management and performance management

51. This section of the report considers my findings on governance and board assurance, presented under the following themes:
- Strategic and operational planning
 - Governance structures and committees
 - Risk management and internal controls
 - Performance management
 - Use of the National Fraud Initiative

Strategic and operational planning: The Integrated Medium Term Plan is becoming more embedded in the Trust's normal ways of working. The Trust has deliberately set ambitious objectives although some actions will not be delivered on time

52. This year we noted that the Trust's IMTP process for 2015-16 to 2017-18 continues to evolve. The IMTP refresh process took an inclusive bottom-up approach and produced a clear vision that was approved by the Welsh Government.
53. Whilst the Trust has taken some steps to strengthen workforce planning, the Trust still has work to do to ensure it is taking a systematic and strategic approach to workforce planning within the IMTP. This will be important in future years as the new NHS Planning Framework 2016-17 places increased emphasis on workforce planning.
54. The September 2015 meeting of the Trust Board was told that several actions from the IMTP will not be delivered on time. We commend the Trust's ambitious approach to medium-term planning, however, there needs to be a clear focus on ensuring that future years of the IMTP are realistic in terms of the objectives the Trust sets itself compared to available resources.

Governance structures and committees: Committees provide sound scrutiny and assurance with work ongoing to optimise agendas. The Trust recognises the need to review the governance arrangements of the Transforming Cancer Services programme and address succession planning for independent members

55. This year we noted strengths in the Trust's arrangements for scrutiny and board assurance. The Board and committees demonstrate positive behaviours, with open and frank discussions, and an appropriate level of challenge from independent members (IMs).
56. Our work highlighted risks regarding succession planning as the terms of two IMs will end in March 2017. The Trust is also considering options for rotating the IM membership of committees, to ensure each IM is exposed to, and can provide scrutiny upon, a broader range of issues.

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57. The Board and its committees have agreed annual programmes of work, however, managing busy agendas is challenging. The Trust is taking pragmatic steps to address these matters, such as reviewing the frequency of certain committee meetings.
 58. The TCS programme is a highly complex plan to design and implement a new model of cancer services for South East Wales. Complications relating to the governance arrangements of the TCS programme have been debated openly at committee meetings and the Trust Secretary was due to carry out a detailed review of these matters in November 2015.

Risk management and internal controls: Risk management is improving: registers are more prominent and more frequently considered but valuable committee time can be used discussing minor inaccuracies in the risk register

59. The Trust has made good progress in improving the way it identifies and manages risks. There is much greater emphasis on risk than 18 months ago, and conversations at committees now focus more on risk registers. The Trust has developed a risk management strategy, which is a positive step towards ensuring all parts of the organisation use a common language in relation to risk. The next steps for improvement are about improving consistency in the way that risks are assessed at operational levels and ensuring valuable meeting time is not used discussing minor inaccuracies in the register.
60. The Trust complies with Welsh Government requirements in relation to the public reporting of its governance and quality arrangements. The Annual Quality Statement was given a 'substantial assurance' rating from internal audit and we provided feedback during the year to inform the refresh of the Annual Governance Statement. The Trust needs to ensure its website provides access to all up-to-date committee papers, agendas and reports.
61. As part of my commitment to help secure and demonstrate improvement through audit work, I have reviewed the effectiveness of the Trust's arrangements to manage and respond to recommendations made as part of my nationally mandated and local programme of audit work during 2015. This work has found that the Audit Committee's administrative process for tracking the implementation of audit recommendations appears generally sound. The Committee has also increased its level of scrutiny in situations where audit actions are not completed within required timescales or where extended deadlines are requested.

