

Hywel Dda University Health Board – Detailed Audit Plan 2024

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About Audit Wales

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 planning work.

This Detailed Audit Plan specifies my statutory responsibilities as your external auditor and to fulfil my obligations under the Code of Audit Practice.

It sets out the work my team intends undertaking to address the audit risks identified and other key areas of focus during 2024.

It also sets out my estimated audit fee, details of my audit team and key dates for delivering my audit team's activities and planned outputs.



Adrian Crompton

Auditor General for
Wales

Audit of financial statements

I am required to issue a report on your financial statements which includes an opinion on their 'truth and fairness' and the regularity of income and expenditure, and the proper preparation of key elements of your Remuneration and Staff Report. I lay them before the Senedd together with any report that I make on them. I will also report by exception on a number of matters which are set out in more detail in our [Statement of Responsibilities](#).

I do not seek to obtain absolute assurance on the truth and fairness of the financial statements and related notes but adopt a concept of materiality. My aim is to identify material misstatements, that is, those that might result in a reader of the accounts being misled. The levels at which I judge such misstatements to be material is set out later in this plan.

I am also required to certify a return to the Welsh Government which provides information about the Health Board to support preparation of the Whole of Government Accounts.

There have been no limitations imposed on me in planning the scope of this audit.

Performance audit work

I must satisfy myself that the Health Board has made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources. I do this by undertaking an appropriate programme of performance audit work each year.

My work programme is informed by specific issues and risks facing the Health Board and the wider NHS in Wales. I have also taken account of the work that is being undertaken or planned by other external review bodies and by internal audit.

My performance audit work is designed to comply with auditing standards set out by the International Organisation of Supreme Audit Institutions (INTOSAI). This 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

Your audit at a glance



My financial statements audit will concentrate on your risks and other areas of focus

My audit planning has identified the following risks:

Significant financial statement risk

- Compliance with the rolling three-year resource limits under the (Wales) Act 2014
- Management override of the controls in place

Other areas of audit focus

- Changes to the LASPAR system
- The accuracy of the remuneration report disclosures
- The accuracy and completeness of the related party disclosures
- The accuracy and completeness of Inventory



My performance audit will include:

- Structured Assessment – core.
- Structured Assessment – deep dive review of investment in digital systems to support service resilience and transformation.
- All-Wales Thematic Review – managing demand for urgent and emergency care.
- Local work – management of outpatients



Materiality

Materiality	£ 12.264 million
Reporting threshold	£0.613 million

Financial statements' materiality



Materiality £12.264 million

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

Materiality is calculated using:

- 2023-24 gross expenditure which is estimated using 2022-23 actual expenditure of £1,226 million
- Materiality percentage of 1%

I report to those charged with governance any misstatements above a trivial level (set at 5% of materiality).



Areas of specific interest

There are some areas of the accounts that may be of more importance to the user of the accounts, and we have set a lower materiality level for these:

- 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.

Significant financial statements' risks

Significant risks are identified risks of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum of inherent risk or those which are to be treated as a significant risk in accordance with the requirements of other ISAs. The ISAs require us to focus more attention on these significant risks.

Exhibit 1: significant financial statement risks

Significant risk	Our planned response
<p>Management Override</p> <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 240.32-33].</p> <p>Please note that this significant audit risk is driven by auditing standards and is included in all our audit plans.</p>	<p>The 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 bias; and• evaluate the rationale for any significant transactions outside the normal course of business.

Other areas of focus

I set out other identified risks of material misstatement which, whilst not determined to be significant risks as above, I would like to bring to your attention.

Exhibit 2: other areas of focus

Audit risk	Our planned response
<p>Financial Duty</p> <p>There is a significant risk that you will fail to meet your first financial duty to break even over a three-year period. The position at month 11 shows a year-to-date deficit of £62 million and a forecast year-end deficit of £66 million which is inconsistent with the Minister's published control total. This, combined with the outturns for 2021-22 and 2022-23, predicts a three-year deficit of £150 million.</p> <p>Where you fail this financial duty, we will place a substantive report on the financial statements highlighting the failure and qualify your regularity opinion. Your current financial pressures increase the risk that management judgements and estimates could be biased in an effort to achieve the financial duty.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • continue to monitor the Health Board's financial position for 2023-24 and the cumulative three-year position to 31 March 2024. • undertake testing on areas of the financial statements which contain judgements such year-end accrual; to ensure transactions have been reported in the correct reporting accounting period; and • consider the impact of any relevant uncorrected misstatements over the three years.
<p>Losses and Special Payments Register (LaSPaR)</p> <p>From 1 December 2023, the Losses and Special Payments Register (LaSPaR) which is used to calculate the losses and many of the provisions balances in the accounts has been de-commissioned nationally.</p> <p>For the remainder of 2023-24, a model excel spreadsheet will be used to record losses, special payments and to calculate year-end balances.</p> <p>There is a risk that the transactions and balances related to losses and special payments are materially misstated due to:</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • test the completeness and accuracy of data transfer from the LaSPaR system to the excel based spreadsheets. • consider the design and implementation of controls (if any) in place to mitigate error. • review the year-end spreadsheet to ensure that there are no significant errors or issues in the compilation of figures for the accounts; and • review transactions back to supporting evidence (e.g. Quantum reports) on a sample basis.

