

2022 Audit Plan – Public Health Wales NHS Trust

Audit year: 2021-22

Date issued: April 2022

Document reference: 2908A2022

This document has been prepared as part of work performed in accordance with statutory functions. Further information can be found in our [Statement of Responsibilities](#).

Audit Wales is the non-statutory collective name for the Auditor General for Wales and the Wales Audit Office, which are separate legal entities each with their own legal functions as described above. Audit Wales is not a legal entity and itself does not have any functions.

No responsibility is taken by the Auditor General, the staff of the Wales Audit Office or, where applicable, the appointed auditor in relation to any member, director, officer or other employee in their individual capacity, or to any third party.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales, the Wales Audit Office and, where applicable, the appointed auditor are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at infoofficer@audit.wales.

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

Contents

2022 Audit Plan

About this document 4

Impact of COVID-19 4

Audit of financial statements 4

Performance audit work 7

Fee, audit team and timetable 9

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

Audit of financial statement risks

9 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>NHS Trusts have a financial duty to break even over a three-year rolling period. Although the Trust is forecasting a break-even position for year-end, this duty increases the risk that management judgements and estimates included in the financial statements could be biased in an effort to achieve the financial duty. Where the Trust fails this financial duty, we will place a substantive report on the financial statements highlighting the failure.</p>	<p>We will focus our testing on areas of the financial statements which could contain reporting bias.</p>
<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</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>

Financial audit risks	Proposed audit response
<p>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>The Trust is proposing to write-off losses of some £3.5 million in relation to a contract to procure COVID-19 testing kits. The contract was established in April 2020 early in the COVID-19 pandemic. Following changes in science and policy, the testing kits are no longer required. There are risks that the loss is not appropriately approved and not appropriately accounted for in the financial statements.</p>	<p>We will review:</p> <ul style="list-style-type: none"> • the legal advice received by the Trust; • if all required procedures to approve the loss have been followed; and • the accounting entries made in the financial statements.
<p>The Trust has purchased some £4.8m of Imaging Equipment which will not be delivered to the Trust by 31 March 2022. There are risks around the ownership and control of these assets and the corresponding accounting.</p>	<p>We will review:</p> <ul style="list-style-type: none"> • the agreement between the supplier and the Trust to determine who has ownership and control of the equipment at year end; and • the accounting entries made in the financial statements.
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. 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>

Financial audit risks	Proposed audit response
<p>There continues to be increased funding streams and expenditure in 2021-22 to deal with the COVID-19 pandemic. These could have an impact on the risks of misstatement and the shape and approach to our audit.</p>	<p>We will identify the key issues and associated risks and plan our work to obtain the assurance needed for our audit.</p>
<p>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.</p>	<p>We will review the completeness and accuracy of the disclosures.</p>

10 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 Public Health Wales to support preparation of Whole of Government Accounts.

Performance audit work

- 11 In addition to my Audit of Financial Statements, I must also satisfy myself that the Trust 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.
- 12 My work programme is informed by specific issues and risks facing the Trust 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.
- 13 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 principal examinations within my local audit programme.

- 14 My auditors have been liaising with the Trust and intend to carry out the examination of the setting of well-being objectives during autumn 2022. At the Trust's request, the work has been postponed from the previous financial year.
- 15 **Exhibit 2** sets out my current plans for performance audit work in 2022.

Exhibit 2: My planned 2022 performance audit work at the Trust

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 Trust 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>Locally focused work</p>	<p>Where appropriate, I will also undertake performance audit work that reflects issues specific to the Trust. The precise focus of this work will be agreed with executive officers and the Audit and Corporate Governance Committee.</p>
<p>Implementing previous audit recommendations</p>	<p>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</p>

Theme	Approach/key areas of focus
	<p>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>

- 16 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.
- 17 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.
- 18 We will provide updates on the performance audit programme through our regular updates to the Audit and Corporate Governance Committee.

Fee, audit team and timetable

- 19 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;
 - when it is safe to resume on-site activities, appropriate facilities and access to documents are provided to enable my team to deliver our audit in an efficient manner;

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

- 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

- 20 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.
- 21 The estimated fee for 2022 is set out in **Exhibit 3**. This represents a 4.7% increase compared to your actual 2021 fee. The change reflects the increase in our fee rates as well as a slight increase in the performance audit work baseline fee we need to deliver our 2022 audit plan at the Trust in the context of the current risks facing the NHS.

Exhibit 3: audit fee

Audit area	Proposed fee for 2022 (£) ²	Actual fee for 2021 (£)
Audit of Financial Statements	£95,254	£91,888
Performance audit work:		
• Structured Assessment	£35,504	£47,307
• National and Local Thematic Reviews	£36,289	£20,313
Performance work total	£71,792	£67,620
Total fee	£167,046	£159,508

- 22 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.
- 23 [Further information on my fee scales and fee setting can be found on our website.](#)

Audit team

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

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

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
Mike Jones	Audit Manager (Financial Audit)	02920 320649	mike.jones@audit.wales
Anne Beegan	Audit Manager (Performance Audit)	02920 829341	anne.beegan@audit.wales
Ramim Khan	Audit Lead (Financial Audit)	02920 320632	ramim.khan@audit.wales
Verity Winn	Audit Lead (Performance Audit)	02920 320683	verity.winn@audit.wales

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

Timetable

26 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	January to April 2022	April 2022
Audit of Financial Statements work: <ul style="list-style-type: none"> • Audit of Financial Statements Report • Opinion on Financial Statements • Financial Accounts Memorandum 	January to June 2022	June 2022 June 2022 September 2022
Performance audit work: <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.	



Audit Wales

24 Cathedral Road

Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: info@audit.wales

Website: www.audit.wales

We welcome correspondence and telephone calls in Welsh and English.
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.