

Steve Moore  
Chief Executive  
Hywel Dda Health Board

By email

**Reference:** 04.07.amh.hdhb.moore

**Date issued:** 7 April 2020

Dear Steve

## Annual Audit Plan 2020 – Impact of COVID-19

The COVID-19 national emergency has had an unprecedented impact on the UK and will significantly impact on public bodies' preparation of the 2019-20 accounts and our audit work, both financial audit and performance audit.

Due to the UK Government's restrictions on movement and anticipated sickness absence levels, we understand that many public bodies will not be able to prepare accounts in line with the timetables set out.

Alongside the delivery of the Auditor General's statutory responsibilities, our priority is to ensure the health, safety and well-being of Audit Wales staff, their families and those of our partners elsewhere in the public service at this incredibly challenging time.

In response to the government advice and subsequent restrictions, we have ceased on all on site work at audited bodies and our own offices have closed. Audit Wales staff are working from home and we will continue to make whatever progress we can whilst working and engaging with you remotely.

We commit to ensuring that our audit work will not have a detrimental impact on you at a time when public bodies are stretched and focused on dealing with the COVID-19 national emergency.

## Amendments to the audit plan issued 10 February 2020

### Timetable

Considering the above, the audit plan issued to you on 10 February 2020 will need to be amended.

In respect of our financial audit work, we are aware that Welsh Government have revised draft accounts preparation and submission deadlines to 22 May and 30 June respectively, although these will continue to be under review. Achieving legislative deadlines for preparation of draft accounts (31 August 2020) and audit (some four months after draft submission) are currently unlikely to be unproblematic.

We will need to discuss amended timetables for the audit of accounts with you but will continue to work as flexibly as we can.

Our annual audit plan also set out a programme of performance audit work at the Health Board. We will make as much progress as possible with these activities by working remotely but not over-burdening your staff with information requests. However, the cessation of on-site work will have an inevitable impact on the delivery of our performance audit work. We are keeping this under on-going review and will communicate further information on revised timings and performance audit outputs when more is known about the duration of the COVID-19 restrictions and the wider impact of the outbreak on the NHS.

### Audit risks

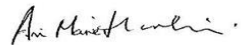
As a result of the COVID-19 national emergency, we need to update our assessment of audit risks. The following schedule replaces Exhibit 2 in the 2020 audit plan.

Financial audit risks	Proposed audit response
<b>Significant risks</b>	
The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].	My audit team will: <ul style="list-style-type: none"><li>• test the appropriateness of journal entries and other adjustments made in preparing the financial statements;</li><li>• review accounting estimates for biases; and</li><li>• and evaluate the rationale for any significant transactions outside the normal course of business.</li></ul>

Financial audit risks	Proposed audit response
<p>There is a significant risk that the Board will fail to meet its first financial duty to break even over a three-year period. The position at month 9 shows a forecast year-end deficit of £25 million. This combined with the out-turns for 2017-18 and 2018-19, predicts a three-year deficit of £122 million.</p> <p>Where the Board fails this financial duty, I will place a substantive report on the financial statements highlighting the failure.</p> <p>In addition, the current financial pressures on the Board increase the risk that management judgements and estimates could be biased in an effort to achieve a particular financial out-turn.</p>	<p>My audit team will focus its testing on areas of the financial statements which could contain reporting bias.</p>
Other areas of audit attention	
<p><b>Covid-19</b></p> <p>As coronavirus continues to spread and more information comes to light, the Health Board will need to assess the potential impact on the financial statements including the need for any additional disclosure requirements.</p>	<p>My audit team will assess the impact of Covid-19 on the financial statements and ensure that any additional disclosures are appropriate.</p>
<p>The NHS Pension Authority required a 6.03% increase in employer pension contribution in 2019-20. Welsh Government agreed to fund and pay this additional contribution directly. This additional contribution and the associated funding may need to be reflected in the LHB's accounts.</p>	<p>We will check that the LHB has correctly accounted for this increase in contribution and the associated funding.</p>
<p>On 18 December 2019 the First Minister issued a formal Ministerial Direction to the Permanent Secretary requiring her to implement a 'scheme pays' initiative in respect of the NHS pension tax arrangements for clinical staff.</p>	<p>We are considering the accounting treatment and audit implications of the direction (the first in Wales since 1999) in conjunction with the NAO who are currently addressing the same issue in NHS England.</p>

We will provide further updates as and when necessary. In the meantime, if you have any questions, please contact one of our audit team.

Yours sincerely,



**Ann-Marie Harkin**  
**Engagement Director**

CC Huw Thomas, Director of Finance  
Joanne Wilson, Board Secretary