Audit risk	Our planned response
<ul style="list-style-type: none"> the data transfer between the LaSPaR system and the excel model not being complete and accurate; and/or the excel model miscalculating balances, due to spreadsheet/modelling errors and/or incorrect data entry. 	
<p>Remuneration Report and Related Parties transactions</p> <p>Some of the disclosures in the financial statements, such as the Remuneration Report and related parties are judged to be material by nature, with a far lower level of materiality. These disclosures are therefore inherently prone to material misstatement.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> examine all entries in the remuneration report to verify that they are materially accurate, and that remuneration has been paid at the approved levels. verify that all necessary signed declarations have been received, evaluated and disclosed appropriately and accurately.
<p>Reinforced Autoclaved Aerated Concrete (RAAC)</p> <p>Due to the significant presence of RAAC within Withybush Hospital, the Health Board has requested a specific valuation from the District Valuer with regards to the RAAC. Detailed surveys have already been undertaken across the whole site assessing the extent and the state of repair of the RAAC.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> review the valuation received by the District Valuer; and ensure that the valuation has been correctly accounted for within the 2023-24 financial statements.

My audit planning work is continuous, and if any further areas of audit focus are identified during the remainder of my planning work, these will be reported to you accordingly.

Financial statements' audit timetable

I set out below key dates for delivery of my accounts audit work and planned outputs.

Exhibit 3: key dates for delivery of planned outputs

Planned output	Work undertaken	Report finalised
2024 Detailed Audit Plan	March 2024	April 2024
Audit of financial statements work:		
<ul style="list-style-type: none">Audit of Financial Statements Report	May through to July 2024	July 2024
<ul style="list-style-type: none">Opinion on the Financial Statements	May through to July 2024	July 2024

Planned performance audit work

I set out below details of my performance audit work and key dates for delivery of planned outputs.

Exhibit 4: key dates for delivery of planned outputs

Area of work	Scope of the work	Planned timescales
<p>Structured Assessment - core</p>	<p>Structured assessment will continue to form the basis of the work my audit teams do at each NHS body to examine the existence of proper arrangements for the efficient, effective, and economical use of resources.</p> <p>My core 2024 structured assessment work will review the following areas:</p> <ul style="list-style-type: none"> • Board and committee cohesion and effectiveness. • Corporate systems of assurance. • Corporate planning arrangements; and • Corporate financial planning and management arrangements. <p>My structured assessment work will also include a review of the arrangements that are in place to track progress against previous audit recommendations. This allows the audit team to obtain assurance that the necessary progress is being made in addressing areas for improvement identified in previous audit work. It also enables us to more explicitly measure the impact our work is having.</p>	<p>Fieldwork to commence between June and August 2024 with reporting by the end of October 2024.</p>
<p>Structured Assessment - deep dive review of investment in digital systems</p>	<p>In addition to the core structured assessment work described above, my audit teams will also review certain arrangements at NHS bodies in more depth. This year, my audit teams will examine digital</p>	<p>Fieldwork to commence during the autumn of 2024 and reporting by the end of March 2025.</p>

Area of work	Scope of the work	Planned timescales
<p>to support service resilience and transformation</p>	<p>arrangements, with a particular focus on how NHS bodies are investing in digital technologies, solutions, and capabilities to support the workforce, transform patient care, meet demand, and improve productivity and efficiency. This work was deferred from 2023, following my decision to replace the work with a review of the Health Board's approach to financial efficiencies.</p>	
<p>All Wales thematic review of urgent and emergency care – managing demand for urgent and emergency care</p>	<p>In my 2020 audit plan for the Health Board, I set out my intention to undertake work to examine arrangements to manage demand for urgent and emergency care services, as part of my wider work focused on these services.</p> <p>Due to the COVID-19 pandemic, I deferred this work to allow NHS bodies to respond to the pandemic, with a plan to bring the work back online once the impact of the pandemic had subsided and my work on patient flow out of hospital was completed. I am now able to take forward my work on managing demand for urgent and emergency care. The work will be undertaken during 2024 and will be funded from this year's audit fee.</p> <p>Consequently, I have decided to refund the Health Board the fee paid for this work as part of my 2020 audit plan.</p> <p>My 2024 urgent and emergency care work will focus on:</p> <ul style="list-style-type: none"> • The robustness of plans to manage the demand on urgent and emergency care services; • The effectiveness of arrangements to encourage and enable people to access the 	<p>Fieldwork commenced in February 2024 and reporting by the end of September 2024.</p>

