

Public Health Wales NHS Trust – Audit Plan 2024

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This document is a draft version pending further discussions with the audited and inspected body. Information may not yet have been fully verified and should not be widely distributed.

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About Audit Wales

Our aims and ambitions

Assure



the people of
Wales that public
money is well
managed

Explain



how public
money is being
used to meet
people's needs

Inspire



and empower
the Welsh
public sector to
improve



Fully exploit
our unique
perspective,
expertise and
depth of insight



Strengthen our
position as an
authoritative,
trusted and
independent
voice



Increase our
visibility,
influence and
relevance



Be a model
organisation for
the public sector
in Wales and
beyond

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Introduction

I have now largely completed my planning work.

This Audit Plan specifies my statutory responsibilities as your external auditor and to fulfil my obligations under the Code of Audit Practice.

It sets out the work my team intends undertaking to address the audit risks identified and other key areas of focus during 2024.

It also sets out my estimated audit fee, details of my audit team and key dates for delivering my audit team's activities and planned outputs.



Adrian Crompton

Auditor General for
Wales

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Audit of financial statements

I am required to issue a report on your financial statements which includes an opinion on their 'truth and fairness' and the regularity of income and expenditure. and the proper preparation of key elements of your Remuneration and Staff Report. I lay them before the Senedd together with any report that I make on them. I will also report by exception on a number of matters which are set out in more detail in our [Statement of Responsibilities](#).

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 is set out later in this plan.

I am also required to certify a return to the Welsh Government which provides information about the Trust to support preparation of the Whole of Government Accounts.

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

Performance audit work

I must 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.

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.

My performance audit work is designed to comply with auditing standards set out by the International Organisation of Supreme Audit Institutions (INTOSAI). This 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.

Your audit at a glance



My financial statements audit will concentrate on your risks and other areas of focus

My audit planning has identified the following risks:

Significant financial statement risk:

- Management override

Other areas of audit focus:

- Break-even duty
- Related parties and senior officer remuneration
- Classification of income and expenditure
- Hosting arrangement – NHS Executive



My performance audit will include:

- Structured Assessment – core
- Structured Assessment – deep dive review of investment in digital systems to support service resilience and transformation
- Local Work – to be confirmed



Materiality

Materiality	£2.315 million
Reporting threshold	£0.115 million

Financial statements' materiality



Materiality £2.315 million

My aim is to identify and correct material misstatements, that is, those that might otherwise cause the user of the accounts to be misled.

Materiality is calculated using:

- 2023-24 gross expenditure of £231.5 million
- Materiality percentage of 1%

I report to those charged with governance any misstatements above a trivial level (set at 5% of materiality).



Areas of specific interest

There are some areas of the accounts that may be of more importance to the user of the accounts, and we have set a lower materiality level for these:

- Remuneration report £5,000
- Related party disclosures £5,000

Significant financial statements' risks

Significant risks are identified risks of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum of inherent risk or those which are to be treated as a significant risk in accordance with the requirements of other ISAs. The ISAs require us to focus more attention on these significant risks.

Exhibit 1: significant financial statement risks

Significant risk	Our planned response
<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.

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Other areas of focus

I set out other identified risks of material misstatement which, whilst not determined to be significant risks as above, I would like to bring to your attention.

Exhibit 2: other areas of focus

Audit risk	Our planned response
<p>Break-even Duty</p> <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>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>

Audit risk	Our planned response
<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 misclassification errors re-occurring.</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>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>

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Financial statements' audit timetable

I set out below key dates for delivery of my accounts audit work and planned outputs.

Exhibit 3: key dates for delivery of planned outputs

Planned output	Work undertaken	Report finalised
2024 Detailed Audit Plan	February – April 2024	May 2024
Audit of financial statements work: <ul style="list-style-type: none">• Audit of Financial Statements Report• Opinion on the Financial Statements	May – July 2024	July 2024

Planned performance audit work

I set out below details of my performance audit work and key dates for delivery of planned outputs.

Exhibit 4: key dates for delivery of planned outputs

Area of work	Scope of the work	Planned timescales
<p>Structured Assessment – core</p>	<p>Structured assessment will continue to form the basis of the work my audit teams do at each NHS body to examine the existence of proper arrangements for the efficient, effective, and economical use of resources.</p> <p>My 2023 structured assessment work will review the following core areas:</p> <ul style="list-style-type: none"> • Board and committee cohesion and effectiveness; • corporate systems of assurance; • corporate planning arrangements; and • corporate financial planning and management arrangements. <p>My structured assessment work will also 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.</p>	<p>Fieldwork to commence between June and August 2023 with reporting by the end of October 2023.</p>
<p>Structured Assessment – deep dive review of investment in digital</p>	<p>In addition to the core structured assessment work described above, my audit teams will also review certain arrangements at NHS bodies in more depth.</p> <p>This year, my audit teams will examine digital arrangements, with a particular focus on how NHS bodies are investing in digital technologies, solutions, and capabilities to support the workforce, transform patient care, meet demand, and improve productivity and efficiency.</p>	<p>Fieldwork to commence during the summer of 2024 and reporting by December 2024.</p>

