

## Audit of Accounts Report – Hywel Dda University Local Health Board

Audit year: 2022-23

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We intend to issue an unqualified true and fair audit opinion on your accounts. The audit opinion in respect of the regularity of expenditure is proposed to be qualified because the Health Board did not meet its revenue resource allocation over the three-year period ending 2022-23.

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# Audit of Accounts Report

## Introduction

- 1 We summarise the main findings from our audit of your 2022-23 accounts in this report.
- 2 We have already discussed these issues with the Director of Finance and his team.
- 3 Auditors can never give complete assurance that accounts are correctly stated. Instead, we work to a level of 'materiality'. This level of materiality is set to try to identify and correct misstatements that might otherwise cause a user of the accounts into being misled. We set this level at £12.264 million for this year's audit.
- 4 There are some areas of the accounts that we judge may be of more importance to the reader and we have set a lower materiality level for these, as follows:
  - Remuneration report/senior pay disclosures; and
  - Related party transactions.
- 5 Our audit is substantially complete except for the following:
  - Completion of the engagement quality control review of our proposed qualified regularity opinion (an internal Audit Wales process); and
  - Some final review processes.
- 6 We will update the Audit and Risk Committee on the conclusions of our work at its meeting on the 26<sup>th</sup> July 2023.
- 7 The overall timetable for completion of the audited accounts is set out in **Exhibit 1**.

### Exhibit 1 – Accounts timetable

<b>Timetable</b>	<ul style="list-style-type: none"><li>• The deadline for completing your accounts was 5 May 2023.</li><li>• We received the draft accounts on 5 May 2023.</li><li>• Our deadline for completing our audit is 31 July 2023.</li><li>• We expect your audit report to be signed on 28 July 2023.</li></ul>
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- 8 In our Detailed Audit Plan, presented to you in June 2023, we included five significant risks in respect of management override, the Health Board's financial position, the quinquennial valuation of the NHS estate, the remuneration report and related party transactions. As a result of our continuous planning work, we revised the risk profile of the quinquennial valuation of the NHS estate, the remuneration report and related party transactions to a medium audit risk level. We have undertaken work as part of the audit to address significant risks and other areas outlined in our Detailed Audit Plan as 'other areas of focus'.
- 9 In our professional view, we have complied with the ethical standards that apply to our work; remain independent of yourselves; and our objectivity has not been

compromised in any way. There are no relationships between ourselves and yourselves that we believe could undermine our objectivity and independence.

## Proposed audit opinion

- 10 We issue a 'qualified' audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.
- 11 The Letter of Representation contains certain confirmations we are required to obtain from you under auditing standards along with confirmation of other specific information you have provided to us during our audit.
- 12 We intend to issue an unqualified true and fair opinion but a qualified regularity opinion on your Accounts once you have provided us with a Letter of Representation based on that set out in **Appendix 1**.
- 13 Our proposed audit report is set out in **Appendix 2**. The audit report explains that the regularity opinion for 2022-23 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 2022-23.
- 14 The Auditor General's substantive report also reports 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 2022-23 to 2024-25. The regularity opinion is not qualified for this.

## Significant issues arising from the audit

### Uncorrected misstatements

- 15 There are no uncorrected misstatements above our trivial level (£0.613m) but lower than materiality (£12.264m).

### Corrected misstatements

- 16 There were initially misstatements in the accounts that have now been corrected by management. However, we believe that the more significant of these should be drawn to your attention and they are set out with explanations in **Appendix 3**.

### Other significant issues arising from the audit

- 17 In the course of the audit, we consider a number of matters relating to the accounts and report any significant issues arising to you. There are two issues that we need to bring to your attention. These are set out below.

## Continuing Health Care (CHC) accruals

- 18 Our audit work identified the need to improve the Health Board's system for capturing and classifying continuing healthcare (CHC) year-end liabilities.
- 19 CHC cases and their associated costs are recorded throughout the year on a database maintained by the CHC administrative teams. The database is then used to calculate the remaining CHC accrual at year end. However, an early closedown procedure leaves the accrual calculations vulnerable to error in two ways.
- 20 Firstly, CHC invoice processing is closed from 21 February. Any invoices received after that date are not recorded on the database until the new financial year, approximately 6 weeks later. As a result, whilst the overall value of the year end liability is correct, a proportion of the accrual that had a corresponding invoice received before year end should have been classified as a payable. For 2022-23 the proportion of the accrual that should have been classified as a payable was £2,952k. Officers have adjusted for this error in classification in Note 18 and we have raised a recommendation that the Health Board should improve the closedown process to classify the type of year end liabilities more accurately. See **Recommendation 1, Appendix 4.**
- 21 Secondly, the CHC database is closed for changes to care packages from 27 February. Such changes can include new cases, deceased cases or changes to care packages and rates. Any requests for changes from the close down date until the new financial year approximately 5 weeks later are stored in a separate spreadsheet, an administrator's email inbox or a filing cabinet within the commissioning function under the Director of Primary, Community and Long-Term Care. We undertook additional audit work and were satisfied that the impact of these unprocessed changes would not render the CHC accrual materially misstated. However, we have raised a recommendation that the Health Board improve the CHC closedown process to ensure that the year-end accrual is complete. See **Recommendation 1, Appendix 4.**