Performance management: There is good progress in further improving the performance management framework and making delivery of the IMTP more embedded in the Trust's day-to-day work

62. We have noted considerable work to improve performance management, particularly in relation to overseeing the delivery of the IMTP. The Trust has carried out difficult, complicated work in developing an IMTP Delivery and Monitoring Framework. The framework attempts to bring the IMTP to life by ensuring performance measurement in operational delivery is more linked to the Trust's strategic aims.
63. We have observed positive changes related to the new performance reporting approach adopted as part of the framework. Committees are now assigned specific aspects of the IMTP to monitor, which prevents committees being overwhelmed with information covering the entirety of the IMTP. The new report is much shorter than previous versions, provides clear linkages to the IMTP and uses an exception reporting approach to give greater prominence to issues where performance is below expected levels.
64. The Trust has a cycle of quarterly divisional reviews where the Executive Team meets with each division's senior management team to scrutinise performance. These reviews are challenging yet supportive and provide a good forum for focused discussion on the risks and issues affecting each division. There are some limitations in the management information available within the organisation. Poor accessibility to the data in the Cancer Network Information System Cymru (CANISC) system is a barrier to using data for improvement in the cancer centre and there is doubt about the accuracy and completeness of some data related to the completion of staff appraisals and recruitment timescales.
65. The Trust is progressing work to improve its performance indicators, particularly at the WBS and in relation to the IMTP. The Trust recognises that many of the performance measures related to WBS do not focus on the most relevant and important performance issues. Similarly, as the IMTP framework evolves, the Trust is recognising that it needs to improve the linkages between some of the objectives within the IMTP and the related performance measures.
66. Measures of patient experience feature prominently in the new performance report and reports on patient and donor experience are provided to the Quality and Safety Committee. The Trust's approach to learning from patient and donor experience can be further strengthened by expanding its methods for collecting people's feedback.

Use of the National Fraud Initiative: The Trust has not made effective use of the National Fraud Initiative to detect fraud

- 67.** The NFI is a biennial data-matching exercise that helps detect fraud and overpayments. It matches data across organisations and systems to help public bodies identify potentially fraudulent or erroneous claims and transactions. The Auditor General conducts data-matching exercises in Wales under statutory powers contained in Part 3A of the 2004 Act. The NFI is a highly effective tool in detecting and preventing fraud and overpayments, and helping organisations to strengthen their anti-fraud and corruption arrangements.
- 68.** Participating bodies submitted data to the current NFI exercise in October 2014. The data was matched and the outcomes were released to participating bodies in January 2015.
- 69.** Since January 2015, the Trust has not made effective use of the NFI to detect fraud. The data-matching exercise recommended that the Trust should review 324 matches, all of which related to creditor payment data. However, as at 6 November 2015, the Trust had not opened and reviewed any of the recommended matches.

My performance audit work identified some opportunities to improve the use of resources by addressing challenges related to workforce and change management, strengthening aspects of nutritional screening and developing a strategy for medicines management

The Trust is working hard to engage with others although it has a small number of workforce challenges and there are risks to the delivery of large-scale change due to leadership capacity issues

- 70.** My Structured Assessment work has reviewed how the Trust is managing a number of key enablers of efficient, effective and economical use of resources. The key findings are summarised in [Exhibit 2](#).

Exhibit 2: Structured Assessment – key enablers of effective use of resources

Issue	Summary of findings
Change management	<p>The Trust is undergoing a period of prolonged and profound change and whilst change programmes are progressing well, the considerable additional workload associated with the change programmes presents risks to delivery:</p> <ul style="list-style-type: none"> despite actions to strengthen capacity at assistant director level, the scale of the Trust’s change programmes is such that risks remain in relation to delivery and leadership capacity; and our Structured Assessment recommended that the Trust should carry out a risk assessment regarding the adequacy of senior leadership capacity to deliver large-scale change.
Workforce and organisational development	<p>While the Trust is continuing to experience a small number of performance difficulties in relation to workforce issues, the forthcoming Organisational Development Strategy has significant potential to drive improvement:</p> <ul style="list-style-type: none"> The Trust’s sickness absence rate remains above target, the proportion of staff recorded as having received a Performance Appraisal and Development Review (PADR) is well below expected levels and difficulties in recruitment are causing complications for service developments and delivery. The forthcoming Organisational Development Strategy has significant potential to drive improvement. The strategy aims to engender a culture in the Trust that embraces transformational change while continuing to provide high-quality care.
Partnerships and engagement	<p>The Trust is engaging with a range of stakeholders in relation to its major change programmes and recognises the importance of improving partnership working with staff given the extent of organisational change that is planned:</p> <ul style="list-style-type: none"> Engagement in TCS from the rest of NHS Wales has been positive, particularly in relation to clinical matters. Maintenance of these strong partnerships will be important to the ongoing success of the programme, particularly when agreeing the financial aspects of the programme. The Trust has also engaged extensively with partner organisations in relation to the All Wales Blood Service (AWBS). The process has involved an iterative programme of engagement to develop a service plan, business case and implementation plan for the AWBS. The Local Partnership Forum is well attended by the Executive Team but is not well attended by staff representatives. If this continues, the forum is unlikely to deliver its intended outcomes. The Trust’s arrangements for engaging and involving the public are good. The cancer centre’s Patient Liaison Group and the Community Health Council expressed positive views about the Trust’s willingness to listen and respond to patients and donors.

