

# Audit of Accounts Report – Hywel Dda University Health Board

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## Our aims and ambitions

### Assure



the people of  
Wales that public  
money is well  
managed

### Explain



how public  
money is being  
used to meet  
people's needs

### Inspire



and empower  
the Welsh  
public sector to  
improve



Fully exploit  
our unique  
perspective,  
expertise and  
depth of insight



Strengthen our  
position as an  
authoritative,  
trusted and  
independent  
voice



Increase our  
visibility,  
influence and  
relevance



Be a model  
organisation for  
the public sector  
in Wales and  
beyond

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# Introduction

I have now largely completed my audit in line with my Detailed Audit Plan 2024 dated April 2024 except for the following:

- Some final review processes to be undertaken by the Audit Manager and Engagement Lead.

We will update the Audit and Risk Committee on the conclusions of our work at its meeting on 9 July 2024.

This Audit of Accounts Report summarises the main findings from my audit of your 2023-24 Annual report and accounts. My team have already discussed these issues with Director of Finance and his team.

I am very grateful to your officers for their support in undertaking this audit.



**Adrian Crompton**

Auditor General for  
Wales

# Your audit at a glance



## Audit opinions

We are proposing to give an unqualified true and fair opinion but a qualified regularity opinion on the accounts. The audit opinion in respect of the regularity of expenditure is qualified because the Health Board did not meet its revenue resource allocation over the three-year period ending 31 March 2024.

We have nothing to report under the other sections of my report, i.e. those relating to going concern; other information; other matters; or matters I report by exception.

We are also proposing to issue a substantive report which explains why our audit opinion in respect of the regularity of expenditure is qualified. This report will also refer to the fact that the Health Board did not meet its financial duty to have an approved three-year integrated medium-term plan for the period 2023-24 to 2025-26. The regularity opinion is not qualified for this.



## Significant issues

There are no uncorrected misstatements above our trivial level (£0.669m) but lower than materiality (£13.387m).

During our audit, we identified misstatements that have been corrected by management, but which we consider should be drawn to your attention. These are set out in **Appendix 3**.

In the addition to misstatements identified during the audit we also report other significant issues to you.

There were no other significant issues.

There is one issue that we need to bring to your attention which has been supported by a recommendation.

- **Inventory Balances and stock checks.** Our audit planning work identified the need to strengthen the Health Boards controls over the theatre stock. We have made one recommendation which is set out in **Appendix 4** along with management's response to the recommendation.



## Materiality

Materiality	£13.387m
Reporting threshold ('trivial')	£0.669m

### Areas of specific interest:

- Remuneration report (including exit packages) £5,000 or lower if a misstatement results in the wrong remuneration-banding being disclosed for an individual.
- Related party disclosures for individuals, £10,000; and
- Outturn against the revenue and capital resource limits, £1.

# Financial statements' materiality



**Materiality £13.387 million**

My aim is to identify and correct material misstatements, i.e. those that might otherwise cause the user of the accounts to be misled.

Materiality is calculated using:

- 2023-24 gross expenditure of £1,339 million
- Materiality percentage of 1%

I apply the materiality percentage to gross expenditure to calculate materiality.

I will report to you any misstatements above £0.669 million, calculated as 5% of materiality (called the 'trivial level').



**Areas of specific interest**

There are some areas of the accounts that may be of more importance to the user of the accounts. We set lower materiality levels for these as follows:

- Remuneration report (including exit packages), £5,000 or lower if a misstatement results in the wrong remuneration-banding being disclosed for an individual.
- Related party disclosures for individuals £10,000; and
- Outturn against the revenue and capital resource limits, £1.

# Ethical compliance



## Compliance with ethical standards

We believe that:

- we have complied with the ethical standards we are required to follow in carrying out our work;
- we have remained independent of yourselves;
- our objectivity has not been comprised; and
- we have no relationships that could undermine our independence or objectivity.

In our Detailed Plan, we explained that one of our audit trainees was undertaking a secondment with the Health Board.