## Annual leave accrual

- 22 In 2020-21 and 2021-22 we reported that the Health Boards system to record and collect annual leave balances was not robust. We found issues with the range of different annual leave systems in use across the Health Board (Electronic Staff Record (ESR), the e-roster system, the national Intrepid system, and manual records). Issues included staff not using systems properly, a lack of management information, and manual interfaces between systems. This resulted in the Health Boards annual leave accrual at year end being unclear and, in some instances, inaccurate.
- 23 In 2022-23 the underlying systems have not changed. We undertook additional audit work to satisfy ourselves that the annual leave balances used in the calculation of the annual leave accrual in the accounts was not materially misstated. However, we reiterate our recommendation from the last two years that,

for both financial and operational reasons, the Health Board should ensure that a more robust system is installed to readily, and accurately, monitor leave balances across the organisation at any one time. See **Recommendation 2, Appendix 4**.

## Recommendations

- 24 The recommendations arising from our audit are set out in **Appendix 4**. Management has responded to these, and we will follow up progress against them during next year's audit. Where any actions are outstanding, we will continue to monitor progress and report it to you in next year's report.

# Appendix 1

## Final letter of representation

[Audited body's letterhead]

Auditor General for Wales  
1 Capital Quarter  
Tyndall Street  
Cardiff  
CF10 4BZ

27 July 2023

## Representations regarding the 2022-23 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 Local Health Board (the Health Board) for the year ended 31 March 2023 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 the 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, accounted for, and disclosed in accordance with the applicable financial reporting framework.

There are no uncorrected misstatements in the financial statements.

## **Representations by those charged with governance**

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

We acknowledge our responsibility for ensuring that the company maintains adequate accounting records.

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 Health Board on 27 July 2023.

We confirm that we have taken all necessary steps 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:

Signed by:

Chair of Board

Date:

# Appendix 2

## 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 LHB) for the year ended 31 March 2023 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 significant 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 2023 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 described in the Basis for Qualified Regularity Opinion on regularity 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 the Hywel Dda University Health Board's financial statements because the Health Board has breached its revenue resource limit by spending £108.95 million over the £3,199.59 million that it was authorised to spend in the three-year period 2020-2021 to 2022-23. This spend constitutes irregular expenditure. Further detail is set out in my Report on page (to be inserted by LHB).

## **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 on pages (to be inserted by LHB), 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 management override and unusual journals;
- obtaining an understanding of 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; and
- 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 and Risk Assurance Committee and legal advisors about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board; and
- 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 Board 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 page (to be inserted by LHB).

Adrian Crompton  
Auditor General for Wales  
28 July 2023

1 Capital Quarter  
Tyndall Street  
Cardiff  
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# 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 Local Health Board's (the LHB's) financial statements. I am reporting on these financial statements for the year ended 31 March 2023 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

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

For 2022-23, Hywel Dda University Local 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 LHBs 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 2020-21 to 2022-23.

As shown in Note 2.1 to the Financial Statements, the LHB did not manage its revenue expenditure within its resource allocation over this three-year period, exceeding its cumulative revenue resource limit of £3,199.59 million by £108.95 million.

Where an LHB 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 LHB'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 LHBs 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. An LHB will be deemed to have met this duty for 2022-23 if it submitted a 2022-23 to 2024-25 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 2022-23 to 2024-25.

**Adrian Crompton**  
**Auditor General for Wales**  
**28 July 2023**

# 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 due to their relevance to your responsibilities over the financial reporting process.

### Exhibit 3: summary of corrections made

Value of correction	Nature of correction	Reason for correction
£2,952k (No overall effect on the primary statements and reported deficit position)	<b>Note 18 Payables</b> £2,952k of Continuing Health Care Accruals reclassified as Payables given that invoices received before year end.	To ensure the financial statements are accurate and in accordance with the Manual for Accounts.
£7,485k (No overall effect on the primary statements and reported deficit position)	<b>Note 18 Accruals &amp; Note 15 Receivables</b> £7,485,470 of payments on account (debit balance) erroneously included in the Non-NHS accruals balance in Note 18 (credit balance) removed in order to show Accruals and Receivables balances gross rather than netted off one another.	To ensure the financial statements are accurate and in accordance with the Manual for Accounts.
£1,039k (No overall effect on the primary statements and reported deficit position)	<b>Note 15 Trade and other receivables</b> £992k misclassified as 'Other Debtors' and £46k misclassified as 'Other Prepayments' in the draft accounts moved to be classified as debtors to 'Local Authorities'.	To ensure the financial statements are accurate and in accordance with the Manual for Accounts.