Area of work	Scope of the work	Planned timescales
	<p>right care, in the right place, at the first time; and</p> <ul style="list-style-type: none"> The effectiveness of arrangements to monitor the performance of urgent and emergency care services and apply lessons learnt to improve the services further. 	
<p>Local project work – management of outpatients</p>	<p>Where appropriate, my audit team will also undertake performance audit work that reflects issues specific to the Health Board. The focus of this work will be the management of outpatients, including assessing the Health Board’s progress on the recommendations made in our 2015 and 2018 Review of Follow-up Outpatient Appointments.</p>	<p>Fieldwork to commence during the autumn of 2024 and reporting by the end of March 2025.</p>

Fee and audit team

In January 2024 we published our [Fee Scheme](#) for the 2024-25 year as approved by the Senedd Finance Committee. My fee rates for 2024-25 have increased by an average of 6.4% because of unavoidable inflationary pressures and the ongoing need to invest in audit quality.

I estimate your total audit fee will be **£417,663**.

Planning will be ongoing, and changes to my programme of audit work, and therefore my fee, may be required if any key new risks emerge. I shall make no changes without first discussing them with the Director of Corporate Governance and the Director of Finance.

Our financial audit fee is based on the following assumptions:

- The agreed audit deliverables set out the expected working paper requirements to support the financial statements and includes timescales and responsibilities.
- No matters of significance, other than as summarised in this plan, are identified during the audit.

Exhibit 5: breakdown of audit fee

Audit area	Proposed fee for 2024 (£) ¹	Fee for 2023 (£)
Audit of Financial Statements	£232,811	£218,807
Performance audit work:		
• Structured Assessment	£99,975	£84,437
• All-Wales thematic review	£43,414	£45,541
• Local projects	£41,463	£43,755
Performance work total	£184,852	£173,733
Total fee	£417,663	£392,540

¹ The fees shown in this document are exclusive of VAT, which is not charged to you.

The main members of my team, together with their contact details, are summarised in **Exhibit 6**.

Exhibit 6: my local audit team

Name	Role	Contact details
Anthony Veale	Engagement Director and Audit Director (Financial Audit)	anthony.veale@audit.wales 02920 320585
Dave Thomas	Audit Director (Performance Audit)	dave.thomas@audit.wales 02920 320604
David Williams	Audit Manager (Financial Audit)	david.williams@audit.wales 02920 829326
Anne Beegan	Audit Manager (Performance Audit)	anne.beegan@audit.wales 02920 829341
Eleanor Ansell	Audit Lead (Financial Audit)	eleanor.ansell@audit.wales 02920 829327
Urvisha Perez	Audit Lead (Performance Audit)	urvisha.perez@audit.wales 02920 320610

I can confirm that my team members are all independent of the Health Board and your officers.

Staff secondment

One member of staff employed by the Wales Audit Office has been seconded to the Health Board. The staff member is a trainee accountant seconded as part of an initiative funded by the Welsh Consolidated Fund designed to allow trainee accountants to broaden their skills and to gain experience of working across different parts of the Welsh Public Sector. The staff member is seconded to the Health Board for the period March to September 2024.

To safeguard against any potential threats to auditor independence and objectivity, the following restrictions apply in line with the FRC's Revised Ethical Standard 2024:

- the secondee will not undertake any management responsibilities; and
- the secondment will be for a maximum of 12 months.

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 <u>Good Practice</u> 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 <u>newsletter</u> which provides you with regular updates on our public service audit work, good practice, and events.
	our <u>publications</u> which cover our audit work completed at public bodies.
	information on our <u>forward performance audit work programme 2023-2026</u> which is shaped by stakeholder engagement activity and our picture of public services analysis.
	various <u>data tools</u> and <u>infographics</u> 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 2023-24](#) and [Our Strategy 2022-27](#). Our Annual Plan 2024-25 will be published shortly and be available on our [website](#).



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