

Annual Audit Report 2024 – Public Health Wales NHS Trust

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Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

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Summary report

About this report

- 1 This report summarises the findings from my 2024 audit work at Public Health Wales NHS Trust (the Trust) undertaken to fulfil my responsibilities under the Public Audit (Wales) Act 2004. That Act requires me to:
 - examine and certify the accounts submitted to me by the Trust, and to lay them before the Senedd;
 - satisfy myself that expenditure and income have been applied to the purposes intended and are in accordance with authorities; and
 - satisfy myself that the Trust has made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources.
- 2 I report my overall findings under the following headings:
 - Audit of accounts
 - Arrangements for securing economy, efficiency, and effectiveness in the use of resources
- 3 This year's audit work took place at a time when NHS bodies were continuing to respond to a broad set of challenges associated with the cost-of-living crisis, the climate emergency, inflationary pressures on public finances, workforce shortages, and an ageing estate. In addition, NHS bodies are still dealing with the legacy of the COVID-19 pandemic. My work programme, therefore, was designed to best assure the people of Wales that public funds are well managed.
- 4 We largely continued to work and engage remotely where possible using technology, but some on-site audit work resumed where it was appropriate to do so. This inevitably had an impact on how we deliver audit work but has also helped to embed positive changes in our ways of working.
- 5 The audited accounts submission deadline was shortened by two weeks from the previous year to 15 July 2024. The financial statements were certified on 12 July 2024, meaning the deadline was met. This reflects a great collective effort by both my staff and the Trust's officers.
- 6 The focus and approach of my performance audit work continues to be aligned to the post-pandemic challenges facing the NHS in Wales and is conducted in line with INTOSAI¹ auditing standards.
- 7 This report is a summary of the issues presented in more detailed reports to the Trust this year (see **Appendix 1**). I also include a summary of the status of work still underway, but not yet completed.

¹ INTOSAI (International Organisation of Supreme Audit Institutions) 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.

- 8 **Appendix 2** presents the latest estimate of the audit fee that I will need to charge to cover the costs of undertaking my work, compared to the original fee set out in the 2024 Audit Plan.
- 9 **Appendix 3** sets out the audit of accounts risks set out in my 2024 Audit Plan and how they were addressed through the audit.
- 10 The Executive Team have agreed the factual accuracy of this report. We presented it to the Board on 30 January 2025. We strongly encourage the Trust to arrange its wider publication. We will make the report available to the public on the [Audit Wales website](#) after the Board have considered it.
- 11 I would like to thank the Trust's staff and members for their help and co-operation throughout my audit.

Key messages

Audit of accounts

- 12 I concluded that the Trust's accounts were properly prepared and materially accurate and issued an unqualified audit opinion on them. My work did not identify any material weaknesses in internal controls (as relevant to my audit) however, I brought some issues to the attention of officers and the Audit and Corporate Governance Committee (ACGC).
- 13 I identified no material financial transactions within the Trust's 2023-24 accounts that were not in accordance with authorities or not used for the purpose intended, and so I have issued an unqualified opinion on the regularity of the financial transactions within the Trust's 2023-24 accounts.
- 14 I placed no substantive report alongside my opinion this year as there were no issues to report.

Arrangements for securing efficiency, effectiveness, and economy in the use of resources

- 15 My programme of performance audit work has led me to draw the following conclusions:
- the Trust has effective arrangements to ensure good governance, with sound approaches in place to develop and monitor its plans and manage its finances. However, there remains a need to improve the timeliness of some committee meetings and develop a more comprehensive approach to assurance mapping as part of its Board Assurance Framework.
 - the Trust has clear arrangements for identifying and delivering its cost improvement opportunities and monitoring its overall financial position. However, uncertainty around inflationary uplift funding presents risks that will need to be managed in the medium to long-term.

