

2022 Audit Plan – Hywel Dda University Health Board

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2022 Audit Plan

About this document

- 1 This document sets out the work I plan to undertake during 2022 to discharge my statutory responsibilities as your external auditor and to fulfil my obligations under the Code of Audit Practice.

Impact of COVID-19

- 2 The COVID-19 pandemic has had an unprecedented impact on the United Kingdom and the work of public sector organisations.
- 3 While Wales is currently at Coronavirus Alert Level 0, Audit Wales will continue to monitor the position and will discuss the implications of any changes in the position with your officers.

Audit of financial statements

- 4 I am required to issue a report on the Health Board's financial statements which includes an opinion on their 'truth and fairness' and the regularity of income and expenditure. I lay them before the Senedd together with any report that I make on them. In preparing such a report, I will:
 - give an opinion on your financial statements;
 - give an opinion on the proper preparation of key elements of your Remuneration and Staff Report; and
 - assess whether other information presented with the financial statements are prepared in line with guidance and consistent with the financial statements.
- 5 I will also report by exception on a number of matters which are set out in more detail in our [Statement of Responsibilities](#), along with further information about our work.
- 6 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 will be reported to the Audit and Risk Assurance Committee prior to completion of the audit.
- 7 Any misstatements below a trivial level (set at 5% of materiality) I judge as not requiring consideration by those charged with governance and therefore will not report them.
- 8 I will also report on your charitable funds' accounts.
- 9 There have been no limitations imposed on me in planning the scope of this audit.

Audit of financial statement risks

10 The following table sets out the significant risks that have been identified for the audit of your financial statements.

Exhibit 1: audit of financial statement risks

Financial audit risks	Proposed audit response
Significant risks	
<p>The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].</p>	<p>We 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>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 10 shows a forecast year-end deficit of £25 million. This, combined with the outturns for 2019-20 and 2020-21, predicts a three-year deficit of £84.9 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 targets set by Welsh Government.</p>	<p>We will focus our testing on areas of the financial statements which could contain reporting bias.</p>

Financial audit risks	Proposed audit response
<p>The implementation of the ‘scheme pays’ initiative in respect of the NHS pension tax arrangements for clinical staff is ongoing. Last year we included an Emphasis of matter paragraph in the audit opinion drawing attention to your disclosure of the contingent liability. Applications to the scheme will close on 31 March 2022, and if any expenditure is made in-year, we would consider it to be irregular as it contravenes the requirements of Managing Welsh Public Money.</p>	<p>We will review the evidence one year on around the take-up of the scheme and the need for a provision, and the consequential impact on the regularity opinion.</p>
Other areas of audit attention	
<p>Although COVID-19 restrictions have now been removed, there have been ongoing pressures on staff resource and of remote working that may impact on the preparation, audit and publication of accounts. There is a risk that the quality of the accounts and supporting working papers may be compromised leading to an increased incidence of errors. Quality monitoring arrangements may be compromised due to timing issues and/or resource availability.</p>	<p>We will discuss your closedown process and quality monitoring arrangements with the accounts preparation team and make arrangements to monitor the accounts preparation process. We will help to identify areas where there may be gaps in arrangements.</p>
<p>There continues to be increased funding streams and expenditure in 2021-22 to deal with the COVID-19 pandemic. These could have a impact on the risks of misstatement and the shape and approach to our audit. Examples of issues include accounting for field hospital decommissioning and their associated costs; fraud, error and regularity risks of additional spend; valuation (including obsolescence) of</p>	<p>We will identify the key issues and associated risks and plan our work to obtain the assurance needed for our audit.</p>

Financial audit risks	Proposed audit response
year-end inventory including PPE; and estimation of annual leave balances.	
Introduction of IFRS 16 Leases has been deferred until 1 April 2022. There may be considerable work required to identify leases and the COVID-19 national emergency may pose additional implementation risks. The 2021-22 accounts will need to disclose the potential impact of implementing the standard	We will review the completeness and accuracy of the disclosures
In 2020-21 we identified weaknesses in the Health Boards' systems to capture annual leave balances for the calculation of the year end annual leave accrual. The annual leave accrual balance is likely to be material again for 2021-22.	We will review the work undertaken by the Health Board to improve the systems to capture year end annual leave balances and undertake detailed testing of the related balances and disclosures in the accounts.

- 11 In addition to my responsibilities in respect of the audit of the body's statutory financial statements set out above, I am also required to certify a return to the Welsh Government which provides information about Hywel Dda University Health Board to support preparation of Whole of Government Accounts.

Performance audit work

- 12 In addition to my Audit of Financial Statements, I must also 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.
- 13 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.
- 14 During 2020-21 I consulted public bodies and other stakeholders on how I will approach my duties in respect of the Well-being of Future Generations (Wales) Act

2015 for the period 2020-2025. In March 2021, I wrote to the 44 public bodies designated under the Act setting out my intentions, which include:

- carrying out specific examinations of how public bodies have set their well-being objectives, and
- integrating my sustainable development principle examinations within my local audit programme.

- 15 My auditors are liaising with the Health Board to agree the most appropriate time to examine the setting of well-being objectives.
- 16 **Exhibit 2** sets out my current plans for performance audit work in 2022.

