









# Special Audit & Assurance Committee

29 June 2020, 10:00 to 12:00  
Executive Meeting Room / Via Skype

## Agenda

- |      |   |                                    |
|------|---|------------------------------------|
| 1.   | <b>Welcome &amp; Introductions</b>  | John Union                         |
| 2.   | <b>Apologies for Absence</b>  | John Union                         |
| 3.   | <b>Declarations of Interest</b>   | John Union                         |
| 4.   | <b>Quroum</b>   |                                    |
| 5.   | <b>Items for Approval / Ratification</b>  |                                    |
| 5.1. | <b>A Report on the Annual Accounts of the UHB 2019-20</b>   | Christopher Lewis                  |
|      |  5.1 Report on the Accounts AC June 2020.pdf (4 pages)               |                                    |
| 5.2. | <b>Wales Audit Office ISA 260 Report</b>  | Wales Audit Office                 |
|      |  5.2_CVUHB_ISA260_Report_FINAL.pdf (24 pages)                       |                                    |
| 5.3. | <b>The Head of Internal Audit Annual Report for 2019-20</b>   | Ian Virgill                        |
|      |  5.3. A&A C&V UHB HIA Opinion & Annual Report 19-20.pdf (38 pages) |                                    |
| 5.4. | <b>The Counter Fraud Annual Report for 2019-20</b>  | Craig Greenstock                   |
|      |  5.4 Counter Fraud Annual Report 2019-20.pdf (18 pages)            |                                    |
| 5.5. | <b>To receive and consider the following for 2019-20:</b>   | Christopher Lewis / Nicola Foreman |
|      | 1. The Letter of Representation included within the ISA 260 report  |                                    |
|      | 2. The response to the audit enquiries to those charged with governance and management  |                                    |
|      | 3. The Annual Accountability Report including the Financial Statements  |                                    |
|      |  5.5.1. Final Letter of representation 25.06.20.pdf (3 pages)      |                                    |
|      |  5.5.2 WAO audit enquiries letter 2019-20.pdf (14 pages)           |                                    |
|      |  5.5.3.Covering Report AGS Audit Committee.pdf (3 pages)           |                                    |
|      |  5.5.3 Final Accountability Report 2019-20 v2.pdf (133 pages)      |                                    |
| 6.   | <b>Any Other Business</b>   | John Union                         |
| 7.   | <b>Items to bring to the attention of the Board / Committee</b>   | John Union                         |
| 8.   | <b>Review of the Meeting</b>  | John Union                         |
| 9.   | <b>Date &amp; Time of Next Meeting</b>  |                                    |

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Tuesday, 7 July 2020

John Union

9.00am - 12:30pm

Woodland House, Ground Floor, Nant Fawr 2 & 3

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<b>Report Title:</b>	<b>Report on the Final Annual Accounts of the UHB 2019/20</b>							
<b>Meeting:</b>	<b>Special Audit and Assurance Committee</b>					<b>Meeting Date:</b>	<b>29<sup>th</sup> June 2020</b>	
<b>Status:</b>	<b>For Discussion</b>	<b>x</b>	<b>For Assurance</b>	<b>x</b>	<b>For Approval</b>		<b>For Information</b>	<b>x</b>
<b>Lead Executive:</b>	<b>Executive Director of Finance</b>							
<b>Report Author (Title):</b>	<b>Deputy Director of Finance</b>							

### Background and current situation:

This report introduces the Annual Accounts which are included within the Annual Accountability Report and also the other associated documents. It also sets out the key changes made to the draft accounts and outlines the financial performance of the UHB.

In accordance with agreed timescales, the 2019/20 Draft Annual Accounts of the UHB were completed and forwarded to the Welsh Government and the Wales Audit Office on 22<sup>nd</sup> May 2020. With regards to its role in providing advice to the Board, the Audit and Assurance Committee, in accordance with its Terms of Reference, has responsibility to specifically comment upon the Letter of Representation to the external auditors, the Accounts and accounting policies.

The Audit and Assurance Committee also has a key role in reviewing the Annual Accountability Report and the ISA 260 report from the Wales Audit Office. The Annual Accountability Report contains the Annual Accounts and the remuneration report which are the key financial statements.

The Draft Accountability Report, Draft Annual Accounts and associated documents were reviewed in detail by the Audit and Assurance Committee at its workshop held on 28<sup>th</sup> May 2020.

### Executive Director Opinion /Key Issues to bring to the attention of the Board/ Committee:

The Audit and Assurance Committee has a key role in reviewing the accounts and associated documentation and making a recommendation to the Health Board for their approval.

In reviewing the financial statements and associated documentation, the Audit and Assurance Committee needs to consider the work carried out throughout the year by internal audit and counter fraud. Particular reference therefore should be made to the opinion provided by the Head of Internal Audit as part of their Annual Report.

In reviewing the Annual Accountability report, the key assurances are provided by:

- The work that has been undertaken throughout the year by the Audit and Assurance Committee and the statement of assurance provided by the Head of Internal Audit;
  - The work completed by the Wales Audit Office and presented to the Audit and Assurance Committee in their ISA 260 Report;
- The response given to the audit enquiries to those charged with governance and

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management and the letter of representation that will be sent to the Wales Audit Office;

This year particular attention needs to be given to the ISA260 report to understand the:

- Qualified 'limitation of scope' and regularity opinion;
- The two emphasis of matter issues.

## Assessment and Risk Implications (Safety, Financial, Legal, Reputational etc:)

### Changes to the Draft Accounts

There have been a small number of changes made to the draft accounts. **These however, do not impact on the reported financial performance of the UHB.** These are set out below:

- £27.408m reduction in 1918/19 for both income and expenditure for a change in accounting treatment for pooled budgets;
- £7.231m reduction in 1919/20 in debtors and creditors for a change in accounting treatment for pooled budgets;
- £4.27m in the statement of taxpayers equity for a transfer in reserves between the revaluation reserve and general fund balance;
- £1.039m increase in prescribing estimate which was funded by Welsh government;
- £1m change to the note in the accounts on a PFI contracts;
- Changes made to a number of disclosure notes.

These are set out in greater detail in Appendix 4 of the ISA 260 report.

There is one uncorrected misstatements in the accounts as set out below:

- Overstatement of £6.851m in 1918/19 if both debtors and creditors arising from a change in accounting treatment for pooled budgets.

### Overview of Financial Performance 2019/20

The National Health Service Finance Act 2014 places two financial duties on the UHB:

- A duty under section 175 (1) to ensure that its expenditure does not exceed the aggregate of the funding allocated to it over a period of 3 years.
- A duty under section 175 (2A) to prepare and obtain approval from the Welsh Ministers for a plan which achieves the first duty above, while also improving the health of the people for whom the UHB is responsible and improving the healthcare provided to them.

A summary of financial performance is set out below.

### UHB Performance against its Revenue Resource Limit

The UHB agreed and submitted its 2019/20 – 2021/22 IMTP to Welsh Government by the end of January 2019 for its consideration. The financial plan aims to deliver a break even position for each year during the period of this plan. Welsh Government approved this plan in March 2019. The UHB therefore achieved its financial duty under section 175 (2A).

The approved IMTP was to achieve a year-end balanced out-turn position for 2019/20. The financial position, as contained in the accounts is a year end surplus of £0.058m.

The UHB had a deficit of £26.853m in 2017/18 and £9.872m in 2018/19. This means that over the three year period the aggregated deficit is £36.667m. Thus the UHB has failed to meet its financial duty under section 175 (1) against its Revenue Resource Limit.

Therefore when taken together, **the UHB failed its financial duty against its Revenue Resource Limit.**

### **Performance against its Capital Resource Limit**

The UHB effectively managed its considerable capital programme during the year and the accounts show a small surplus of £0.089m against its Capital Resource Limit of £58.159m.

The UHB had a surplus of £0.088m in 2017/18 and £0.074m in 2018/19 against its Capital Resource Limit. This means that over the three year period the aggregated surplus is £0.251m. **Thus the UHB has met its financial duty to break-even against its Capital Resource Limit over the three years 2017/18 to 2019/20.**

### **Recommendation:**

The Audit and Assurance Committee is asked to:-

- **NOTE** the reported financial performance contained within the Annual Accounts and that the UHB has breached its statutory financial duties in respect of revenue expenditure.
- **NOTE** the changes made to the Draft Annual Accounts;
- **REVIEW** the ISA 260 Report, the Head of Internal Audit Annual Report, the Letter of Representation, the response to the audit enquiries to those charged with governance and management and the Annual Accountability Report which includes the Annual Accounts and financial statements;
- **RECOMMEND** to the Board that it agrees and endorses the ISA 260 Report, the Head of Internal Audit Annual Report, the Letter of Representation and the response to the audit enquiries to those charged with governance and management;
- **RECOMMEND** to the Board approval of the Annual Accountability Report for 2018/19 including the Annual Accounts and financial statements.

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**Shaping our Future Wellbeing Strategic Objectives**

*This report should relate to at least one of the UHB's objectives, so please tick the box of the relevant objective(s) for this report*

1. Reduce health inequalities		6. Have a planned care system where demand and capacity are in balance	
2. Deliver outcomes that matter to people		7. Be a great place to work and learn	
3. All take responsibility for improving our health and wellbeing		8. Work better together with partners to deliver care and support across care sectors, making best use of our people and technology	
4. Offer services that deliver the population health our citizens are entitled to expect		9. Reduce harm, waste and variation sustainably making best use of the resources available to us	x
5. Have an unplanned (emergency) care system that provides the right care, in the right place, first time		10. Excel at teaching, research, innovation and improvement and provide an environment where innovation thrives	

**Five Ways of Working (Sustainable Development Principles) considered**

*Please tick as relevant, click [here](#) for more information*

Prevention		Long term	x	Integration		Collaboration		Involvement	
<b>Equality and Health Impact Assessment Completed:</b>	Not Applicable								

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# Audit of Financial Statements Report – Cardiff and Vale University Health Board

Audit year: 2019-20

Date issued: June 2020

Document reference: 1915A2020-21

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This document is a draft supplied in confidence solely for the purpose of verifying the accuracy and completeness of the information contained in it and to obtain views on the conclusions reached.

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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.

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We intend to issue a qualified audit report on your 2019-20 financial statements. There are some important issues to report to you prior to their approval.

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# Audit of Financial Statements Report

## Introduction

- 1 We summarise the main findings from our audit of the Health Board's 2019-20 Accountability Report and Financial Statements in this report. We have already discussed these reported issues with the Director of Finance, Deputy Director of Finance and Board Secretary.
- 2 Auditors can never give complete assurance that financial statements 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 financial statements into being misled.
- 3 We set this level at £14.8 million for this year's audit.
- 4 There are some areas of the financial statements that may be of more importance to the reader and we have set a lower materiality level for these, as follows:
  - Remuneration Report - typically £1,000, adjusted where necessary for bandings;
  - Related party transactions and balances - £10,000 for pecuniary interests and/or positions of influence held by independent members and senior officers; and
  - Audit Wales fee - £1,000.
- 5 We have now substantially completed this year's audit.
- 6 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.