The Trust's approach to staff health and well-being is in the formative stage and on the right track. A stronger strategic approach underpinned by a robust evaluation framework would help the Trust prioritise its actions and make the most of its many opportunities for improvement

- 71.** The main conclusions from our local audit work on maximising staff health and well-being were as follows:
- there are solid foundations for leading change through the re-energised Executive Team, a funded facilitator post and refreshed committee responsibilities;
 - the Trust recognises the need for a more strategic approach to help prioritise and tie together its activities;
 - management training is a relative weakness, there are opportunities to further enhance occupational health and there are encouraging aspects of new approaches to staff engagement; and
 - the Trust is open to learning and there are some good examples of using data for improvement.
- 72.** The Trust's Workforce and Organisational Development Committee received our report and the Audit Committee is tracking the implementation of our recommendations.

We found many good aspects of medicines management in the cancer centre. However, the pharmacy team is struggling to meet demand, facilities do not fully comply with requirements and there is not a clear strategy for driving improvement

- 73.** The main conclusions from our local audit work on medicines management at Velindre Cancer Centre were as follows:
- Pharmacy benefits from a high profile in the hospital but there is scope for more medical engagement in corporate medicines management issues and there is not yet a robust strategy to drive future developments.
 - The involvement of pharmacists in clinics is positive but the pharmacy team is struggling to meet demand and pharmacy's input on the wards is too inconsistent.
 - Pharmacy facilities are cramped and do not fully comply with key requirements. There are ongoing issues associated with medicine storage in pharmacy and on the wards.
 - The Trust has some good processes including use of electronic prescribing, timely reconciliations and the role of non-medical prescribers. There are issues with information exchange with primary care, controlled drug checks, and lack of self-administration.

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- Medicines-related performance data is not used routinely enough to promote improvement and while there are good aspects of learning from incidents, more work is required to understand why pharmacists' safety interventions are more frequent than average.

74. The Trust's Audit Committee received the report in December 2015 and is tracking the implementation of our recommendations.

There is a proportionally higher level of investment in ICT than most other NHS bodies and our diagnostic work indicates that the current ICT resources in Velindre NHS Trust are largely effective in supporting the delivery of healthcare

75. The main conclusions from our diagnostic review of ICT capacity and resources were as follows:

- the level of investment in ICT is above the recommended level and one of the highest in Wales;
- staffing levels for ICT compare higher than most other health bodies in Wales although many staff only cover the WBS and there are no in-house information management staff;
- overall, there is a positive commitment to ICT within the Trust and doctors' perception of IT facilities is better than the rest of Wales;
- the Trust has a good level of IT devices available to staff and physical access to PCs and clinical information systems is good;
- the Trust's ICT equipment is managed well and reliability of systems is generally adequate;
- the current arrangements for training are generally supporting proficiency in the use of systems and the quality of the information contained on them; and
- doctors are maximising the use of mainstream clinical ICT systems to provide patient care far more than many others across Wales.

76. The Trust's Audit Committee received the report in December 2015 and is tracking the implementation of our recommendations.