Exhibit 2: My planned 2022 performance audit work at the Health Board

Theme	Approach/key areas of focus
<p>NHS Structured Assessment</p>	<p>Structured assessment will continue to form the basis of the work auditors do at each NHS body to examine the existence of proper arrangements for the efficient, effective, and economical use of resources.</p> <p>My 2022 structured assessment work will review the corporate arrangements in place at the Health Board in relation to:</p> <ul style="list-style-type: none"> • Governance and leadership; • Financial management; • Strategic planning; and • Use of resources (such as digital resources, estates, and other physical assets).
<p>All-Wales Thematic work</p>	<p>As part of my 2022 plan, I intend to undertake an assessment of the workforce risks that NHS bodies are experiencing currently and are likely to experience in the future. It will examine how local and national workforce planning activities are being taken forward to manage those risks and address short-, medium- and longer-term workforce needs. I will tailor this work to align to the responsibilities of individual NHS bodies in respect of workforce planning.</p> <p>I also plan to use an element of the 2022 audit fee to respond to aspects of service delivery where my insight and knowledge across Wales will provide value to NHS bodies. The exact focus of this work will be confirmed following a broader consultation on my overall</p>

Theme	Approach/key areas of focus
	programme of audit work for Audit Wales for 2022-23 and beyond (see paragraphs 17 and 18).
Locally focused work	Where appropriate, I will also undertake performance audit work that reflects issues specific to the Health Board. The precise focus of this work will be agreed with executive officers and the Audit and Risk Assurance Committee.
Implementing previous audit recommendations	My structured assessment work will 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.

- 17 In March 2022, I published a consultation inviting views to inform our future audit work programme for 2022-23 and beyond. In particular, it considers topics that may be taken forward through my national value for money examinations and studies and/or through local audit work across multiple NHS, central government, and local government bodies. As we develop and deliver our future work programme, we will be putting into practice key themes in our new five-year strategy, namely:
- the delivery of a strategic, dynamic, and high-quality audit programme; supported by
 - a targeted and impactful approach to communicating and influencing.
- 18 The possible areas of focus for future audit work that we set out in the consultation were framed in the context of three key themes from our [Picture of Public Services](#) analysis in autumn 2021, namely: a changing world; the ongoing pandemic; and transforming service delivery. We also invited views on possible areas for follow-up work.
- 19 We will provide updates on the performance audit programme through our regular updates to the Audit and Risk Assurance Committee.

Fee, audit team and timetable

- 20 My fees and the planned timescales for completion of the audit are based on the following assumptions:
- the financial statements are provided to the agreed timescales, to the quality expected and have been subject to quality assurance review;
 - information provided to support the financial statements is in accordance with the agreed audit deliverables document¹;
 - appropriate facilities and access to documents are provided to enable my team to deliver our audit in an efficient manner;
 - all appropriate officials will be available during the audit;
 - you have all the necessary controls and checks in place to enable the Accounting Officer to provide all the assurances that I require in the Letter of Representation addressed to me; and
 - Internal Audit's planned programme of work is complete, and management has responded to issues that may have affected the financial statements.

Fee

- 21 As set out in our [Fee Scheme 2022-23](#) our fee rates for 2022-23 have increased by 3.7% as a result of the need to continually invest in audit quality and in response to increasing cost pressures.
- 22 The estimated fee for 2022 is set out in **Exhibit 3**. Overall, this represents a 0.5% increase compared to your actual 2021 fee. The overall percentage increase is less than the fee rate increase outlined above. This is because the financial audit fee has been adjusted to reflect a reduction in the time required to deliver the Health Board accounts audit, and a slight increase in the Charitable Funds audit to ensure quality. The fee for our performance audit work has also reflected some adjustments to our national approach to Structured Assessment in addition to the Health Board's reduced escalation status.

¹ The agreed audit deliverables documents set out the expected working paper requirements to support the financial statements and include timescales and responsibilities.

Exhibit 3: audit fee

Audit area	Proposed fee for 2022 (£) ²	Proposed fee for 2021 (£)
Audit of Financial Statements:		
• Health Board accounts	191,426	196,000
• Charitable Funds accounts	13,181	9,000
Audit of Financial Statements total	204,607	205,000
Performance audit work:		
• Structured Assessment	62,022	66,195
• All-Wales thematic work ³	71,913	72,967
• Local projects	34,639	27,193
Performance work total	168,574	166,355
Total fee	373,181	371,355

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

24 [Further information on my fee scales and fee setting can be found on our website.](#)

Audit team

25 The main members of the audit team, together with their contact details, are summarised in **Exhibit 4**.

Exhibit 4: my local audit team

Name	Role	Contact number	E-mail address
Clare James	Engagement Director (Financial Audit)	02920 829330	clare.james@audit.wales
Dave Thomas	Audit Director (Performance Audit)	02920 320604	dave.thomas@audit.wales

² The fees shown in this document are exclusive of VAT, which is not charged to you.

³ As detailed in the respective audit plans.

Name	Role	Contact number	E-mail address
Lucy Evans	Audit Manager (Financial Audit)	02920 829317	lucy.evans@audit.wales
Anne Beegan	Audit Manager (Performance Audit)	02920 829341	anne.beegan@audit.wales
Eleanor Ansell	Audit Lead (Financial Audit)	02920 829327	eleanor.ansell@audit.wales
Katrina Febry	Audit Lead (Performance Audit)	02920 320616	katrina.febry@audit.wales

26 We can confirm that team members are all independent of you and your officers.

Timetable

27 The key milestones for the work set out in this plan are shown in **Exhibit 5**. As highlighted earlier, there may be a need to revise the timetable in light of developments with COVID-19.

Exhibit 5: Audit timetable

Planned output	Work undertaken	Report finalised
2022 Audit Plan	March 2022	April 2022

Planned output	Work undertaken	Report finalised
<p>Audit of Financial Statements work:</p> <ul style="list-style-type: none"> • Audit of Financial Statements Report • Opinion on Financial Statements 	February to June 2022	June 2022
<p>Performance audit work:</p> <ul style="list-style-type: none"> • Structured Assessment • All-Wales thematic work • Local project work 	Timescales for individual projects will be discussed with you and detailed within the specific project briefings produced for each study.	



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