## Impact of COVID-19 on this year's audit

- 7 The COVID-19 pandemic has had a significant impact on all aspects of our society and continues to do so. You have a statutory requirement to prepare financial statements and it is of considerable testament to the commitment of your finance team that you have succeeded in doing so this year in the face of the challenges posed by the COVID-19. We are extremely grateful to the professionalism of the team in supporting us to complete our audit in such difficult circumstances.
- 8 The pandemic has unsurprisingly affected our audit and we summarise in **Exhibit 1** the main impacts. The exhibit is provided for information purposes only to help you understand COVID-19's impact on this year's audit process.

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## Exhibit 1 – the main impact of COVID-19 on this year's audit

<b>Timetable</b>	<p>The Welsh Government extended its deadlines for health boards to submit their Performance Report, Accountability Report and Financial Statements. Under the revised dates:</p> <ul style="list-style-type: none"> <li>the draft Financial Statements and a shortened Accountability Report were due by 22 May 2020 (replacing 28 April); and</li> <li>the full Accountability Report and Performance Report are due by 31 August 2020 (also replacing 28 April).</li> </ul> <p>The Health Board chose to submit a draft full Accountability Report, and Financial Statements, on the 22 May deadline.</p> <p>The Welsh Government's extended deadline for audit and submission is 30 June 2020 (replacing 29 May).</p> <p>The Board is due to consider and approve the audited Accountability Report and Financial Statements on 29 June and submit them by the Welsh Government deadline of 30 June.</p> <p>We are making arrangements for the Auditor General to certify his audit report on 2 July 2020 and for your accounts to be laid before the Senedd, alongside all of the other accounts of NHS Wales, on 3 July 2020.</p>
<b>Electronic signatures</b>	<p>On the planned date of 29 June for the approval and signing of the audited Accountability Report and Financial Statements, if necessary, we will accept electronic signatures and the electronic transfer of files. We will keep this situation under review should lockdown restrictions be eased/lifted.</p>
<b>Audit evidence</b>	<p>As in recent years, we received most of the audit evidence in electronic format, but we were also able to secure remote 'read only' access to your ledger systems.</p> <p>Where we have been unable to obtain our usual audit access, such as our physical inspection of a sample of plant and equipment assets, we have devised alternative audit methodologies (such as photography) to obtain sufficient audit evidence.</p> <p>The practical implications of lockdown (including our inability to attend your premises during the audit), together with the additional workload pressures on your staff created by the over-riding need to respond to the pandemic, meant that we encountered some delays in receiving audit evidence and in obtaining timely responses to audit queries. Whilst we acknowledge that these delays were largely unavoidable in the circumstances, they did place some significant additional pressure on the audit completion timetable.</p>

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## Other

We were unable to audit the Health Board's inventory balance as at 31 March 2020, which we explain at paragraphs 11, 13 and 14 and in **Appendix 2**.

We have drawn attention to four valuations of certain property assets, as at 31 March 2020, where the valuer had declared a 'material valuation uncertainty'. We explain this matter at paragraphs 12 and 19 and in **Appendix 2**.

- 9 We will be reviewing what we have learnt from this year's audit whether there are innovative practices that we might adopt in the future to enhance our audit process. We will engage with your officers in this post-project learning soon after completion of our audit work.

## Proposed audit report

- 10 Once you have provided us with a Letter of Representation based on that set out in **Appendix 1**, we intend to issue two qualified audit opinions on the 2019-20 financial statements. We issue a qualified audit opinion, as opposed to an unqualified audit opinion, where we have material concerns about aspects of your financial statements. The Letter of Representation contains certain confirmations that we are required to obtain from you under auditing standards.
- 11 Our proposed audit report is set out in **Appendix 2**. The audit report includes two qualified opinions:
- a) We intend to issue a **qualified 'limitation of scope' opinion** regarding the 2019-20 financial statements being true, fair and properly prepared.
- The audit report at **Appendix 2** includes the statement that *'In my opinion, except for the possible effects of the matters described in the 'Basis for qualified opinion' section of my report, the financial statements:*
    - *give a true and fair view of the state of affairs of Cardiff and Vale University Local Health Board as at 31 March 2020 and of its net operating costs for the year then ended; and*
    - *have been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by Welsh Ministers.'*
  - This qualification is necessary because we have been unable to obtain sufficient appropriate audit evidence to support the Health Board's inventory balance of £16.784 million as at 31 March 2020 (Note 14.1 to the financial statements).

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- It is important to emphasise that qualification is not due to shortcomings in the Health Board's systems or actions, but because of the impact of Covid-19 on one of our key audit procedures. We are not reporting that we consider the inventory balance to be materially misstated, but rather that we do not know whether it is materially true and fair. Paragraphs 13 and 14 provide more information on this qualification.
- b) As last year, we intend to issue **a qualified opinion on regularity** because the Health Board has breached its revenue resource-limit by spending £36.667 million over its authorised limit of £2,832 million for the three-year period 2017-18 to 2019-20, which therefore constitutes irregular expenditure. Paragraphs 15 to 17 provide more information on this qualification.
- 12 The proposed audit report also includes two 'emphasis of matter' references that draw users' attention to certain disclosures in the financial statements. We make such references where we judge a disclosure to be of such importance that they are fundamental to users' understanding of the financial statements. Paragraphs 18 to 22 provide more information on the two emphasis-of-matter references that we have made.

## Significant Issues

### The audit of the year-end inventory balance and our audit qualification due to a 'limitation of scope'

- 13 The Health Board has disclosed in note 14.1 to the financial statements that it held a material inventory balance of £16.784 million as at 31 March 2020. Due to the impact of COVID-19 and the statutory lockdown arrangements that took effect from 23 March 2020, we were unable to observe and reperform parts of the Health's Board's count of its inventories on 31 March 2020 as originally planned. We have been unable to obtain the required audit assurance by alternative means because, for a material inventory balance, physical stocktake by auditors is mandated by professional Auditing Standards. As we are therefore unable to determine whether the reported year-end inventory balance of £16.784 million is materially true and fair, we have had to limit the scope of our 'true and fair view' audit opinion accordingly.
- 14 We also draw to your attention that Note 1.24.2(vi) to the financial statements discloses that *'Due to restrictions created by the Covid 19 pandemic it was not possible to count all inventory items held at the end of March 2020. In these cases estimates have been made as to the value held based on previous counts. The value of these holdings included within note 14.1 is £2,195,814.'* However, this shortfall in the Health Board's year-end stocktake does not form part of the reasoning for our qualified opinion.

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## The qualification of our regularity opinion because the Health Board has exceeded its revenue resource limit for the three years to 31 March 2020

- 15 Under the National Health Service Finance (Wales) Act 2014, the first assessment of performance against the rolling three-year statutory duty was for the three years 2014-15 to 2016-17, which was first assessed and reported in the 2016-17 financial statements. The duty applies separately to the revenue resource limit and the capital resource limit.
- 16 Since 2016-17 the Health Board has operated within its three-year capital resource limit, including for 2019-20. However, over the same period the Health Board has exceeded its three-year revenue resource limit each year and 2019-20 is therefore the fourth year that we have given a qualified opinion on regularity.
- 17 **Appendix 2** sets out the basis of these two qualifications, and the proposed narrative Report of the Auditor General is at **Appendix 3**.

## Financial statement disclosures that we are drawing to users' attention in our audit report

- 18 Our audit report at **Appendix 2** also draws attention to two disclosures in the financial statements, using in each case an 'emphasis of matter'. These are not qualifications of our audit opinion.
- 19 The first emphasis of matter relates to Note 11.1 to the financial statements, which describes the impact of the COVID-19 pandemic on the valuation of land and buildings as at 31 March 2020. As a result of COVID-19, and in accordance with specific guidance issued by their professional institute, the Health Board's valuer declared a 'material valuation uncertainty' in four of their professional valuation reports, with a total valuation of £65.076 million. All four valuation reports were dated 31 March 2020. The Health Board has used these valuation reports to inform the measurement of certain of its property asset values in the financial statements at that date.
- 20 The second emphasis of matter relates to Note 21 of the financial statements, which describes the impact of a Ministerial Direction<sup>1</sup> issued on 18 December 2019 to the Permanent Secretary of the Welsh Government, instructing her to fund NHS clinicians' pension tax liabilities incurred by NHS Wales bodies in respect of the 2019-20 financial year.
- 21 This arrangement means that clinicians who are members of the NHS Pension Scheme and who, as a result of work undertaken in the 2019-20 tax year, face a tax charge on the growth of their NHS pension benefits, may opt to have this

<sup>1</sup> The Health Board's Annual Governance Statement (within the 2019-20 Accountability Report) provides a link to the Ministerial Direction.

charge paid by the NHS Pension Scheme, with their pension reduced on retirement. The Health Board will then pay the clinician a corresponding amount on retirement, ensuring that they are fully compensated for the effect of the deduction. This scheme will be fully funded by the Welsh Government with no net cost to Health Board. Clinicians have until 31 July 2021 to opt for this scheme and the ability to make changes up to 31 July 2024.

- 22 At the date of approval of the financial statements, there was no evidence of take-up of the scheme by your clinicians in 2019-20 and no information was available to enable a reasonable assessment of future take up to be made. As no reliable estimate could therefore be made to support the creation of a provision at 31 March 2020, the Health Board has complied with Welsh Government guidance in disclosing the existence of a contingent liability at 31 March 2020.

## Uncorrected misstatements

- 23 We set out below a misstatement we identified in the financial statements, which we have discussed with management but remains uncorrected. We request that this is corrected. If you decide not to correct this misstatement, we ask that you provide us with the reasons in writing for not correcting it.

- **Treatment of year-end Pooled Budget balances**

The Health Board has a partnership arrangement (a 'pooled budget' agreement) with Cardiff Council and the Vale of Glamorgan Council. In accordance with the Welsh Government's Manual for Accounts, the Health Board has correctly accounted for the in-year transactions (to and from the pool) on a net basis. This net accounting treatment is required because the Health Board acts as an agent. The Health Board should also account on a net basis for the associated year-end debtor (amounts owed from the pool) and creditor (amounts owed to the pool). However, in the draft financial statements the Health Board had accounted for these year-end balances on a gross basis, thereby overstating both its 'local authority debtors' and 'local authority creditors' by £7.231 million (as at 31 March 2020). The equivalent misstatements are also in the previous year's comparative figures, by £6.851 million. The Health Board has corrected the £7.231 million (**see Appendix 3**), but not corrected the previous year's comparative figure of £6.851 million.