Area of work	Scope of the work	Planned timescales
<p>Local project work – to be confirmed</p>	<p>Where appropriate, my audit team will also undertake performance audit work that reflects issues specific to the Trust arising from recent risk assessment discussions with executive officers. The precise focus of this work will be communicated to the Audit and Corporate Governance Committee through my routine updates.</p>	<p>Fieldwork and reporting timescale to be confirmed.</p>

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Fee and audit team

In January 2024, we published our [Fee Scheme](#) for the 2024-25 year as approved by the Senedd Finance Committee. My fee rates for 2024-25 have increased by an average of 6.4% because of unavoidable inflationary pressures and the ongoing need to invest in audit quality.

I estimate your total audit fee will be **£196,389**.

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

Our financial audit fee is based on the following assumptions:

- The agreed audit deliverables set out the expected working paper requirements to support the financial statements and includes timescales and responsibilities.
- No matters of significance, other than as summarised in this plan, are identified during the audit.

Exhibit 5: breakdown of audit fee

Audit area	Proposed fee for 2024 (£) ¹	Fee for 2023 (£)
Audit of Financial Statements	116,338	109,340
Performance audit work:		
• Structured Assessment (including deep dive)	64,372	63,810
• Local project	15,679	11,426
Performance audit work total	80,051	75,236
Total fee	196,389	184,576

¹ The fees shown in this document are exclusive of VAT, which is not charged to you.

The main members of my team, together with their contact details, are summarised in **Exhibit 6**.

Exhibit 6: my local audit team

Name	Role	Contact details
Dave Thomas	Engagement Director & Audit Director (Performance Audit)	dave.thomas@audit.wales 02920 320604
Gareth Lucey	Audit Director (Financial Audit)	gareth.lucey@audit.wales 02920 829398
Anne Beegan	Audit Manager (Performance Audit)	anne.beegan@audit.wales 02920 829341
Steve Wyndham	Audit Manager (Financial Audit)	steve.wyndham@audit.wales 029 20320664
Kate Febry	Audit Lead (Performance Audit)	katrina.febry@audit.wales 02920 320616
Kathryn Watts	Audit Lead (Financial Audit)	kathryn.watts@audit.wales 02920 320681

I can confirm that my team members are all independent of the Trust and your officers.

Staff secondment

An Audit Wales trainee is currently on secondment to the Trust. To safeguard against any potential threats to auditor independence and objectivity, the following restrictions apply in line with the FRC's Revised Ethical Standard 2024:

- the secondee will not undertake any management responsibilities; and
- the secondment will be for a maximum of 12 months.

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Audit quality

Our commitment to audit quality in Audit Wales is absolute. We believe that audit quality is about getting things right first time.

We use a three lines of assurance model to demonstrate how we achieve this. We have established an Audit Quality Committee to co-ordinate and oversee those arrangements. We subject our work to independent scrutiny by QAD* and our Chair, acts as a link to our Board on audit quality. For more information see our [Audit Quality Report 2023](#).



Our People

The first line of assurance is formed by our staff and management who are individually and collectively responsible for achieving the standards of audit quality to which we aspire.

- Selection of right team
- Use of specialists
- Supervisions and review



Arrangements for achieving audit quality

The second line of assurance is formed by the policies, tools, learning & development, guidance, and leadership we provide to our staff to support them in achieving those standards of audit quality.



- Audit platform
- Ethics
- Guidance
- Culture
- Learning and development
- Leadership
- Technical support



Independent assurance

The third line of assurance is formed by those activities that provide independent assurance over the effectiveness of the first two lines of assurance.








- EQCRs
- Themed reviews
- Cold reviews
- Root cause analysis
- Peer review
- Audit Quality Committee
- External monitoring

* QAD is the quality monitoring arm of ICAEW.

Supporting you

Audit Wales has developed a range of resources to support the scrutiny of Welsh public bodies and to support those bodies in continuing to improve the services they provide to the people of Wales.

Visit our website to find:

	our <u>Good Practice</u> work where we share emerging practice and insights from our audit work in support of our objectives to assure, to explain and to inspire.
	our <u>newsletter</u> which provides you with regular updates on our public service audit work, good practice, and events.
	our <u>publications</u> which cover our audit work completed at public bodies.
	information on our <u>forward performance audit work programme 2023-2026</u> which is shaped by stakeholder engagement activity and our picture of public services analysis.
	various <u>data tools</u> and <u>infographics</u> to help you better understand public spending trends, including a range of other insights into the scrutiny of public service delivery.

You can find out more about Audit Wales in our [Annual Plan 2024-25](#) and [Our Strategy 2022-2027](#).



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