To guard against any potential threats to our independence or objectivity, we agreed the following safeguards which have been adhered to:

- the secondee will not have any management responsibilities; and
- the secondment will be short-term (no more than 12-months).

Note 30 of the accounts explains that an Independent Member of the Health Board has a close family member who is employed by Audit Wales. We can confirm that this member of our staff is not involved with the operational delivery of our audit work and is restricted from being involved in any audit or other work at the Health Board.

# Proposed audit opinion



## Audit opinion

We issue a 'qualified' audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.

We intend to issue an unqualified true and fair audit opinion but a qualified regularity opinion on this year's accounts once you have provided us with a Letter of Representation (see below).

Our proposed audit report is set out in **Appendix 1**. The audit reports explains that the regularity opinion for 2023-24 is qualified. In line with prior years, the regularity opinion is qualified because the Health Board did not meet its revenue resource allocation over the three-year period ending 2023-24.

The Auditor General also intends to issue a substantive report which explains why our audit opinion in respect of the regularity of expenditure is qualified. This report will also refer to the fact that the Health Board did not meet its financial duty to have an approved three-year integrated medium-term plan for the period 2023-24 to 2025-26. The regularity opinion is not qualified for this.



## Letter of representation

A Letter of Representation is a formal letter in which you confirm to us the accuracy and completeness of information provided to us during the audit. Some of this information is specified as being necessary by auditing standards; other information may relate specifically to your audit.

The letter we are requesting you to sign is included in **Appendix 2**.

# Issues arising during the audit



## Misstatements

A misstatement arises where information in the accounts is not in accordance with accounting standards.

### Uncorrected misstatements

There are no uncorrected misstatements above our trivial level (£0.669m) but lower than materiality (£13.387m).

### Corrected misstatements

During our audit, we identified misstatements that have been corrected by management, but which we consider should be drawn to your attention.

These are set out in **Appendix 3**.



## Other significant issues

Other than the corrected misstatements identified during the audit there are no other significant issues we wish to report to you.

However, there are two matters we wish to draw to the Committee's attention:

### Inventory and stock checks

Our audit planning work identified the need to strengthen the Health Boards controls over theatre stock. We identified that an inflationary uplift has been applied to theatre stock held by the Health Board for a number of years. This approach was initially adopted because of COVID restrictions and subsequently due to limitations of staff availability to complete physical inventory checks.

In terms of context, the overall year end stock balance reported in the financial statements amounts to £11.45m; under the level of materiality set at £13.387m. Non-material theatre stock which had been subject to an inflationary uplift amount to £3.66m (31% of the total stock balance). The rest of the stock relates to pharmaceutical drugs (50%) which is subject to an automated stock count system – this stock was subject to Audit Wales verification procedures which took place on the 28 March 2024. The remainder of the stock (19%) was subject to annual Health Board stock checking procedures.

As a result of the above, we have recommended (see recommendation 1) that the Health Board re-introduce annual physical verification checks covering theatre stocks to supplement the existing verification checks over other inventory categories.

### Timely preparation of working papers to support the financial statements

This year, we are pleased to report that we received working papers on a far timelier basis compared to the previous year. The majority of working papers were prepared in readiness for the start of the audit process but not all.

In order to manage this, Audit Wales and the Finance department worked collaboratively to an agreed timescale for the delivery of working papers to manage the early stages of the audit. In this respect, we would like to thank the Finance team for their hard work in both the preparation of the financial statements and the supporting working papers.

We are conscious that Audit Wales, coupled with the expectations of the NHS as a whole, are preparing to bring forward the audit deadline further as part of the 2024-25 accounts audit process. In order to meet these deadlines, it will be

imperative that working papers are fully complete and available at the commencement of the audit.

We have not raised a recommendation in respect of this issue. We will return to this matter as part of our interim audit next year to assess the position.

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# Recommendations

We have made one recommendation during the course of the audit, which is set out in **Appendix 4** along with management's response to the recommendation.

We will monitor progress against the recommendations during next year's audit. Where any recommendations are not fully implemented, we will report to you as part of next year's Audit of Accounts Report.