16 These findings are explored further in the following section of this report.

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Detailed report

Audit of accounts

- 17 Preparing annual accounts is an essential part of demonstrating the stewardship of public money. The accounts show the organisation’s financial performance and set out its net assets, net operating costs, gains and losses, and cash flows. My annual audit of those accounts provides an opinion on both their accuracy and the proper use (‘regularity’) of public monies.
- 18 My 2024 Audit Plan set out the key risks for audit of the accounts for 2023-24 and these are detailed along with how they were addressed in **Exhibit 4, Appendix 3**.
- 19 My responsibilities in auditing the accounts are described in my Statement of Responsibilities publications, which are available on the Audit Wales website.

Accuracy and preparation of the 2023-24 accounts

- 20 I concluded that the Trust’s accounts were properly prepared and materially accurate and issued an unqualified audit opinion on them. My work did not identify any material weaknesses in internal controls (as relevant to my audit) however, I brought some issues to the attention of officers and the Audit and Corporate Governance Committee (ACGC) for improvement.
- 21 The Trust submitted their draft accounts within the required deadline. The accounts, and supported working papers, were of good quality, and officers of the Trust provided us with an appropriate level of support and engagement to enable us to complete the audit on a timely basis.
- 22 I must report issues arising from my work to those charged with governance (the Audit Committee) for consideration before I issue my audit opinion on the accounts. My Financial Audit Engagement Lead reported these issues on 10 July 2024. **Exhibit 1** summarises the key issues set out in that report.

Exhibit 1: issues reported to the Audit Committee

Issue	Auditors’ comments
Uncorrected misstatements	We identified one non-material misstatement in the accounts that remained uncorrected in relation to overstated Property Plant and Equipment valuations. The accounts included the valuations of some equipment assets that the Trust had been unable to demonstrate as still being owned by the Trust and have not been disposed. The maximum impact of this error is such that opening Gross Book values are overstated by £889,000 and the Net Book Values on 31 March 2024 by £127,000. The overall impact of

Issue	Auditors' comments
	this misstatement was therefore not material and had no impact on our audit opinion.
Corrected misstatements	There were several adjustments to the financial statements, none of which had a material impact.
Other significant issues	There were no other significant issues identified.

23 I also undertook a review of the Whole of Government Accounts return. I concluded that the counterparty consolidation information was consistent with the Trust's financial position on 31 March 2024 and the return was prepared in accordance with the Treasury's instructions.

Regularity of financial transactions

24 The Trust's financial transactions must be in accordance with the authorities that govern them. It must have the powers to receive income and incur expenditure. Our work reviews these powers and tests that there are no material elements of income or expenditure which the Trust does not have the powers to receive or incur.

25 I identified no material financial transactions within the Trust's 2023-24 accounts that were not in accordance with authorities or not used for the purpose intended, and so I have issued an unqualified opinion on the regularity of the financial transactions within the Trust's 2023-24 accounts.

26 I placed no substantive report on the accounts alongside my opinion this year as there were no issues to report.

27 I have the power to place a substantive report on the Trust's accounts alongside my opinions where I want to highlight issues. Where the Trust fails one of its financial duties – to break even over a three-year period and to have an approved three-year plan in place – or my opinion is qualified, I will issue a substantive report.

28 The Trust met both of its financial duties, and my opinions were unqualified, so I did not issue such a report for these issues.

Arrangements for securing efficiency, effectiveness, and economy in the use of resources

- 29 I have a statutory requirement to satisfy myself that the Trust has proper arrangements in place to secure efficiency, effectiveness, and economy in the use of resources. I have undertaken a range of performance audit work at the Trust over the last 12 months to help me discharge that responsibility. This work has involved:
- undertaking a structured assessment of the Trust's corporate arrangements for ensuring that resources are used efficiently, effectively, and economically; and
 - reviewing the effectiveness of the Trust's cost savings arrangements; and
- 30 My conclusions based on this work are set out below.