The Trust has made good progress in addressing recommendations to improve catering and nutrition services. More work is needed to strengthen some aspects of nutritional screening and to continue reducing the level of subsidy for non-patient catering

77. The main conclusions from our follow-up review of catering and patient nutrition were as follows:

- arrangements for meeting patients' dietary and nutritional needs are generally good although there is scope to strengthen some aspects of nutritional screening;
- patients are positive about mealtime experiences and the principles of protected mealtimes are generally adhered to;

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- costs of patient catering services and levels of food waste compare favourably with other hospitals and the level of subsidy for non-patient catering continues to reduce; and
 - arrangements for planning, monitoring and reporting on hospital catering and nutrition services are in place but could be more visible.

78. The Trust's Audit Committee received the report in December 2015 and is tracking the implementation of our recommendations.

Appendix 1

Reports issued since my last Annual Audit Report

Report	Date
Financial audit reports	
Audit of Financial Statements Report	June 2015
Opinion on the Financial Statements	June 2015
Financial Statements Memorandum	September 2015
Charitable Funds – Audit of Financial Statements Report	November 2015
Performance audit reports/outputs	
Maximising staff health and well-being	February 2015
Hospital catering and patient nutrition follow-up review	October 2015
Medicines management at Velindre Cancer Centre	November 2015
Diagnostic review of ICT capacity and resources	November 2015
Good Practice Exchange webinar on service user experience	July 2015
Structured Assessment 2015 report	November 2015
Other reports	
2015 Audit Plan	May 2015
Annual Audit Report 2015	November 2015

There is one performance audit still underway at the Trust. This is shown below, with estimated date for completion of the work.

Report	Estimated completion date
Follow-up Review of NHS Consultant Contract	Spring 2016

Appendix 2

Significant audit risks

My 2015 Audit Plan set out the significant financial audit risks for 2015. The table below lists these risks and sets out how they were addressed as part of the audit.

Significant audit risk	Proposed audit response	Work done and outcome
<p>The risk of management override of controls is present in all entities. Due to the unpredictable way in which such overrides 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>My audit team reviewed and tested these areas as part of the opinion audit work and did not identify any material misstatements.</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 undertake work to ensure completeness and accuracy of revenue recorded within the financial statements, by undertaking predictive analytical review where appropriate.</p>	<p>My audit team reviewed and tested these areas as part of the opinion audit work and did not identify any material misstatements.</p>
<p>Strong financial governance arrangements are required for the Trust to ensure procedures and arrangements are in place to manage its finances in accordance with the guidance in the Welsh Government's e-governance manual.</p> <p>The Trust hosts two large organisations – NHS Wales Informatics Service and NWSSP. The Trust's Accountable Officer will need to obtain satisfactory levels of assurance from the accountable officers of these two hosted organisations before the Annual Governance Statement can be signed.</p>	<p>My audit team will review the Annual Governance Statement to ensure that appropriate financial governance arrangements are in place to meet objectives, deliver improvements, maintain probity and avoid conflicts of interest.</p>	<p>My audit team reviewed the Annual Governance Statement and concluded that it concurred with our knowledge and experience of the Trust.</p>

Significant audit risk	Proposed audit response	Work done and outcome
<p>The NWSSP has taken over responsibility for three services during 2014-15:</p> <ul style="list-style-type: none"> • On 1 April 2014, responsibility for managing the Welsh Risk Pool budget transferred from the Welsh Government to NWSSP. The budget for 2014-15 amounted to circa £70 million, with an additional contingency of £5 million. • Welsh Health Supplies also transferred to NWSSP on 1 April 2014 which increased expenditure by approximately £40 million in 2014-15. The net working capital transferred to the Trust totalled £3.929 million. • From 1 February 2015, NWSSP took over responsibility as the single lead employer for GP registrar trainees within NHS Wales. This will generate additional income and expenditure of up to £30 million by 2017-18. <p>Looking forward to 2015-16, the Health Courier Service (HCS) will transfer from the Welsh Ambulance Services NHS Trust to NWSSP on 1 April 2015 increasing revenue budgets further by circa £4.3 million.</p>	<p>My audit team will ensure that the significant additional expenditure and associated income are reflected appropriately within the financial statements and are supported by appropriate disclosure notes.</p>	<p>My audit team reviewed and tested these areas as part of the opinion audit work and did not identify any material misstatements.</p>



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