# Appendix 1

## Proposed audit report

### The Certificate and report of the Auditor General for Wales to the Senedd

#### Opinion on financial statements

I certify that I have audited the financial statements of Hywel Dda University Health Board (the Health Board) for the year ended 31 March 2024 under Section 61 of the Public Audit (Wales) Act 2004.

These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Cash Flow Statement and Statement of Changes in Taxpayers' Equity and related notes, including a summary of material accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards as interpreted and adapted by HM Treasury's Financial Reporting Manual.

In my opinion, in all material respects, the financial statements:

- give a true and fair view of the state of affairs of Hywel Dda University Health Board as at 31 March 2024 and of its net operating costs for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards as interpreted and adapted by HM Treasury's Financial Reporting Manual; and
- have been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by Welsh Ministers.

#### Opinion on regularity

In my opinion, except for the matter(s) described in the Basis for Qualified Regularity Opinion section of my report, in all material respects, the expenditure and income in the financial statements have been applied to the purposes intended by the Senedd and the financial transactions recorded in the financial statements conform to the authorities which govern them.

#### Basis for Qualified Opinion on regularity

I have qualified my opinion on the regularity of Hywel Dda University Health Board's financial statements because the Health Board has breached its revenue resource limit by spending £149.859 million over the amount that it was authorised to spend in the three-year period 2021-2022 to 2023-2024. This spend constitutes irregular expenditure.

Further detail is set out in my Report on page xx (...to be updated by the Health Board).

#### Basis for opinions

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my certificate.

My staff and I are independent of the Board in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

### **Conclusions relating to going concern**

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for Hywel Dda University Health Board is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

### **Other Information**

The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. The Chief Executive is responsible for the other information contained within the annual report. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon. My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

### **Opinion on other matters**

In my opinion, the part of the remuneration report to be audited has been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by Welsh Ministers.

In my opinion, based on the work undertaken in the course of my audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by Welsh Ministers' directions; and;

- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with Welsh Ministers' guidance.

### **Matters on which I report by exception**

In the light of the knowledge and understanding of the Health Board and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance Report and Accountability Report.

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- I have not received all the information and explanations I require for my audit;
- adequate accounting records have not been kept, or returns adequate for my audit have not been received from branches not visited by my team;
- the financial statements and the audited part of the Accountability Report are not in agreement with the accounting records and returns;
- information specified by HM Treasury or Welsh Ministers regarding remuneration and other transactions is not disclosed;
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual are not made or parts of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

### **Responsibilities of Directors and the Chief Executive for the financial statements**

As explained more fully in the Statements of Directors' and Chief Executive's Responsibilities set out on pages (... to be updated by the Health Board), the Directors and the Chief Executive are responsible for:

- maintaining adequate accounting records
- the preparation of financial statements and annual report in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- ensuring that the annual report and financial statements as a whole are fair, balanced and understandable;
- ensuring the regularity of financial transactions;
- internal controls as the Directors and Chief Executive determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- assessing the Health Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors and Chief Executive anticipate that the services provided by the Health Board will not continue to be provided in the future.

## **Auditor's responsibilities for the audit of the financial statements**

My responsibility is to audit, certify and report on the financial statements in accordance with the National Health Service (Wales) Act 2006.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- Enquiring of management, the Head of Internal Audit and those charged with governance, including obtaining and reviewing supporting documentation relating to Health Board's policies and procedures concerned with:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- Considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: management override of controls and the posting of unusual journals;
- Obtaining an understanding of the Health Board's framework of authority as well as other legal and regulatory frameworks that the Health Board operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Health Board;
- Obtaining an understanding of related party relationships.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit Risk and Assurance Committee and legal advisors about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the Health Boards controls, and the nature, timing and extent of the audit procedures performed.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

### **Other auditor's responsibilities**

I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Senedd and the financial transactions recorded in the financial statements conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

### **Report**

Please see my Report on pages (... to be updated by the Health Board).