## Corrected misstatements

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

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## Recommendations

- 25 Following the audit certification by the Auditor General we will issue a separate report setting out the Health Board's actions against last year's recommendations; and this year's audit findings and recommendations, and management's responses. That report will be considered at a future meeting of the Audit Committee.

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# Appendix 1

## Final Letter of Representation

Auditor General for Wales  
Audit Wales  
24 Cathedral Road  
Cardiff  
CF11 9LJ

29 June 2020

### Representations regarding the 2019-20 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 Cardiff and Vale University Local Health Board (the Health Board) for the year ended 31 March 2020 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 with the approval of 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. On this point it is important to note that the Health Board has breached its revenue resource-limit for the three-year period 2017-18 to 2019-20.

- The design, implementation and maintenance of internal controls 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.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

Disclosures in the Remuneration Report are accurate and complete.

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 and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. The effect of the one uncorrected misstatement identified during the audit is immaterial to the financial statements taken as a whole. This item is set out below:

- As reported at paragraph 23 of Audit Wales' Report on the Financial Statements, the Health Board has a partnership arrangement (a 'pooled budget' agreement) with Cardiff Council and the Vale of Glamorgan Council. In accordance with the Welsh Government's Manual for Accounts, the Health Board has correctly accounted for the in-year transactions (to and from the pool) on a net basis. This net accounting treatment is required because the Health Board acts as an agent. The Health Board should also account on a net basis for the associated year-end debtor (amounts owed from the pool) and creditor (amounts owed to the pool). However, in the draft financial statements the Health Board had accounted for these year-end balances on a gross basis, thereby overstating both its 'local authority debtors' and 'local authority creditors' by £7.231 million (as at 31 March 2020). The equivalent misstatements are also in the previous year's comparative figures, by £6.851 million. The Health Board has corrected the £7.231 million, but not corrected the previous year's comparative figure of £6.851 million.

## Representations by the Board

We acknowledge that the representations made by management, above, have been discussed with us. We also 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 Board on 29 June 2020. We confirm that we have taken all the steps that we ought to have taken in order 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:

Leonard Richards

Chief Executive

29 June 2020

Signed by:

Charles Janczewski

Chair

29 June 2020

# Appendix 2

## The proposed Certificate of the Auditor General for Wales to the Senedd

### The Certificate of the Auditor General for Wales to the Senedd

I certify that I have audited the financial statements of Cardiff and Vale University Local Health Board for the year ended 31 March 2020 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 Tax-Payers' 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 HM Treasury's Financial Reporting Manual based on International Financial Reporting Standards (IFRSs).

#### Opinion

In my opinion, except for the possible effects of the matters described in the 'Basis for qualified opinion' section of my report, the financial statements:

- give a true and fair view of the state of affairs of Cardiff and Vale University Local Health Board as at 31 March 2020 and of its net operating costs for the year then ended; and
- have been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by Welsh Ministers.

#### Basis for qualified opinion

The Health Board had an inventory balance of £16.784 million as at 31 March 2020, disclosed in Note 14.1 to the financial statements. Due to the impact of the COVID-19 pandemic and the statutory lockdown arrangements that took effect from 23 March 2020, I was unable to observe and reperform parts of the Health's Board's count of its inventories on 31 March 2020.

As I have been unable to obtain the required audit assurance by alternative means, I am therefore unable to determine whether the Health Board's reported year-end inventory balance of £16.784 million is materially true and fair.

Tolley, Laura  
06/26/2020 10:22:18

## **Emphasis of Matter – effects of the COVID-19 pandemic on the valuation of land and buildings**

I draw attention to Note 11.1 to the financial statements, which describes the impact of the COVID-19 pandemic on the valuation of land and buildings as at 31 March 2020.

As a result of the pandemic the Health Board's valuer declared a 'material valuation uncertainty' in four of their professional valuation reports, with a total valuation of £65.076 million. All four valuation reports were dated 31 March 2020. The Health Board has used these valuation reports to inform the measurement of certain of its property asset values in the financial statements at that date.

My opinion is not modified in respect of this matter.

## **Emphasis of Matter – clinicians' pension tax liabilities**

I draw attention to Note 21 of the financial statements, which describes the impact of a Ministerial Direction issued on 18 December 2019 to the Permanent Secretary of the Welsh Government, instructing her to fund NHS Clinicians' pension tax liabilities incurred by NHS Wales bodies in respect of the 2019-20 financial year.

The Health Board has disclosed the existence of a contingent liability at 31 March 2020, and my opinion is not modified in respect of this matter.

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am 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 opinion.

## **Conclusions relating to going concern**

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Executive has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Health Board's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

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06/26/2020 10:22:18

## Other information

The Chief Executive is responsible for the other information in the annual report and accounts. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. 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.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

## Qualified opinion on regularity

In my opinion, except for the irregular expenditure of £36.667 million explained in the paragraph below, in all material respects the expenditure and income have been applied to the purposes intended by the Senedd and the financial transactions conform to the authorities which govern them.

### Basis for qualified opinion on regularity

The Health Board has breached its revenue resource limit by spending £36.667 million over the £2,832 million that it was authorised to spend in the three-year period 2017-18 to 2019-20. This spend constitutes irregular expenditure. Further detail is set out in my attached Report.

## Report on other requirements

### 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 information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Governance Statement has been prepared in accordance with Welsh Ministers' guidance; and
- the information given in the Foreword and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial

statements and the Foreword and Accountability Report has been prepared in accordance with Welsh Ministers' guidance.

## **Matters on which I report by exception**

In the light of the knowledge and understanding of the board and its environment obtained in the course of the audit, I have not identified material misstatements in the Foreword and Accountability Report.

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- proper accounting records have not been kept;
- the financial statements 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; or
- I have not received all the information and explanations I require for my audit.

## **Report**

Please see my Report on pages **x to y**, in respect of my qualified opinion on regularity.

## **Responsibilities**

### **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, the Directors and the Chief Executive are responsible for the preparation of financial statements which give a true and fair view and for such internal control 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.

In preparing the financial statements, the Directors and Chief Executive are responsible for assessing the 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 deemed inappropriate.

### **Auditor's responsibilities for the audit of the financial statements**

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 an auditor's report 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.

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.

### **Responsibilities for regularity**

The Chief Executive is responsible for ensuring the regularity of financial transactions.

I am required to obtain sufficient evidence to give reasonable assurance that the expenditure and income have been applied to the purposes intended by the Senedd and the financial transactions conform to the authorities which govern them.

**Adrian Crompton**  
**Auditor General for Wales**  
**2 July 2020**

**24 Cathedral Road**  
**Cardiff**  
**CF11 9LJ**

Tolley, Laura  
06/26/2020 10:22:18



# Appendix 3

## Report of the Auditor General to the Senedd

### Introduction

Local Health Board (LHBs) are required to meet two statutory financial duties – known as the first and second financial duties.

For 2019-20 Cardiff and Vale University Local Health Board (the Health Board) failed to meet the first financial duty and so I have decided to issue a narrative report to explain the position.

### 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 fourth three-year period under this duty is 2017-18 to 2019-20, and so it is measured this year for the fourth time.

Note 2.1 to the Financial Statements shows that the LHB did not manage its revenue expenditure within its resource allocation over this three-year period, exceeding its cumulative revenue resource limit of £2,832 million by £36.667 million. The Health Board therefore did not meet its first financial duty.

Where an LHB does not balance its books over a rolling three-year period, any expenditure over the resource allocation (ie 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.

**Adrian Crompton**  
**Auditor General for Wales**  
**2 July 2020**

**24 Cathedral Road**  
**Cardiff**  
**CF11 9LJ**

Tolley, Laura  
06/26/2020 10:22:18

# Appendix 4

## 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
£7.231 million	<u>Note 15 Trade and other receivables and Note 18 Trade and other payables</u> Notes 15 and 18 have been adjusted to a net accounting basis, removing the amount disclosed as both payable and receivable. The Health Board has not corrected the equivalent prior year figure, as reported at paragraph 23.	The accounting treatment for last year's new partnership arrangement with Cardiff Council and the Vale of Glamorgan Council was incorrect. The Health Board had accounted for the transactions on a gross basis, instead of the correct net basis. The net basis is necessary because the Health Board acts as an agent and the transactions have no economic value.
£27.408 million	<u>2018-19 Note 3.2 Expenditure on Healthcare from other providers and Note 4 Miscellaneous Income</u> Notes 3.2 and 4 have been adjusted for the prior year to: <ul style="list-style-type: none"><li>• decrease Local Authority expenditure by £27.408 million, and</li><li>• decrease Local Authority income by £27.408 million.</li></ul>	
£4.27 million	<u>Primary statement: Statement of Changes in Taxpayers Equity</u>  The 'transfers between reserves' has been adjusted to: <ul style="list-style-type: none"><li>• increase the revaluation reserve balance by £4.27 million: and</li><li>• decrease the general fund balance by £4.27million.</li></ul>	To correct the difference in depreciation charged on the current and historic cost of assets. The Health Board completes this adjustment each year, after providing us with the draft financial statements.  For completeness, each year we report this adjustment to you.

£1.039 million	<p><u>Note 2 Financial Duties Performance, Note 3.1 Expenditure on Primary Healthcare Services, and the Statement of Changes in Taxpayers' Equity</u></p> <p>Increase of £1.039 million to the Health Board's:</p> <ul style="list-style-type: none"> <li>• 2019-20 revenue resource limit;</li> <li>• prescribing drugs and appliances expenditure by £1.039 million; and</li> <li>• the Welsh Government funding.</li> </ul>	<p>The Welsh Government increased all health boards' 2019-20 revenue resource limit to adjust for the known change in prescribing costs. The increase related to the impact of Covid-19 on the level prescribing costs in March 2020, alongside the delay in the accounting process which enabled more up-to-date information on prescribing costs to be known.</p>
£1 million	<p><u>Note 25.2 Private Finance Initiative Contracts</u></p> <p>Increase the total present value of obligations for on Statement of Financial Position PFI contracts by £1 million to £21.651 million.</p>	<p>An incorrect value had been brought forward.</p>
Disclosures only	<p><u>Note 21.1 Contingent Liabilities</u></p> <p>Additional wording added for the pensions tax annual allowance - Scheme Pays arrangements 2019/20.</p>	<p>Additional wording in the financial statements, to which the Auditor General's certificate (<b>Appendix 2</b>) draws attention as an 'emphasis of matter'. See paragraphs 20 to 22.</p>
Disclosures only	<p><u>Note 11.1 Property, Plant and Equipment</u></p> <p>Footnote added to explain that due to the impact of Covid-19, the valuers reported material uncertainty in four of their seven valuation reports during 2019-20. The total value of the four affected valuations was £65.076 million.</p>	<p>Additional wording in the financial statements, to which the Auditor General's certificate (<b>Appendix 2</b>) draws attention as an 'emphasis of matter'. See paragraph 19.</p>
Disclosures only	<p><u>Remuneration Report (Accountability Report), and Note 30 Related Parties</u></p>	<p>To correct the disclosures.</p>

	Amendment to a small number of the disclosures.	
Disclosures only	<u>Note 34 Other Information</u> Additional wording added for the deferred implementation of IFRS 16 Leases.	Standard wording for additional disclosure as agreed with Welsh Government.