Value of correction	Nature of correction	Reason for correction
Disclosure only (No overall effect on the primary statements and reported deficit position)	<p><b>Note 23 Losses and Special Payments</b></p> <p>Correction of a manual disclosure error where four cases under the £300k reporting threshold were included in error, and five cases over the threshold excluded in error. All cases had been reported to Audit and Risk Committee in year.</p>	To ensure the financial statements are accurate and in accordance with the Manual for Accounts.
Narrative disclosure (No overall effect on the primary statements and reported deficit position)	<p><b>Note 30 Related Party Transactions –</b></p> <p>Health Board officers identified that the names of two Independent Members that had left during the year had been excluded from the draft Note 30 in error. Their associated related party transactions had been appropriately included. This was corrected in the final Note 30.</p>	To ensure the financial statements are complete and in accordance with the Manual for Accounts.
£4,588k (No overall effect on the primary statements and reported deficit position)	<p><b>Note 20 Provisions</b></p> <p>The Health Board is reliant on the Welsh Risk Pool (WRP) to provide information on its ongoing clinical negligence cases for them to calculate the year end provisions for clinical negligence. WRP erroneously included a structured settlement case in the Health Boards year end listing when in fact it had been transferred to the Welsh Risk Pool during the financial year. This was corrected to ‘transferred out to the Welsh Risk Pool’ in the final provisions Note 20, and the corresponding Welsh Risk Pool debtor in Note 15 reduced by the same amount.</p>	To ensure the financial statements are accurate and in accordance with the Manual for Accounts.

Value of correction	Nature of correction	Reason for correction
<p>£60k increase in cash equivalent transfer value (No overall effect on the primary statements and reported deficit position)</p>	<p><b>Remuneration Report</b>  Pension's information disclosed in the Remuneration Report is provided by the NHS Pensions Agency. During the audit Health Board officers identified that two senior officer pension benefit values provided by the NHS Pensions Agency and reported throughout the draft remuneration report were undervalued. The Health Board sought a revised valuation report from the NHS Pensions Agency and disclosed the corrected values throughout the final Remuneration Report.</p>	<p>To ensure the financial statements are accurate and in accordance with the Manual for Accounts.</p>
<p>Disclosure only (No overall effect on the primary statements and reported deficit position)</p>	<p><b>Note 29 Events After Reporting Period</b>  During the audit, NHS bodies were notified of the 'NHS Wales Recovery Payment' – additional Agenda for Change pay arrangements relevant to the 2022-23 financial year, to be funded by the Welsh Government. As the arrangements were not confirmed until after year-end, they do not affect these accounts even though the pay arrangements relate to 2022-23. However, the LHB has appropriately disclosed the arrangements and their estimated future impact within Note 29.</p>	<p>To ensure that all relevant matters are presented in this disclosure note.</p>
<p>Various (No overall effect on the primary statements and reported deficit position)</p>	<p>Various other narrative, presentational and other trivial amendments made across the draft accounts and other reports.</p>	<p>To ensure accuracy 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 all the recommendations arising from our audit with management's response to them. We will follow these up next year and will include any outstanding issues in next year's audit report:

### Exhibit 4: matters arising and recommendations

<b>Matter arising 1 – Continuing Health Care accruals</b>	
<b>Findings</b>	The Health Board's system for capturing and classifying continuing healthcare (CHC) year-end liabilities is vulnerable to error in classification and completeness because of an early closedown procedure.
<b>Priority</b>	High
<b>Recommendation</b>	The Health Board should review the CHC closedown process to ensure that year-end liabilities are accurately classified and complete.
<b>Benefits of implementing the recommendation</b>	Implementation would enable the Health Board to calculate and classify the CHC liability year end more accurately.
<b>Accepted in full by management</b>	Yes
<b>Management response</b>	A revised process will be developed
<b>Implementation date</b>	Prior to 2023/24 accounts preparation

## Matter arising 2 – Annual Leave System

<b>Findings</b>	<p>As reported in 2020-21 and 2021-22, the Health Boards system to monitor annual leave balances is not robust.</p> <p>Our work confirmed that there are still a number of annual leave systems in use across the Health Board. These include the Electronic Staff Record (ESR), the roster system, the national Intrepid system, and manual records. The range of different systems at play makes in year management information on leave levels and the leave position at year end unclear and vulnerable to errors.</p>
<b>Priority</b>	Medium
<b>Recommendation</b>	<p>The Health Board should ensure that a more robust system is installed, and used, to readily, and accurately, monitor leave balances across the organisation at any one time.</p> <p>It is recommended that this is remedied before next year's audit.</p>
<b>Benefits of implementing the recommendation</b>	<p>Implementation would enable the Health Board to accurately monitor staff leave balances. This in turn will give clearer view of staff availability for work, support budget monitoring, and provide a more robust estimate of the financial impact of accrued annual leave at year end.</p>
<b>Accepted in full by management</b>	Yes
<b>Management response</b>	<p>We will put plans in place to ensure we have a robust mechanism for capturing and recording annual leave in time for the preparation of the 2023-24 accounts.</p> <p>The range of annual leave systems in use across the Health Board will be minimised. The recording of annual leave on the rostering system interfaces with</p>

**Matter arising 2 – Annual Leave System**

ESR, further areas will move to using the rostering system to record annual leave to provide a robust mechanism for capturing annual leave and to improve management information.

**Implementation date**

Prior to accounts preparation 2023-24







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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.