Adrian Crompton  
General for Wales  
12 July 2024

1 Capital Quarter Auditor  
Tyndall Street  
Cardiff  
CF10 4B

# Report of the Auditor General to the Senedd

## Introduction

Under the Public Audit Wales Act 2004, I am responsible for auditing, certifying and reporting on Hywel Dda University Health Board's (the Health Board) financial statements. I am reporting on these financial statements for the year ended 31 March 2024 to draw attention to two key matters for my audit. These are the failure against the first financial duty and consequential qualification of my 'regularity' opinion and the failure of the second financial duty. I have not qualified my 'true and fair' opinion in respect of any of these matters.

## Financial duties

Health Boards are required to meet two statutory financial duties – known as the first and second financial duties.

For 2023-24, the Health Board failed to meet both the first and the second financial duty.

### Failure of the first financial duty

The **first financial duty** gives additional flexibility to Health Boards by allowing them to balance their income with their expenditure over a three-year rolling period. The three-year period being measured under this duty this year is 2021-2022 to 2023-2024.

As shown in Note 2.1 to the Financial Statements, the Health Board did not manage its revenue expenditure within its resource allocation over this three-year period, exceeding its cumulative revenue resource limit of £3,368.889 million by £149.859 million.

Where a Health Board does not balance its books over a rolling three-year period, any expenditure over the resource allocation (i.e. spending limit) for those three years exceeds the Health Board's authority to spend and is therefore 'irregular'. In such circumstances, I am required to qualify my 'regularity opinion' irrespective of the value of the excess spend.

### Failure of the second financial duty

The **second financial duty** requires Health Boards to prepare and have approved by the Welsh Ministers a rolling three-year integrated medium-term plan. This duty is an essential foundation to the delivery of sustainable quality health services. A Health Board will be deemed to have met this duty for 2023-24 if it submitted a 2023-24 to 2025-26 plan approved by its Board to the Welsh Ministers, who were required to review and consider approval of the plan.

As shown in Note 2.3 to the Financial Statements, the LHB did not meet its second financial duty to have an approved three-year integrated medium-term plan in place for the period 2023-24 to 2025-26.

**Adrian Crompton**

**Auditor General for Wales**

**12 July 2024**

# Appendix 2

## Final Letter of Representation

[Audited body's letterhead]

Auditor General for Wales  
Wales Audit Office  
1 Capital Quarter  
Cardiff  
CF10 4BZ

11 July 2024

### Representations regarding the 2023-24 financial statements

This letter is provided in connection with your audit of the financial statements (including that part of the Remuneration Report that is subject to audit) of Hywel Dda University Health Board (the Health Board) for the year ended 31 March 2024 for the purpose of expressing an opinion on their truth and fairness their proper preparation and the regularity of income and expenditure.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

### Management representations

#### Responsibilities

As Chief Executive and Accountable Officer I have fulfilled my responsibility for:

- preparing the financial statements in accordance with legislative requirements and the Treasury's Financial Reporting Manual. In preparing the financial statements, I am required to:
  - observe the accounts directions issued by Welsh Ministers/HM Treasury, including the relevant accounting and disclosure requirements and apply appropriate accounting policies on a consistent basis;
  - make judgements and estimates on a reasonable basis;
  - state whether applicable accounting standards have been followed and disclosed and explain any material departures from them; and
  - prepare them on a going concern basis on the presumption that the services of [Hywel Dda University Health Board] will continue in operation;
- ensuring the regularity of any expenditure and other transactions incurred;

- the design, implementation and maintenance of internal control to prevent and detect error.

## Information provided

We have provided you with:

- full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
  - additional information that you have requested from us for the purpose of the audit; and
  - unrestricted access to staff from whom you determined it necessary to obtain audit evidence;
- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- our knowledge of fraud or suspected fraud that we are aware of and that affects the Health Board and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements;
- our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others;
- our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements;
- the identity of all related parties and all the related party relationships and transactions of which we are aware;
- our knowledge of all possible and actual instances of irregular transactions.

## Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

## **Representations by the Board**

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Board on 11 July 2024.