Structured assessment

- 31 My 2024 structured assessment work took place at a time when NHS bodies were continuing to respond to a broader set of challenges associated with the cost-of-living crisis, the climate emergency, inflationary pressures on public finances, workforce shortages, and an ageing estate. In addition, NHS bodies are still dealing with the legacy of the COVID-19 pandemic. More than ever, therefore, NHS bodies and their Boards need to have sound corporate governance arrangements that can provide assurance to themselves, the public, and key stakeholders that the necessary action is being taken to deliver high-quality, safe, and responsive services, and that public money is being spent wisely.
- 32 My team focussed on the Trust's corporate arrangements for ensuring that resources are used efficiently, effectively, and economically, with a specific focus on: Board transparency, effectiveness, and cohesion; corporate systems of assurance; corporate approach to planning; and corporate approach to managing financial resources. Auditors also paid attention to progress made to address previous recommendations.

Board transparency, effectiveness, and cohesion

- 33 My work considered whether the Trust's Board conducts its business appropriately, effectively, and transparently. I paid particular attention to:
- Public transparency of Board business
 - Arrangements to support the conduct of Board business
 - Board and committee structure, business, meetings, and flows of assurance
 - Board commitment to hearing from staff, users, other stakeholders
 - Board skills, experiences, cohesiveness, and commitment to improvement

- 34 My work found that **the Board and its committees continue to operate well, and maintain a good focus on public transparency, hearing from staff and service users, and continuous improvement. The Board remains cohesive and changes in membership have been managed well. The quality of papers is generally of a good standard with appropriate action being taken to improve this further. The Trust should still review the timing of its committee meetings to ensure they are of sufficient frequency and adequately support the flow of assurances to the Board.**
- 35 The Board continues to be committed to conducting its business transparently. Board meetings are livestreamed, the public can observe virtually, and recordings are made available on the Trust's website shortly afterwards. Meeting dates and papers are published well in advance. Board business is conducted in line with the Trust's etiquette policy which sets out the values and cultures expected of attendees. We continue to observe open and candid discussions in public Board and committee meetings. The Trust minimises the use of private Board and committee sessions, reserving these for confidential and sensitive matters only.
- 36 The Board continues to have effective arrangements to support the conduct of its business. The Trust has up-to-date and accessible Standing Orders, Scheme of Delegation, and Standing Financial Instructions in place with evidence of compliance. Bi-annual updates are provided to the ACGC on the arrangements for managing declarations of interest, gifts and hospitality, compliance with Welsh Health Circulars, and updating policies. Considerable progress has been made to ensure that all policies are updated and available on the Trust's website.
- 37 The Board and committees are generally operating effectively. There have been no substantive changes to the committee structure or their remits in the last 12 months. Terms of Reference for each committee are reviewed and approved at least annually. Workplans are in place and reflect the breadth of Board and committee business. Board and committee meetings are chaired well. We observed good levels of scrutiny, support, and challenge in Board and committee meetings. There continue to be clear flows of information across committees and to Board. The Trust should still review the timing of its committee meetings to ensure they are of sufficient frequency and adequately support the flow of assurances to the Board.
- 38 The Board continues to receive timely and clear information that supports effective decision making, scrutiny, and challenge. The Trust continues to make good use of interactive tools, such as its Performance Assurance Dashboard and its Public Health Dashboard. Where opportunities for enhancing the quality of papers have been identified, the Trust is taking appropriate action to make the necessary improvements. The Trust has piloted work to improve the quality of reports prepared for Quality, Safety, and Improvement Committee (QSIC) meetings to ensure that the information meets the needs of the committee members. The pilot focused on being clear on the information required, the time required for discussion, and the most appropriate format for presentation.