Tolley, Laura  
06/26/2020 10:22:18

Tolley, Laura  
06/26/2020 10:22:18



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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.

## **Cardiff and Vale University Health Board**

# **HEAD OF INTERNAL AUDIT OPINION & ANNUAL REPORT 2019/20**

**May 2020**

**NHS Wales Shared Services Partnership  
Audit and Assurance Services**

Tolley, Laura  
06/26/2020 10:22:18

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**Report status:**

Final

**Draft report issued:**21<sup>st</sup> May 2020**Final report issued:**18<sup>th</sup> June 2020**Author:**

Head of Internal Audit

**Executive:**

Director of Corporate Governance

**Audit Committee:**29<sup>th</sup> June 2020



## 1. EXECUTIVE SUMMARY

### 1.1 Purpose of this Report

The Board is collectively accountable for maintaining a sound system of internal control that supports the achievement of the organisation's objectives, and is responsible for putting in place arrangements for gaining assurance about the effectiveness of that overall system. A key element in that flow of assurance is the overall assurance opinion from the Head of Internal Audit.

This report sets out the Head of Internal Audit opinion together with the summarised results of the internal audit work performed during the year. The report also includes a summary of audit performance in comparison to the plan and an assessment of conformance with the Public Sector Internal Audit Standards (these are the requirements of Standard 2450).

### 1.2 Head of Internal Audit Opinion

The purpose of the annual Head of Internal Audit opinion is to contribute to the assurances available to the Accountable Officer and the Board which underpin the Board's own assessment of the effectiveness of the system of internal control. The approved internal audit plan is biased towards risk and therefore the Board will need to integrate these results with other sources of assurance when making a rounded assessment of control for the purposes of the Annual Governance Statement.

The overall opinion has been formed by summarising audit outcomes across eight key assurance domains. The overall opinion is then based upon these grouped findings. In a change to previous years all domains now carry equal weighting.

In my opinion the Board can take **Reasonable Assurance** that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Several significant matters require management attention with low to moderate impact on residual risk exposure until resolved.

### 1.3 Delivery of the Audit Plan

The internal audit plan has been delivered substantially in accordance with the agreed schedule and changes required during the year, as approved by the Audit & Assurance Committee. Regular audit progress reports have been submitted to the Audit & Assurance Committee during the year.

As a result of the COVID-19 pandemic and the response to it from the Health Board we have not been able to complete our audit programme in full. However, we have undertaken sufficient audit work during the year to be able to give an overall opinion in line with the requirements of the Public Sector Internal Audit Standards.

We had anticipated, after adjustments to the original audit plan agreed with the Audit Committee, producing 46 outputs at the year end. However, due to the impact of COVID-19 the final position at Cardiff and Vale University Health Board

is: 37 Final reports, 2 Draft reports and 7 where insufficient work has been done to be used to support the opinion.

For those audits that are either at the Draft report stage or are work in progress, we will agree an appropriate approach to complete and finalise those audits with the Health Board for formal submission to the Audit Committee at a later date. In addition, in a small number of cases we were not able to complete work on all the objectives agreed for a particular audit. Where this is the case we have highlighted this in Sections 5.1 to 5.6.

There are, as in previous years, additional audits undertaken at NWSSP, NWIS, WHSSC and EASC that support the overall opinion for NHS Wales health bodies (see Section 3).

Our External Quality Assessment (EQA), conducted by the Chartered Institute of Internal Auditors, and our Quality Assurance and Improvement Programme have both confirmed that our internal audit work 'generally conforms' to the requirements of the Public Sector Internal Audit Standards (PSIAS) for 2019/2020. We are now able to state that our service 'conforms to the Institute of Internal Audit's (IIA's) professional standards and to PSIAS.'

## 1.4 Summary of Audit Assignments

The report summarises the outcomes from the internal audit plan undertaken in the year and recognising audit provides a continuous flow of assurance includes the results of legacy audit work reported subsequent to the prior year opinion. The report also references assurances received through the internal audit of control systems operated by NWSSP for transaction processing on behalf of the Health Board.

The audit coverage in the plan agreed with management has been deliberately focused on key strategic and operational risk areas; the outcome of these audit reviews may therefore highlight control weaknesses that impact on the overall assurance opinion.

In overall terms we can provide positive assurance to the Board that arrangements to secure governance, risk management and internal control are suitably designed and applied effectively in the following seven of the eight assurance domains:

- Corporate governance, risk Management and regulatory compliance;
- Strategic planning, performance management and reporting;
- Financial Governance and Management;
- Clinical governance quality and safety;
- Operational services and functional management;
- Workforce management; and
- Capital and estates management.

We are not able to provide positive assurance to the Board that arrangements to secure governance, risk management and internal control are suitably designed and applied effectively within the Information governance and security domain. This is partly due to the outcome of the Tentacle IT System audit that was given Limited assurance. However, it also reflects the number of planned audits that were not completed within the domain. This included two planned follow-up audits

of previous Limited Assurance reports. We were able to place some reliance on the outcome of an audit undertaken of these areas by the Information Commissioners Office which reported Reasonable Assurance. However, their report remains in draft at the current time and included a number of high priority issues.

The significance of the matters identified in the Consultant Job Planning Follow-up audit resulted in the report being given Limited assurance. It can be seen that this is a follow-up audit to a previous limited assurance report, highlighting that previously agreed actions have not been implemented on a timely basis.

It is noted that a further planned follow-up audit to the previous limited assurance Medicine CB – Internal Medicine report was not completed due to the COVID-19 pandemic, as agreed by the Audit Committee. We are therefore not able to provide any assurance within the current annual report on the level of progress made in relation to this previous limited report. The significance of this incomplete follow-up has been taken into account when assessing the overall rating for the respective assurance domain.

Management are aware of the specific issues identified and have agreed action plans to improve control in a number of areas. These planned control improvements should be referenced in the Annual Governance Statement where appropriate.

Please note that our assessment across each of the domains has also taken into account, where appropriate, the number and significance of any audits that have been deferred during the course of the year.

Tolley, Laura  
06/26/2020 10:22:18

## 2. HEAD OF INTERNAL AUDIT OPINION

### 2.1 Roles and Responsibilities

The Board is collectively accountable for maintaining a sound system of internal control that supports the achievement of the organisation's objectives, and is responsible for putting in place arrangements for gaining assurance about the effectiveness of that overall system.

The Annual Governance Statement is a statement made by the Accountable Officer, on behalf of the Board, setting out:

- How the individual responsibilities of the Accountable Officer are discharged with regard to maintaining a sound system of internal control that supports the achievement of policies, aims and objectives.
- The purpose of the system of internal control, as evidenced by a description of the risk management and review processes, including compliance with the Health & Care Standards.
- The conduct and results of the review of the effectiveness of the system of internal control including any disclosures of significant control failures, together with assurances that actions are or will be taken where appropriate to address issues arising.

The organisation's risk management process and system of assurance should bring together all of the evidence required to support the Annual Governance Statement.

In accordance with the Public Sector Internal Audit Standards (PSIAS), the Head of Internal Audit (HIA) is required to provide an annual opinion, based upon and limited to the work performed on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. This is achieved through an audit plan that has been focussed on key strategic and operational risk areas and known improvement opportunities, agreed with executive management and approved by the Audit Committee, which should provide an appropriate level of assurance.

The opinion does not imply that Internal Audit has reviewed all risks and assurances relating to the organisation. The opinion is substantially derived from the conduct of risk-based audit work formulated around a selection of key organisational systems and risks. As such, it is a key component that the Board takes into account but is not intended to provide a comprehensive view.

The Board, through the Audit Committee, will need to consider the Internal Audit opinion together with assurances from other sources including reports issued by other review bodies, assurances given by management and other relevant information when forming a rounded picture on governance, risk management and control for completing its Governance Statement.

Tolley, Laura  
06/26/2020 10:22:18

## 2.2 Purpose of the Head of Internal Audit Opinion

The purpose of my annual Head of Internal Audit opinion is to contribute to the assurances available to the Accountable Officer and the Board of Cardiff and Vale University Health Board which underpin the Board's own assessment of the effectiveness of the organisation's system of internal control.

This opinion will in turn assist the Board in the completion of its Annual Governance Statement, and may also be taken into account by regulators including Healthcare Inspectorate Wales in assessing compliance with the Health & Care Standards in Wales, and by Wales Audit Office in the context of their external audit.

The overall opinion by the Head of Internal Audit on governance, risk management and control is a function of this risk based audit programme and contributes to the picture of assurance available to the Board in reviewing effectiveness and supporting our drive for continuous improvement.

## 2.3 Assurance Rating System for the Head of Internal Audit Opinion

The assurance rating framework for expressing the overall audit opinion was refined in 2013/14 in consultation with key stakeholders across NHS Wales. In 2016/17, following further discussion with stakeholders, it was amended to remove the weighting given to three of the eight domains when judging the overall opinion. The framework applied in 2016/17 has been used again to guide the forming of the opinion for 2019/20.

The assurance rating system based upon the colour-coded barometer and applied to individual audit reports remains unchanged. The descriptive narrative used in these definitions as clarified in 2012/13 has proven effective in giving an objective and consistent measure of assurance in the context of assessed risk and associated control in those areas examined.

This same assurance rating system is applied to the overall Head of Internal Audit opinion on governance, risk management and control as to individual assignment audit reviews. The assurance rating system together with definitions is included at **Appendix D**.

The individual conclusions arising from detailed audits undertaken during the year have been summarised by the eight assurance domains that were used to frame the internal audit plan at its outset. The aggregation of audit results by these domains gives a better picture of assurance to the Board and also provides a rational basis for drawing an overall audit opinion.

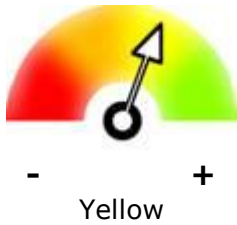
A quality assurance review process has been applied by the Director of Audit & Assurance and the Head of Internal Audit in the annual reporting process to ensure the assurance domain ratings and overall opinion are consistent with the underlying audit evidence and in accordance with the criteria for judgement at **Appendix E**.