We confirm that we have taken all the steps that we ought to have taken to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

Chief Executive as Accountable Officer

Date: 11 July 2024

Signed by:

Chair of the Board

Date: 11 July 2024

# Appendix 3

## Summary of corrections made

During our audit, we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention.

### Exhibit 3: Summary of corrections made

Value of correction	Accounts areas	Explanation
<p>Narrative disclosure</p> <p>(No overall impact on the primary statements and reported deficit position)</p>	<p><b>Note 9.6 Fair Pay Disclosures</b></p> <p>Additional narrative has been added to ensure the disclosure note is consistent with details contained within the Remuneration Report.</p>	<p>To ensure the financial statements are accurate and in accordance with the NHS Manual for Accounts</p>
<p>£1,391K</p> <p>(No overall impact on the primary statements and reported deficit position)</p>	<p><b>Note 10.1 Prompt payment code – measure of compliance</b></p> <p>To correct the total figures of both non-NHS bills paid (£702K) and non-NHS bills paid (£689K) within target.</p>	<p>To ensure the financial statements are accurate and in accordance with the NHS Manual for Accounts</p>
<p>£700K</p> <p>No overall impact on the primary statements and reported deficit position)</p>	<p><b>Note 11.1 Property, Plant and Equipment</b></p> <p>To correctly split the NBV of land, buildings and dwellings at 31 March 2024 between freehold and leasehold properties.</p>	<p>To ensure the financial statements are accurate and in accordance with the NHS Manual for Accounts.</p>
<p>£8,052K</p> <p>(no overall impact on the primary statements and reported deficit position)</p>	<p><b>Note 18 Trade and Other Payables</b></p> <p>£8,052K misclassified as 'Non-NHS payables – revenue' in the draft accounts has been</p>	<p>To ensure the financial statements are accurate and in accordance with the NHS Manual for Accounts</p>

	reclassified under the heading 'Local Authorities'.	
<p>Narrative disclosure</p> <p>(No overall impact on the primary statements and reported deficit position)</p>	<p><b>Note 28 Other Cash Flow Adjustments</b></p> <p>To disclose the breakdown of the 'other movements' figure of £25,059K between the two elements of funding within the footnote.</p>	<p>To ensure the financial statements are complete and in accordance with the NHS Manual for Accounts</p>
<p>Narrative disclosure</p> <p>(no overall impact on the primary statements and reported deficit position)</p>	<p><b>Note 29 Events after the Reporting Period</b></p> <p>During the audit, NHS bodies were notified of a formal pay award offer to junior doctors, SAS doctors and consultants relevant to the 2023-24 financial year, to be funded by the Welsh Government. As the arrangements were not confirmed until after the year end, they do not affect these accounts even though the pay arrangements relate to 2023-24. The Heath Board has appropriately disclosed the arrangements and their future impact within Note 29.</p>	<p>To ensure the financial statements are complete and in accordance with the NHS Manual for Accounts.</p>
<p>£958K and narrative disclosure</p> <p>(no overall impact on the primary statements and reported deficit position)</p>	<p><b>Note 30 Related Party Transactions</b></p> <p>The disclosure note has been updated to:</p> <ul style="list-style-type: none"> <li>include reference to monies owed/owing in respect of Charitable Funds held on Trust.</li> <li>include declarations of interest in respect of the Director Nursing, Quality and Patient Experience</li> <li>correct the income due from Velindre NHS Trust</li> </ul>	<p>To ensure the financial statements are complete and in accordance with the NHS Manual for Accounts.</p>

	from £7,244K to £6,286K.	
<p>Narrative disclosure</p> <p>(no overall impact on the primary statements and reported deficit position)</p>	<p><b>Remuneration Report Disclosures</b></p> <p>Disclosures have been updated to:</p> <ul style="list-style-type: none"> <li>• To amend the comparative table on page 73 of the remuneration report to confirm that the table had been corrected from the version shown in the 2022-23 audited financial statements.</li> <li>• To correct the full year equivalent salary and consequentially the salary banding for one Director.</li> <li>• To correct the salary banding of an independent member.</li> </ul>	<p>To ensure the accuracy and completeness of disclosures for the reader of the Accountability Report and compliance with the NHS Manual for Accounts.</p>
<p>Various</p>	<p>Various other narrative, presentational and other trivial amendments made across the draft accounts and other reports</p>	<p>To ensure the accuracy and clarity of disclosures for the reader of the financial statements and compliance with the NHS Manual for Accounts.</p>

# Appendix 4

## Recommendations

We set out below recommendations from our audit along with your management's response to them.