- 39 The Board has continued to strengthen its commitment and approach to hearing from staff and service users. Staff representatives continue to attend all Board and committee meetings. The Board also periodically receives information from the Trust's staff network groups, and Board members continue to take opportunities to engage with staff around the margins of Board and committee meetings. Mechanisms for staff engagement are routinely considered at People and Organisational Development Committee meetings and the findings of engagement activities presented to the committee. The Board has established several mechanisms to hear from service users and the wider population, and findings from other engagement mechanisms are included in committee business.
- 40 The Board continues to be cohesive, with a strong focus on development and improvement. The Trust continues to have a strong Board with a diverse portfolio of skills and experience across different sectors. Changes in Board membership have been well managed and brought a new energy and fresh perspective. The Trust's Board Business Unit has developed a local induction programme to support new Non-Executive Directors and provided a range of Board development opportunities throughout the year.

Corporate systems of assurance

- 41 My work considered whether the Trust has a sound corporate approach to managing risks, performance, and the quality and safety of services. I paid particular attention to the organisation's arrangements for:
- overseeing strategic and corporate risks;
 - overseeing organisational performance;
 - overseeing the quality and safety of services; and
 - tracking recommendations.
- 42 My work found that **the Trust is continuing to strengthen its corporate systems of assurance related to risk, performance, and tracking recommendations and associated scrutiny. However, the Trust still needs to identify all sources of assurance on the effectiveness of its arrangements to manage its strategic risks and achieve its organisational objectives.**
- 43 The Trust is continuing to strengthen its approach to risk management, with Board and committee oversight of strategic and corporate risks improving. However, the Trust still needs to identify all sources of assurance on the effectiveness of its arrangements to manage its strategic risks and achieve its organisational objectives. The Trust refreshed its Strategic Risk Register in January 2024, and it now includes signposting to related corporate risks. Current and planned assurances (to close gaps in control) however, continue to be in the main limited to internal operational sources which would be categorised as first lines of defence.
- 44 The Trust continues to have good and improving performance management arrangements, with the Board providing effective oversight and scrutiny of performance. The Performance Assurance Dashboard, Performance and Insight Report and Public Health Dashboard continue to improve. All are reported regularly

to the Board and relevant committees, and continue to provide clear, accessible, and meaningful data on key performance indicators across the breadth of the Trust's business.

- 45 The Trust's corporate arrangements for tracking progress to address audit recommendations have improved, although there remains opportunity to improve central oversight of other types of recommendations. The ACGC has a log to monitor progress against internal and external audit recommendations. Monitoring of the audit log has been delegated to the Leadership Team who undertook a deep dive review of all outstanding recommendations. The review provided an understanding of progress against each action, the risks associated with actions past their deadline and included consideration of whether any extension requests were appropriate and realistic. Progress to meet clinical audit recommendation target dates continue to be reported every six months to QSIC. There remains no process for centrally tracking recommendations from clinical audit reviews or other types of reviews, with the required information held separately within the relevant directorates.

Corporate approach to planning

- 46 My work considered whether the Trust has a sound corporate approach to planning. I paid particular attention to the organisation's arrangements for:
- producing and overseeing the development of strategies and corporate plans, including the Integrated Medium-Term Plan (IMTP); and
 - overseeing the delivery of corporate strategies and plans.
- 47 My work found that **the Trust has a sound approach to developing and monitoring the delivery of Integrated Medium-Term Plans but there is scope to further strengthen its approach to demonstrating impact.**
- 48 The Trust has sound arrangements for developing IMTPs, supported with good Board engagement. Set within the context of its new long-term strategy, the Trust started developing its 2024-27 IMTP in October 2023. Engagement across the organisation helped to develop key actions for inclusion in the plan. The Board was involved in the development of the IMTP, and formally approved the plan in March 2024. The IMTP was submitted to the Welsh Government within the required timeframe and received Ministerial approval in August 2024. The 2025-28 IMTP commenced development in October 2024. The Trust is developing a route map for each of its six strategic priorities to set out the milestones for delivery over the short- to long-term delivery and inform annual IMTP development.
- 49 The Trust continues to have good arrangements for monitoring and scrutinising delivery of its plans and strategies but there is a scope to further strengthen its approach to demonstrating impact. The Trust has strengthened its approach to measuring and demonstrating the impact of its 2024-27 IMTP. The IMTP sets out 43 priorities to support the delivery of the six strategic objectives and the strategic change programmes. Each IMTP priority has clear deliverables and milestones and intended outcomes or outputs. However, the outcomes are not measurable.