## 2.4 Head of Internal Audit Opinion

### 2.4.1 Scope of opinion

The scope of my opinion is confined to those areas examined in the risk based audit plan which has been agreed with senior management and approved by the Audit Committee. The Head of Internal Audit assessment should be interpreted in this context when reviewing the effectiveness of the system of internal control and be seen as an internal driver for continuous improvement.

The Head of Internal Audit opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management, and control is set out below.

Reasonable assurance		The Board can take <b>reasonable assurance</b> that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Some matters require management attention in control design or compliance with <b>low to moderate impact on residual risk</b> exposure until resolved.
----------------------	--	---

In reaching the overall Reasonable Assurance Opinion I have identified that the majority of reviews during the year concluded positively with sound control arrangements operating in many areas.

In forming the overall opinion I have also concluded that seven of the eight individual domains would be classified with a positive assurance opinion; One being substantial assurance and six being reasonable assurance. I have classified one of the individual domains with a limited assurance opinion.

During the year ten Substantial Assurance and twenty five reasonable assurance opinions were given for individual assignments. However it is important to highlight that two Limited assurance reports have been issued during the year and these were split across two of the eight assurance domains.

Furthermore it is also important to note that, prior to the effects of the COVID-19 pandemic, a total of seven audits were either removed or deferred into the 2020/21 Internal Audit plan. The significance of these deferred audits has been taken into account when assessing the ratings for the assurance domains and the overall assurance opinion.

This opinion will need to be reflected within the Annual Governance Statement along with confirmation of action planned to address the issues raised. Particular focus should be placed on the agreed response to any limited assurance reports issued during the year and the significance of the recommendations made.



### 2.4.2 Basis for Forming the Opinion

In reaching the opinion the Head of Internal Audit has applied both professional judgement and the Audit & Assurance "*Supporting criteria for the overall opinion*" guidance produced by the Director of Audit & Assurance and shared with key stakeholders, see **Appendix E**.

The Head of Internal Audit has concluded that Reasonable Assurance can be reported for six of the eight assurance domains, around which the plan is structured. Substantial assurance has been reported for one domain and Limited assurance for the remaining domain.

The audit work undertaken during 2019/20 and reported to the Audit Committee has been aggregated at **Appendix B**.

The evidence base upon which the overall opinion is formed is as follows:

- An assessment of the range of individual opinions arising from risk-based audit assignments contained within the Internal Audit plan that have been reported to the Audit Committee throughout the year. This assessment has taken account of the relative materiality of these areas and the results of any follow-up audits in progressing control improvements;
- The result of audit assignments that have been issued in draft to the organisation before the issue of this opinion, but have yet to be reported to the Audit Committee;
- The results of any audit work related to the Health & Care Standards including, if appropriate, the evidence available by which the Board has arrived at its declaration in respect of the self-assessment for the Governance, Leadership and Accountability module; and
- Other assurance reviews which impact on the Head of Internal Audit opinion including audit work performed at other organisations (see Section 3 – Other Work for details).

As stated above these detailed results have been aggregated to build a picture of assurance across the eight key assurance domains around which the risk-based Internal Audit plan is framed. Where there is insufficient evidence to draw a firm conclusion the assurance domain is not rated.

In addition, the Head of Internal Audit has considered residual risk exposure across those assignments where limited or no assurance was reported.

Further, a number of audit assignments planned this year did not proceed to full audits following preliminary planning work and these were either; removed from the plan; removed from the plan and replaced with another audit; or deferred until a future audit year. Where changes were made to the audit plan then the reasons were presented to the Audit Committee for consideration and approval. Notwithstanding that the opinion is restricted to those areas which were subject to audit review, the Head of Internal Audit has considered the impact of changes made to the plan when forming their overall opinion.

A summary of the findings in each of the domains is set out below. Each domain heading has been colour coded to show the overall assurance for that domain.

**Corporate Governance, Risk Management and Regulatory Compliance**

The Audit of Claims Reimbursement was given substantial assurance with no issues identified.

The review of Risk Management was given reasonable assurance which reflects the fact that the Health Board has made good progress in developing its Board Assurance Framework and introducing a Risk Management Framework. However, further work is needed to ensure that the requirements of the Framework are being consistently applied across the organisation so that all risks are effectively assessed, scored and escalated.

Follow-up reviews were undertaken of the previously limited assurance audits of Legislative Compliance and Standards of Behaviour. Sufficient progress had been made with the implementation of the previously agreed management actions to allow the ratings to increase to reasonable and substantial assurance respectively.

The draft Annual Governance Statement has also been reviewed for reasonableness.

**Strategic Planning, Performance Management & Reporting**

The audit of Brexit Planning was given Reasonable assurance as the Health Board has appropriate arrangements in place with regards to the on-going preparation for Brexit.

Follow-up reviews were undertaken for the two elements of Continuing Healthcare (CHC) that had previously been subject to a limited assurance audit. In both areas the agreed management actions had been sufficiently progressed to allow the ratings to increase to reasonable assurance.

The audit of Strategic Planning / IMTP has been given a draft rating of reasonable assurance. There are generally good processes and controls in place for managing the development, evaluation, approval and implementation of business cases linked to IMTP developments.

The planned audit of Engagement around Service Planning has been deferred at the request of the Health Board. As such, assurance cannot be provided but the potential significance of the audit has been taken into account when assessing the overall assurance rating for the domain.

**Financial Governance and Management**

The audits of Budgetary Control and the Core Financial systems were both given substantial assurance with only a small number of minor issues identified.

The Private & Overseas Patients audit has been given reasonable assurance as generally sound structures and controls are in place, although these are not always consistently applied across the entire health Board.

Reasonable assurance was also provided for the audit of Charitable Funds. The key issue identified was around the monitoring and management of dormant funds.



The six financial system audits undertaken through the audit of NWSSP have all been given positive ratings of either reasonable or substantial assurance.

### **Clinical Governance Quality & Safety**

The audit of the Annual Quality Statement was given Substantial assurance with only one minor issue identified.

The Deprivation of Liberties Safeguards (DoLS) audit identified that the Health Board has made progress addressing issues around staff awareness and the authorisation of requests. However further work is required to ensure all urgent assessments are completed within the required timescales. The assurance rating was assessed as reasonable.

The audit of Safeguarding Adults and Children was also given reasonable assurance. This reflects that the Health Board has a clear structure and processes in place for safeguarding but improvements are required to staff training and Clinical Board attendance at steering meetings.

The Infection Prevention & Control audit was also given Reasonable assurance with a number of recommendations made to further enhance the current processes and practices.

### **Information Governance & IT Security**

The Freedom of Information (FoI) Audit was given reasonable assurance. This reflects the steps that the Health Board has taken to address deficiencies in the FoI processes and improve compliance. However, there are still opportunities for further process improvements, and to embed FoI compliance requirements throughout the entire area of Health Board operations.

The audit of the Tentacle IT System was given Limited assurance with a significant number of key weaknesses identified around the current governance processes for the system and also its on-going compatibility.

The two planned follow-up audits of the previous GDPR and Cyber Security Limited Assurance reports were deferred as the Information Commissioners Office (ICO) were carrying out an audit of these areas. We were able to place some reliance on the outcome of their audit which reported Reasonable Assurance. However, their report remained in draft at the time of writing and included a number of high priority issues.

The planned audit of IT Service Management (ITIL) was also deferred at the request of the Health Board. As such assurance cannot be provided but the potential significance of the audit has been taken into account when assessing the overall assurance rating for the domain.

### **Operational Service and Functional Management**

A total of six audits were undertaken across the Clinical Boards covering a range of topics including, Rosterpro usage, Business continuity and third sector

contracts. Two of the audits received substantial assurance and four received reasonable assurance.

Follow-up reviews were also undertaken of the previously limited assurance audits of Sickness Management within Mental Health and Medical Staff Governance within Surgery. Sufficient progress had been made with the implementation of the previously agreed management actions to allow both ratings to increase to reasonable assurance.

### **Workforce Management**

The Audit of Medical Staff Study Leave was given Reasonable assurance. Whilst a sound administrative procedure is in place, the Health Board Procedure requires strengthening and should be supported by local departmental procedures.

The draft Pre-Employment Checks audit is currently given Reasonable assurance with the main recommendations being around enhancements to the processes for checks on bank staff.

The follow-up audit of Consultants Job Planning identified that the majority of the agreed management actions had not been progressed and the rating therefore remains as limited assurance.

### **Capital & Estates Management**

The audits of Sustainability Reporting, Service Improvement Team and Neonatal & Obstetrics Project audits all received substantial assurance.

The Sustainability Reporting, Maelfa Wellbeing Hub and Control of Contractors audits all received Reasonable Assurance. Issues were identified as part of each of the audits and appropriate management actions have been agreed to address them.

The planned audit of Commercial Outlets was deferred at the request of the Health Board. As such assurance cannot be provided but the potential significance of the audit has been taken into account when assessing the overall assurance rating for the domain.

## **2.4.3 Limitations to the Audit Opinion**

Internal control, no matter how well designed and operated, can provide only reasonable and not absolute assurance regarding the achievement of an organisation's objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems.

As mentioned above the scope of the audit opinion is restricted to those areas which were the subject of audit review through the performance of the risk-based Internal Audit plan. In accordance with auditing standards and with the agreement of senior management and the Board, Internal Audit work is deliberately prioritised according to risk and materiality. Accordingly the Internal Audit work and reported outcomes will bias towards known weaknesses as a driver to improve governance, risk management and control. This context is important

in understanding the overall opinion and balancing that across the various assurances which feature in the Annual Governance Statement.

Caution should be exercised when making comparisons with prior years. Audit coverage will vary from year to year based upon risk assessment and cyclical coverage on key control systems.

#### **2.4.4 Period covered by the Opinion**

Internal Audit provides a continuous flow of assurance to the Board and subject to the key financials and other mandated items being completed in-year the cut-off point for annual reporting purposes can be set by agreement with management. To enable the Head of Internal Audit opinion to be better aligned with the production of the Annual Governance Statement a pragmatic cut-off point has been applied to Internal Audit work in progress.

By previous agreement with the Health Board, audit work reported to draft stage has been included in the overall assessment, all other work in progress will be rolled-forward and reported within the overall opinion for next year.

The majority of audit reviews will relate to the systems and processes in operation during 2019/20 unless otherwise stated and reflect the condition of internal controls pertaining at the point of audit assessment. Follow-up work will provide an assessment of action taken by management on recommendations made in prior periods and will therefore provide limited scope update on the current condition of control and a measure of direction of travel.