Matter arising 1 – Inventory balances and stocktakes	
Findings	An inflationary uplift has been applied to theatre inventory held by the Health Board for several years; initially because of COVID restrictions and subsequently due to limitations of staff availability to complete physical inventory checks.
Priority	High
Recommendation	The Health Board should reintroduce annual physical verification checks over theatre stock previously subject to inflationary uplifts.
Benefits of implementing the recommendation	Implementation would provide assurance to the Health Board over the completeness and accuracy of yearend inventory balances.
Accepted in full by management	Yes
Management response	The Health Board are currently working with the Scan for Safety Wales Programme and implementing SupplyX across wards and theatres. SupplyX is an Inventory Management System that interfaces with Oracle and Welsh Patient Administration System (WPAS) to enable the scanning, stock management, ordering and tracking of products. SupplyX is currently live at the Bronlais site and as part of its implementation within theatres, a physical stock count was conducted. The system manages stock value and tracks movement of products in and out and requires periodic cycle counting to ensure stock accuracy is maintained. The availability of on-hand,

	real-time information supplemented by periodic scheduled cycle counts will allow the Health Board to address this matter fully once live across all sites. An in-year theatre stock take process will be undertaken for areas where Scan for Safety has not yet been implemented until full roll out is complete.
Implementation date	Quarter 4 2025

# Audit quality

Our commitment to audit quality in Audit Wales is absolute. We believe that audit quality is about getting things right first time.

We use a three lines of assurance model to demonstrate how we achieve this. We have established an Audit Quality Committee to co-ordinate and oversee those arrangements. We subject our work to independent scrutiny by QAD\*, and our Chair acts as a link to our Board on audit quality. For more information see our [Audit Quality Report 2023](#).

## Our People



The first line of assurance is formed by our staff and management who are individually and collectively responsible for achieving the standards of audit quality to which we aspire.

- Selection of right team
- Use of specialists
- Supervisions and review

## Arrangements for achieving audit quality



The second line of assurance is formed by the policies, tools, learning & development, guidance, and leadership we provide to our staff to support them in achieving those standards of audit quality.

- Audit platform
- Ethics
- Guidance
- Culture
- Learning and development
- Leadership
- Technical support

## Independent assurance



The third line of assurance is formed by those activities that provide independent assurance over the effectiveness of the first two lines of assurance.

- EQCRs
- Themed reviews
- Cold reviews
- Root cause analysis
- Peer review
- Audit Quality Committee
- External monitoring

\* QAD is the quality monitoring arm of ICAEW.

# Supporting you

Audit Wales has developed a range of resources to support the scrutiny of Welsh public bodies and to support those bodies in continuing to improve the services they provide to the people of Wales.

## Visit our website to find:

	our <a href="#">Good Practice</a> work where we share emerging practice and insights from our audit work in support of our objectives to assure, to explain and to inspire.
	our <a href="#">newsletter</a> which provides you with regular updates on our public service audit work, good practice, and events.
	our <a href="#">publications</a> which cover our audit work completed at public bodies.
	information on our <a href="#">forward performance audit work programme 2023-2026</a> which is shaped by stakeholder engagement activity and our picture of public services analysis.
	various <a href="#">data tools</a> and <a href="#">infographics</a> to help you better understand public spending trends including a range of other insights into the scrutiny of public service delivery.

You can find out more about Audit Wales in our [Annual Plan 2024-25](#) and [Our Strategy 2022-27](#).





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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.