Consequently, it is difficult to assess whether in delivering the priority, the intended impact has been achieved or not. The approach for monitoring and scrutinising plans and strategies remains strong. The Business Executive Team (BET) is responsible for overseeing the strategic priorities set out in IMTPs, with each assigned to an executive lead. The Board and committees monitor and scrutinise their delivery. Progress against IMTP milestones continues to be reported monthly to the Board and BET via the Performance Assurance Dashboard.

Corporate approach to managing financial resources

50 My work considered whether the Trust has a sound corporate approach to managing its financial resources. I paid particular attention to the organisation's arrangements for:

- achieving its financial objectives;
- overseeing financial planning;
- overseeing financial management; and
- overseeing financial performance.

51 My work found that **the Trust continues to have a sound approach to managing its financial resources.**

52 The Trust met its financial duties in 2023-24 and is forecasting to break even in 2024-25. The Trust also met its financial duties for the rolling three-year period 2021-24, with a cumulative surplus of £279,000.

53 The Trust continues to have a sound approach to financial planning and delivering savings. The Trust has a clear and balanced Financial Plan for 2024-27 which was approved by the Board in March 2024.

54 The Trust continues to have robust processes in place to ensure compliance with statutory instruments, and to report and challenge breaches. The Trust also continues to have good controls in place to manage its finances and maintain oversight of the financial position at a directorate level. The Trust submitted good quality draft financial statements as per the required timescales, which were considered by the ACGC and Board in July 2024.

55 The Trust continues to have good arrangements to monitor and report its financial position. Comprehensive financial reports are presented to every Board meeting with good scrutiny and challenge. Financial performance is also included in the Performance Assurance Dashboard and summarised in the Performance and Insight Report.

Review of cost savings arrangements

56 My review examined whether the Trust has an effective approach to identifying, delivering, and monitoring sustainable cost savings opportunities. It considered the impact these arrangements had on the Trust's 2023-24 year-end position and highlighted where arrangements may need to be strengthened for 2024-25 and beyond.

- 57 My work found that **the Trust has clear arrangements for identifying and delivering its cost improvement opportunities and monitoring its overall financial position. However, uncertainty around inflationary uplift funding presents risks that will need to be managed in the medium to long-term.**
- 58 The Trust has a good understanding of its cost drivers which are clearly set out in its 2024-27 Financial Plan and Budget Strategy. The Trust acknowledges the challenging financial environment in which the organisation, and the wider NHS in Wales, is operating and developed its 2024-25 revenue plan in line with principles set by the Welsh Government. In future years, the Trust has assumed it will receive an uplift for non-pay inflation and cost pressures but given this has not been confirmed, the Trust will need to keep its medium- to long-term financial position under close review.
- 59 The Trust has a good track record of delivering its overall savings targets with a high proportion of the savings delivered being recurrent. In addition, in 2023-24, the Trust was able to rapidly identify additional savings totalling £4.2 million in response to the Welsh Government's request for health bodies to support an improvement in the overall NHS Wales financial position. The Trust has good arrangements in place for turning its high-level savings requirements into deployable savings plans.
- 60 The Trust has good arrangements for monitoring and overseeing its overall financial performance with comprehensive reports routinely presented to each Board meeting and subject to good scrutiny and challenge. The Trust routinely monitors its key financial risks.

Appendix 1

Reports issued since my last annual audit report

Exhibit 2: reports issued since my last annual audit report

The following table lists the reports issued to the Trust in 2024.