There are also some specific assurance reviews which remain relevant to the reporting of the Annual Report. These specific assurance requirements relate to the following two public disclosure statements:

- Annual Quality Statement; and
- Environmental Sustainability Report.

The specified assurance work on these statements has been aligned with the timeline for production of the Annual Report and accordingly will be completed and reported to management and the Audit Committee subsequent to this Head of Internal Audit opinion. However, the Head of Internal Audit's assessment of arrangements in these areas is legitimately informed by drawing on the assurance work completed as part of this current year's plan albeit relating to the 2018/19 Annual Report and Quality Statement, together with the preliminary results of any audit work already undertaken in relation to the 2019/20 Annual Report and Quality Statement.

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## 2.5 Required Work

There are a number of pieces of work that Welsh Government has required previously that Internal Audit should review each year, where applicable. These pieces cover aspects of:

- Health & Care Standards, including the Governance, Leadership and Accountability standard;
- Annual Governance Statement;
- Annual Quality Statement;
- Environmental Sustainability Report;
- Carbon Reduction Commitment; and
- Welsh Risk Pool Claims Reimbursement.

Where appropriate, our work is reported in Section 5 – Risk based Audit Assignments and at **Appendix B**.

Please note that there are discussions ongoing with Welsh Government as to whether this work will be required in 2020/21 and future years.

## 2.6 Statement of Conformance

The Welsh Government determined that the Public Sector Internal Audit Standards (PSIAS) would apply across the NHS in Wales from 2013/14.

The provision of professional quality Internal Audit is a fundamental aim of our service delivery methodology and compliance with PSIAS is central to our audit approach. Quality is controlled by the Head of Internal Audit on an ongoing basis and monitored by the Director of Audit & Assurance. The work of internal audit is also subject to an annual assessment by the Wales Audit Office. In addition, at least once every five years, we are required to have an External Quality Assessment. This was undertaken by the Chartered Institute of Internal Auditors (IIA) in February and March 2018. The IIA concluded that NWSSP's Audit & Assurance Services conforms with all 64 fundamental principles and 'it is therefore appropriate for NWSSP Audit & Assurance Services to say in reports and other literature that it conforms to the IIA's professional standards and to PSIAS.'

The NWSSP Audit and Assurance Services can assure the Audit Committee that it has conducted its audit at Cardiff and Vale University Health Board in conformance with the Public Sector Internal Audit Standards for 2019/20.

Our conformance statement for 2019/20 is based upon:

- the results of our internal Quality Assurance and Improvement Programme (QAIP) for 2019/20 which will be reported formally in the Summer of 2020;
- the results of the work completed by Wales Audit Office; and
- the results of the External Quality Assessment undertaken by the IIA.

We have set out, in **Appendix A**, the key requirements of the Public Sector Internal Audit Standards and our assessment of conformance against these requirements. The full results and actions from our QAIP will be included in the

2019/20 QAIP report. There are no significant matters arising that need to be reported in this document.

## 2.7 Completion of the Annual Governance Statement

While the overall Internal Audit opinion will inform the review of effectiveness for the Annual Governance Statement the Accountable Officer and the Board need to take into account other assurances and risks when preparing their statement. These sources of assurances will have been identified within the Board's own performance management and assurance framework and will include, but are not limited to:

- Direct assurances from management on the operation of internal controls through the upward chain of accountability;
- Internally assessed performance against the Health & Care Standards;
- Results of internal compliance functions including Local Counter-Fraud, Post Payment Verification, and risk management;
- Reported compliance via the Welsh Risk Pool regarding claims standards and other specialty specific standards reviewed during the period; and
- Reviews completed by external regulation and inspection bodies including the Wales Audit Office and Healthcare Inspectorate Wales.

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### 3. OTHER WORK RELEVANT TO THE HEALTH BOARD

As our internal audit work covers all NHS organisations there are a number of audits that we undertake each year which, while undertaken formally as part of a particular health organisation's audit programme, will cover activities relating to other Health bodies. The Head of Internal Audit has had regard to these audits, which are listed below.

#### **NHS Wales Shared Services Partnership (NWSSP)**

As part of the internal audit programme at NHS Wales Shared Services Partnership (NWSSP), a hosted body of Velindre University NHS Trust, a number of audits were undertaken which are relevant to the Health Board. These audits of the financial systems operated by NWSSP, processing transactions on behalf of the Health Board, derived the following opinion ratings:

- Accounts Payable - Reasonable
- Payroll – Reasonable
- Primary Care Services – General Medical Services - Substantial
- Primary Care Services – General Pharmaceutical Services - Substantial
- Primary Care Services – General Dental Services – Substantial
- Primary Care Services – General Ophthalmic Services – Substantial.
- Primary Care Services – Post Payment Verification - Substantial

Please note that other audits of NWSSP activities are undertaken as part of the overall NWSSP internal audit programme.

The overall Head of Internal Audit Opinion for NWSSP has given an overall rating of Reasonable Assurance.

Six of the seven reports noted above (with the exclusion of the Post Payments Verification Audit) are also included in the table at Appendix B as they are undertaken annually to ensure coverage of the main financial systems and include transactions processed on behalf of the Health Board.

In addition, as part of the internal audit programme at Cwm Taf Morgannwg UHB a number of audits were undertaken in relation to both the Welsh Health Specialist Services Committee (WHSSC) and the Emergency Ambulance Services Committee (EASC). These audits are listed below and derived the following opinion ratings:

#### **Welsh Health Specialised Services Committee**

- Cardiac review – Reasonable
- Information governance - Reasonable

#### **Emergency Ambulance Services Committee**

- Non-emergency patient transport service - N/A

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**NHS Wales Informatics Service (NWIS)**

We have also undertaken six audits relating to the processes and operations of NWIS.

- Infrastructure / Network Management – Reasonable
- Service provision – Reasonable
- Supplier management – Limited (draft report)
- Follow up change control – Substantial
- GDPR – Limited
- Pharmacy project – Reasonable

While these audits do not form part of the annual plan for Cardiff and Vale University Health Board, they are listed here for completeness as they do impact on the Health Board's activities, and the Head of Internal Audit does consider if any issues raised in the audits could impact on the content of our annual report.

Full details of the NWSSP audits are included in the NWSSP Head of Internal Audit Opinion and Annual Report and are summarised in the Velindre University NHS Trust Head of Internal Audit Opinion and Annual Report, along with the NWIS Audits; the WHSSC and EASC audits are detailed in the Cwm Taf Morgannwg UHB Head of Internal Audit Opinion and Annual Report.

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## 4. DELIVERY OF THE INTERNAL AUDIT PLAN

### 4.1 Performance against the Audit Plan

The Internal Audit Plan has been delivered substantially in accordance with the schedule agreed with the Audit Committee, subject to changes agreed as the year progressed. Regular audit progress reports have been submitted to the Audit Committee during the year. Audits which remain to be reported and reflected within this Annual Report will be reported alongside audits from the 2020/21 operational audit plan.

The assignment status summary is reported at section 5 and **Appendix B**.

In addition, throughout the year we have responded to requests for advice and/or assistance across a variety of business areas. This advisory work undertaken in addition to the assurance plan is permitted under the standards to assist management in improving governance, risk management and control. This activity has been reported during the year within our progress reports to the Audit Committee.

### 4.2 Service Performance Indicators

In order to be able to demonstrate the quality of the service delivered by Internal Audit, a range of service performance indicators supported by monitoring systems have been developed. These have become part of the routine reporting to the Audit Committee during 2019/20. The key performance indicators are summarised in the **Appendix C**.

Post audit questionnaires (PAQs) are issued following the finalisation of relevant audit assignments. During 2019/20 a total of twenty PAQs were issued with ten responses received. This represents a return rate of 50%. Where respondents have made specific comments these have been reviewed by the Head of Internal Audit for any necessary action.

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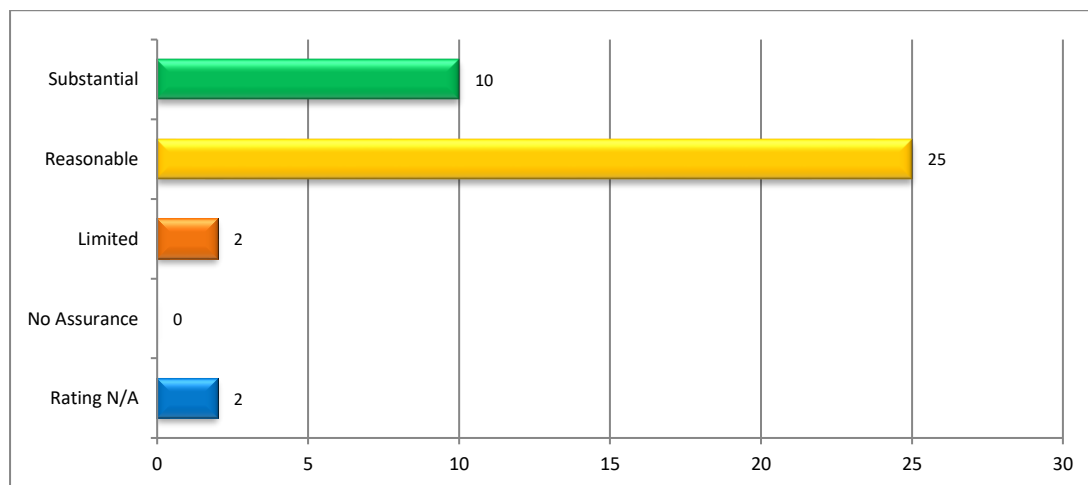
## 5. RISK BASED AUDIT ASSIGNMENTS

The overall opinion provided in Section 1 and our conclusions on individual assurance domains is limited to the scope and objectives of the reviews we have undertaken, detailed information on which has been provided within the individual audit reports.

### 5.1 Overall summary of results

In total 39 audit reviews were reported during the year. Figure 1 below presents the assurance ratings and the number of audits derived for each.

**Figure 1 Summary of audit ratings**



The assurance ratings and definitions used for reporting audit assignments are included in **Appendix D**.

In addition to the above, there were fourteen audits from the plan that were not undertaken. Seven of these did not proceed following preliminary planning and agreement with management, as it was recognised that there was action required to address issues / risks already known to management and an audit review at that time would not add additional value. The remaining seven audits did not proceed due to the impact of the COVID-19 outbreak.

The following sections provide a summary of the scope and objective for each assignment undertaken within the year along with the assurance rating.

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## 5.2 Substantial Assurance



In the following review areas the Board can take **substantial assurance** that arrangements to secure governance, risk management and internal control are suitably designed and applied effectively. Those few matters that may require attention are compliance or advisory in nature with low impact on residual risk exposure.