Report	Date
Financial audit reports	
Audit of Financial Statements Report	10 July 2024
Opinion on the Financial Statements	12 July 2024
Performance audit reports	
Structured Assessment 2024	December 2024
Review of Cost Savings Arrangements	December 2024
Other	
2024 Audit Plan	May 2024

My wider programme of national value-for-money studies in 2024 included reviews that focused on the NHS and pan-public-sector topics. These studies are typically funded through the Welsh Consolidated Fund and are presented to the Public Accounts Committee to support its scrutiny of public expenditure. Reports are available on the [Audit Wales website](#).

Exhibit 3: performance audit work still underway

There are several performance audits that are still underway at the Trust. These are shown in the following table, with the estimated dates for completion of the work.

Report	Estimated completion date
Review of the Arrangements for Setting and Monitoring Well-being Objectives	January 2025
Follow-up Review of Quality Governance	May 2025
Review of Digital Transformation	May 2025

Appendix 2

Audit fee

The 2024 Audit Plan set out the proposed audit fee of £196,389 (excluding VAT). My latest estimate of the actual fee, on the basis that some work remains in progress, is that the actual cost of delivering our audit is lower than this estimated fee and so a small refund will be issued to the Trust once the audit is complete.

In addition to the fee set out above, the audit work undertaken on the shared services provided to the Trust by the NHS Wales Shared Services Partnership cost £641.

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Appendix 3

Audit of accounts risks

Exhibit 4: audit of accounts risks

My 2024 Audit Plan set out the risks of material misstatement and/or irregularity for the audit of the Trust's 2023-24 accounts. The table below lists these risks and sets out how they were addressed as part of the audit.

Audit risk	Proposed audit response	Work done and outcome
<p>Management Override 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>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. 	<p>Planned audit work completed and no issues arising.</p>
<p>Break-even Duty 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 to achieve the financial duty. Where the Trust fails this financial duty,</p>	<p>We will focus our testing on areas of the financial statements which could contain reporting bias.</p>	<p>The Trust achieved its break-even duty – no issues arising.</p>

Audit risk	Proposed audit response	Work done and outcome
<p>we will place a substantive report on the financial statements highlighting the failure.</p>		
<p>Related Parties and Senior Officer Remuneration</p> <p>I judge some of the disclosures in the financial statements, such as related parties and the remuneration of senior officers and Board Members, to be material by nature, with a far lower level of materiality. These disclosures are therefore inherently prone to material misstatement.</p> <p>The risk of error is further heightened as:</p> <ul style="list-style-type: none"> • errors were identified within both disclosure notes during our 2022-23 audit; and • there have been some temporary changes to the Senior Management Structure of the Trust during 2023-24 that will require disclosure in the financial statements. 	<p>We will enhance my examination of these areas of disclosure, that are considered to be material by nature, to ensure that they are complete and accurate.</p>	<p>A small number of adjustments were made to these disclosures as a result of our audit work.</p>
<p>Classification of Income and Expenditure</p> <p>We identified material classification errors within the 2022-23 financial statements. Management corrected these errors and agreed to address this as part of the 2023-24 accounts production process to avoid similar</p>	<p>The audit team will follow up the action taken by the Trust and undertake related audit testing to ensure that this matter has been addressed in the 2023-24 financial statements.</p>	<p>Our audit work was completed as planned and there were no issues arising.</p>

Audit risk	Proposed audit response	Work done and outcome
misclassification errors re-occurring.		
<p>Hosting arrangement - NHS Executive</p> <p>During 2023-24, there has been an expansion in the Trust's role as the host body of the NHS Executive because of additional functions transferring from Swansea Bay University Health Board. The related assets, liabilities, income, and expenditure of the NHS Executive will need to be reflected in the Trust's accounts.</p>	<p>We will undertake audit testing to ensure the assets, liabilities, income, and expenditure of the NHS Executive are correctly accounted for within the Trust's 2023-24 financial statements and that the associated supporting disclosures are correct.</p>	<p>Our audit work was completed as planned and there were no issues arising.</p>

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