Review Title	Objective
Annual Quality Statement	To assist Cardiff and Vale UHB with accuracy checking, including the triangulation of data and evidence, before the publication of the AQS.
Carbon Reduction Commitment	To assess compliance with CRC requirements and guidance.
Standards of Behaviour Follow-up	To provide the Health Board with assurance that agreed actions from the previous Limited assurance review of Standards of Behaviour have been implemented appropriately.
MH CB – Third Sector Contracts	To establish if appropriate processes are in place to ensure that all third sector contracts are appropriately awarded and performance is managed.
Claims Reimbursement	To provide assurance to the Audit Committee that the claims reimbursement process is in compliance with the requirements of the Welsh Risk Pool Standard.
Budgetary Control	To establish if the Health Board's financial resources are properly planned, controlled and managed.
Core Financial Systems	To establish if the Health Board has appropriate processes in place to ensure the effective management of the General Ledger and Accounts Receivable systems.

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Review Title	Objective
CD&T CB – Laboratory Turnaround Times (TATs)	To determine the adequacy of the systems and controls in place in relation to the laboratory Services blood sample testing service.  We were unable to provide assurance around one of the five detailed objectives, due to the unavailability of required data.
UHW Neonatal Development Project	To determine the adequacy of, and operational compliance with, the systems and procedures of the UHB for the management of the UHW Neonatal development, taking account of relevant NHS and other supporting regulatory and procedural requirements, as appropriate.
Service Improvement Team	To provide assurance that the Service Improvement Programme Team is appropriately set up and managed and is enabling the effective delivering of service improvements.  Due to COVID-19 we were unable to complete the planned testing to provide assurance around the effective delivery of service improvements.

### 5.3 Reasonable Assurance



In the following review areas the Board can take **reasonable assurance** that arrangements to secure governance, risk management and internal control are suitably designed and applied effectively. Some matters require management attention in either control design or operational compliance and these will have low to moderate impact on residual risk exposure until resolved.

Review Title	Objective
MH CB – Sickness Management Follow-up	To provide the Health Board with assurance that agreed actions from the previous Limited assurance review of Sickness Management have been implemented appropriately.

Review Title	Objective
Environmental Sustainability Report	To assess the adequacy of management arrangements for the production of the Sustainability Report within the Annual Report.
Specialist CB - Rosterpro	To establish if ward rosters are effectively planned and managed and the use of bank and agency nursing staff is appropriately assessed and utilised.
Legislative / Regulatory Compliance Follow-up	To provide the Health Board with assurance that agreed actions from the previous Limited assurance review of Legislative / Regulatory Compliance have been implemented appropriately.
Charitable Funds	To establish if the Health Board has appropriate processes in place to ensure that the Charitable Funds are appropriately managed and administered in accordance with relevant legislation and Charity Commission guidance.
Private and Overseas Patients	To establish if the Health Board has effective processes in place to ensure that all private and overseas patients are identified and required charges are made in order to recover relevant costs incurred.
Maelfa Wellbeing Hub	To determine the adequacy of, and operational compliance with, the systems and procedures of the UHB for the management of the Maelfa Wellbeing Hub capital project, taking account of relevant NHS and other supporting regulatory and procedural requirements, as appropriate.
Surgery CB – Medical Finance Governance Follow-up	To provide the Health Board with assurance that agreed actions from the previous Limited assurance review of Medical Finance Governance have been implemented appropriately.
PCIC CB – Business Continuity Planning	To establish if the PCIC Clinical Board has appropriate processes in place to ensure Business continuity is appropriately managed and administered in accordance with Health Board policy and relevant legislation.
Deprivation of Liberties Safeguards (DoLS)	To establish if adequate procedures are in place within the Health Board to ensure that DoLS are consistently complied with and authorisations are obtained for all relevant patients.

Review Title	Objective
PCIC CB – Continuing Healthcare (CHC): Adults Follow-up	To provide the Health Board with assurance that agreed actions from the previous Limited assurance review of CHC: Adults have been implemented appropriately.
C&W CB – Continuing Healthcare (CHC): Children Follow-up	To provide the Health Board with assurance that agreed actions from the previous Limited assurance review of CHC: Children have been implemented appropriately.
Freedom of Information Reviews	To provide assurance to the Health Board that arrangements are in place to ensure compliance with the requirements of the Freedom Of Information Act.
Safeguarding Adults and Children	To establish if the Health Board has appropriate processes in place to ensure compliance with safeguarding requirements for adults and children.
C&W CB – Consultant Leave	To establish if consultant annual leave is being planned and effectively managed so that all leave is taken whilst maintaining adequate service provision.
Medical Staff Study Leave	To establish if study leave provided to Medical Staff is being managed in accordance with the Health Board procedure and complies with BMA guidance, is of value to the professional and the UHB and is accounted for appropriately.
Brexit Planning	To establish if the Health Board has effective processes in place to ensure there is minimal disruption to the provision of its services following the outcome of Brexit.
Control of Contractors	To establish if the Health Board has appropriate systems and procedures in place for the management of contractors within the responsibility of the CEF function.
Risk Management	To provide assurance that the Health Board's Risk Management Strategy and Framework is being appropriately applied, and that responsibilities for risk management are effectively being discharged.

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Review Title	Objective
Rookwood Relocation Capital Project	To determine the adequacy of, and operational compliance with, the systems and procedures of the UHB for the management of the Rookwood Relocation capital project, taking account of relevant NHS and other supporting regulatory and procedural requirements, as appropriate.
Surgery CB – Enhanced Supervision	To ensure that there are appropriate systems and processes are in place for the management of enhanced supervision so that risk assessments are undertaken and care is given accordingly and is subject to on-going monitoring.
Infection Prevention and Control	To provide assurance that the Health Board has appropriate structures, plans, monitoring and reporting arrangements in place to ensure that the risk of infection is minimised and the spread of infection is effectively controlled and all relevant guidelines and legislation are complied with.
Management of Health Board Policies	To establish if appropriate guidance and processes are in place to ensure the effective development, approval, updating and publication of required policies and procedures.
Pre-Employment Checks (Draft)	To determine the adequacy of the systems and controls in place for the management of Pre-Employment Checks, in order to provide assurance to the Health Board that checks are completed in a correct and timely manner.
Strategic Planning / IMTP (Draft)	To establish if robust processes are in place for the development, evaluation and approval of business cases to ensure that appropriate key developments included within IMTPs are progressed.

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## 5.4 Limited Assurance



In the following review areas the Board can take only **limited assurance** that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. More significant matters require management attention with moderate impact on residual risk exposure until resolved.

Review Title	Objectives
Consultant Job Planning Follow-up	To provide the Health Board with assurance that agreed actions from the previous Limited assurance review of Consultant Job Planning have been implemented appropriately.
Tentacle IT System	To provide assurance that data held within the Tentacle system is accurate, secure from unauthorised access and loss and that the system is used fully.

## 5.5 No Assurance



There are no audited areas in which the Board has **no assurance** that arrangements to secure governance, risk management and internal control are suitably designed and applied effectively, or where action remains to be taken to address the whole control framework with high impact on residual risk exposure until resolved.

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## 5.6 Assurance Not Applicable

The following reviews were undertaken as part of the audit plan and reported or closed by correspondence without the standard assurance rating indicator, owing to the nature of the audit approach.

Review Title	Objective
Keir Construction Compliance with the Fair Payment Charter	To observe operational compliance with the fair payment charter, and relevant contract terms, in respect of Kier Construction in relation the UHW Phase 2 Neonatal project.
Digital Readiness	To evaluate and determine the processes in place within the development of the digital strategy to allow the UHB to move to a digitally enabled organisation and ensure that it drives value from investment in new technology.

Additionally, the following audits were removed and / or deferred from the plan during 2019/20, following agreement by the Audit Committee. The reason for removal or deferment is outlined for each audit together with any impact on the Head of Internal Audit Opinion.

Review Title	Reason / Impact
Management of Long Term Agreements	It was requested by the UHB that this audit be removed from the plan as there are sufficient internal assurance processes already in place. No impact on Audit Opinion.
Commercial Outlets	It was requested by the UHB that this audit be removed from the plan as the strategic direction for commercial outlets is being reviewed. No impact on Audit Opinion.
GDPR Follow-up Cyber Security Follow-up	It was requested by the Health Board that these follow-ups be deferred as the Information Commissioners Office (ICO) were carrying out an audit of GDPR and Cyber Security during February and March 20. Potential impact on domain assurance rating but an element of reliance was placed on the draft outcome of the ICO audit.

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Integrated Health Pathways	It was requested by the UHB that this audit be deferred as the new pathway tool was still under development. No impact on Audit Opinion.
IT Service Management (ITIL)	It was requested by the UHB that this audit be deferred due to the on-going development of the IT Strategy. No impact on Audit Opinion.
Engagement Around Service Planning	It was requested by the UHB that this audit be deferred due to the planned introduction of new processes. No impact on Audit Opinion

Finally, the following audits could not be completed due to the COVID-19 outbreak. This was reported to the Audit Committee at its meeting on 21<sup>st</sup> April 2020.

Review Title
Health and Care Standards
Strategic Performance Reporting
Data Quality Performance Reporting
IM&T Backlog
Medicine CB – QS&E Governance
Medicine CB – Internal Medicine Follow-up
Facilities / Estates Service Board Governance

## 6. ACKNOWLEDGEMENT

In closing I would like to acknowledge the time and co-operation given by directors and staff of the Health Board to support delivery of the Internal Audit assignments undertaken within the 2018/19 plan.

**Ian Virgill**

**Acting Head of Internal Audit**

**Audit and Assurance Services**

**NHS Wales Shared Services Partnership**

**June 2020**






ATTRIBUTE STANDARDS	
<b>1000 Purpose, authority and responsibility</b>	Internal Audit arrangements are derived ultimately from the NHS organisation's Standing orders and Financial Instructions. These arrangements are embodied in the Internal Audit Charter adopted by the Audit Committee on an annual basis.
<b>1100 Independence and objectivity</b>	Appropriate structures and reporting arrangements are in place. Internal Audit does not have any management responsibilities. Internal audit staff are required to declare any conflicts of interests. The Head of Internal Audit has direct access to the Chief Executive and Audit Committee chair.
<b>1200 Proficiency and due professional care</b>	Staff are aware of the Public Sector Internal Audit Standards and code of ethics. Appropriate staff are allocated to assignments based on knowledge and experience. Training and Development exist for all staff. The Head of Internal Audit is professionally qualified.
<b>1300 Quality assurance and improvement programme</b>	Head of Internal Audit undertakes quality reviews of assignments and reports as set out in internal procedures. Internal quality monitoring against standards is performed by the Head of Internal Audit and Director of Audit & Assurance. WAO complete an annual assessment. An EQA was undertaken in 2018.
PERFORMANCE STANDARDS	
<b>2000 Managing the internal audit activity</b>	<p>The Internal Audit activity is managed through the NHS Wales Shared Services Partnership. The audit service delivery plan forms part of the NWSSP integrated medium term plan. A risk based strategic and annual operational plan is developed for the organisation. The operational plan gives detail of specific assignments and sets out overall resource requirement. The audit strategy and annual plan is approved by Audit Committee.</p> <p>Policies and procedures which guide the Internal Audit activity are set out in an Audit Quality Manual. There is structured liaison with WAO, HIW and LCFS.</p>




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<b>2100 Nature of work</b>	The risk based plan is developed and assignments performed in a way that allows for evaluation and improvement of governance, risk management and control processes, using a systematic and disciplined approach.
<b>2200 Engagement planning</b>	The Audit Quality Manual guides the planning of audit assignments which include the agreement of an audit brief with management covering scope, objectives, timing and resource allocation.
<b>23000 Performing the engagement</b>	The Audit Quality Manual guides the performance of each audit assignment and report is quality reviewed before issue.
<b>2400 Communicating results</b>	Assignment reports are issued at draft and final stages. The report includes the assignment scope, objectives, conclusions and improvement actions agreed with management. An audit progress report is presented at each meeting of the Audit Committee. An annual report and opinion is produced for the Audit Committee giving assurance on the adequacy and effectiveness of the organisation's framework of governance, risk management and control.
<b>2500 Monitoring progress</b>	An internal follow-up process is maintained by management to monitor progress with implementation of agreed management actions. This is reported to the Audit Committee. In addition audit reports are followed-up by Internal Audit on a selective basis as part of the operational plan.
<b>2600 Communicating the acceptance of risks</b>	If Internal Audit considers that a level of inappropriate risk is being accepted by management it would be discussed and will be escalated to Board level for resolution.

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## AUDIT RESULTS GROUPED BY ASSURANCE DOMAIN

Assurance domain	Audits	Overall rating	Not rated	No assurance	Limited assurance	Reasonable assurance	Substantial assurance
Corporate Governance, Risk and Regulatory Compliance	5					<ul style="list-style-type: none"> <li>Legislative Compliance Follow-up</li> <li>Risk Management</li> <li>Management of Health Board Policies</li> </ul>	<ul style="list-style-type: none"> <li>Standards of Behaviour Follow-up</li> <li>Claims Re-imbursement</li> </ul>
Strategic Planning, Performance Management and Reporting	4					<ul style="list-style-type: none"> <li>PCIC CB – Adult CHC Follow-up</li> <li>C&amp;W CB – Adult CHC Follow-up</li> <li>Brexit Planning</li> <li><i>Strategic Planning / IMTP (Draft)</i></li> </ul>	
Financial Governance and Management*	4					<ul style="list-style-type: none"> <li>Private &amp; Overseas Patients</li> <li>Charitable Funds</li> <li>Accounts Payable</li> <li>Payroll</li> </ul>	<ul style="list-style-type: none"> <li>Budgetary Control</li> <li>Core Financials</li> <li>PCS – GMS</li> <li>PCS – GPS</li> <li>PCS – GDS</li> <li>PCS – GOS</li> </ul>
Clinical Governance, Quality and Safety	4					<ul style="list-style-type: none"> <li>DoLS</li> <li>Safeguarding Adults &amp; Children</li> <li>Infection Prevention &amp; Control</li> </ul>	<ul style="list-style-type: none"> <li>Annual Quality Statement</li> </ul>
Information Governance and Security	3		<ul style="list-style-type: none"> <li>Use of Digital Technology</li> </ul>		<ul style="list-style-type: none"> <li>Tentacle IT System</li> </ul>	<ul style="list-style-type: none"> <li>Freedom of Information Reviews</li> </ul>	

Assurance domain	Audits	Overall rating	Not rated	No assurance	Limited assurance	Reasonable assurance	Substantial assurance
Operational Service and Functional Management	8					<ul style="list-style-type: none"> <li>● MH CB – Sickness Management Follow-up</li> <li>● Specialist CB – Rosterpro</li> <li>● Surgery CB – Medical Staff Governance Follow-up</li> <li>● PCIC CB – Business Continuity</li> <li>● C&amp;W CB – Consultant Leave</li> <li>● Surgery CB – Enhanced Supervision</li> </ul>	<ul style="list-style-type: none"> <li>● MH CB –Third Sector Contracts</li> <li>● CD&amp;T CB – Laboratory Turnaround Times (TAT)</li> </ul>
Workforce Management	3				<ul style="list-style-type: none"> <li>● Consultant Job Planning Follow-up</li> </ul>	<ul style="list-style-type: none"> <li>● Medical Staff Study Leave</li> <li>● <i>Pre-Employment Checks (Draft)</i></li> </ul>	
Capital and Estates Management	8		<ul style="list-style-type: none"> <li>● Kier Construction Fair Payment Charter Compliance</li> </ul>			<ul style="list-style-type: none"> <li>● Sustainability Reporting</li> <li>● Maelfa Wellbeing Hub</li> <li>● Control of Contractors</li> <li>● Rookwood Relocation</li> </ul>	<ul style="list-style-type: none"> <li>● Carbon Reduction Commitment</li> <li>● Service Improvement Team</li> <li>● UHW Neonatal Development Project</li> </ul>
	39		2	0	2	25	10

\* This domain outcome also includes the six financial system audits undertaken through the audit of NWSSP as they include transactions processed on behalf of the Health Board.

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**Key to symbols:**

- Audit undertaken within the Cardiff and Vale UHB annual Internal Audit plan
- Audit undertaken within the NWSSP annual Internal Audit plan
- Italics* Reports not yet finalised but have been issued in draft

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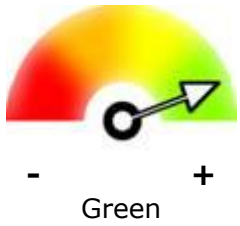

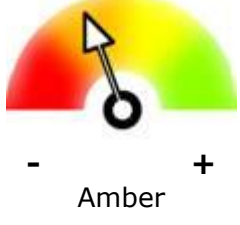
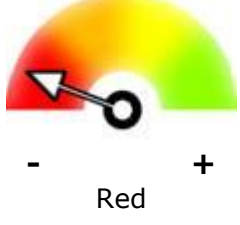
### **PERFORMANCE INDICATORS**

Indicator Reported to Audit Committee	Status	Actual	Target	Red	Amber	Green
Operational Audit Plan agreed for 2019/20	<b>G</b>	April 2019	By 30 June	Not agreed	Draft plan	Final plan
Total assignments reported against adjusted plan for 2019/20	<b>G</b>	(39/39) 100%	100%	v>20 %	10%<v<20%	v<10%
Report turnaround: time from fieldwork completion to draft reporting [10 working days]	<b>G</b>	(36/39) 92%	80%	v>20 %	10%<v<20%	v<10%
Report turnaround: time taken for management response to draft report [15 working days]	<b>A</b>	(24/37) 65%	80%	v>20 %	10%<v<20%	v<10%
Report turnaround: time from management response to issue of final report [10 working days]	<b>G</b>	(37/37) 100%	80%	v>20 %	10%<v<20%	v<10%

Key: v = percentage variance from target performance

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## Audit Assurance Ratings

RATING	INDICATOR	DEFINITION
Substantial assurance		The Board can take <b>substantial assurance</b> that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Few matters require attention and are compliance or advisory in nature with <b>low impact on residual risk</b> exposure.
Reasonable assurance		The Board can take <b>reasonable assurance</b> that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Some matters require management attention in control design or compliance with <b>low to moderate impact on residual risk</b> exposure until resolved.
Limited assurance		The Board can take <b>limited assurance</b> that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. More significant matters require management attention with <b>moderate impact on residual risk</b> exposure until resolved.
No assurance		The Board has <b>no assurance</b> that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Action is required to address the whole control framework in this area with <b>high impact on residual risk</b> exposure until resolved.

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**Overall opinion assessment matrix**  
**Supporting criteria for the overall opinion**

Criteria	Substantial Assurance	Reasonable Assurance	Limited assurance	No Assurance
Audit results consideration				
Overall results				
Assurance domains rated green	≥5 green; and			
Assurance domains rated yellow	≤3 yellow; and	≥5 yellow; and		
Assurance domains rated amber	No amber; and	≤ 3 amber; and	≥5 amber; and	
Assurance domains rated red	No red	No red	≤3 red	≥4 red
Audit scope consideration				
Audit spread domain coverage	All domains must be rated	No more than 1 domain not rated	No more than 2 domains not rated	3 or more domains not rated

Note: The overall opinion (see section 2.4.2) is subject ultimately to professional judgement notwithstanding the criteria above.

## Confidentiality

This report is supplied on the understanding that it is for the sole use of the persons to whom it is addressed and for the purposes set out herein. No persons other than those to whom it is addressed may rely on it for any purposes whatsoever. Copies may be made available to the addressee's other advisers provided it is clearly understood by the recipients that we accept no responsibility to them in respect thereof. The report must not be made available or copied in whole or in part to any other person without our express written permission.

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The Health Board shall apply any relevant exemptions which may exist under the Act. If, following consultation with the Head of Internal Audit this report or any part thereof is disclosed, management shall ensure that any disclaimer which NHS Wales Audit & Assurance Services has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

## Audit

The audit was undertaken using a risk-based auditing methodology. An evaluation was undertaken in relation to priority areas established after discussion and agreement with the Health Board. Following interviews with relevant personnel and a review of key documents, files and computer data, an evaluation was made against applicable policies procedures and regulatory requirements and guidance as appropriate.

Internal control, no matter how well designed and operated, can provide only reasonable and not absolute assurance regarding the achievement of an organisation's objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems. These include the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Where a control objective has not been achieved, or where it is viewed that improvements to the current internal control systems can be attained, recommendations have been made that if implemented, should ensure that the control objectives are realised/ strengthened in future.

A basic aim is to provide proactive advice, identifying good practice and any systems weaknesses for management consideration.

## Responsibilities

Responsibilities of management and Internal Auditors:

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a

substitute for management's responsibilities for the design and operation of these systems.

We plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we may carry out additional work directed towards identification of fraud or other irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, cannot ensure fraud will be detected. The organisation's Local Counter Fraud Officer should provide support for these processes.

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NHS  
WALES

Partneriaeth  
Cydwasaethau  
Gwasanaethau Archwilio a Sicrwydd

Shared Services  
Partnership  
Audit and Assurance Services

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## COUNTER FRAUD & CORRUPTION

### ANNUAL REPORT 2019/20

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**Craig Greenstock**  
**Counter Fraud Manager**

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## 1. Management Summary

- 1.1 This Annual Report has been written in accordance with the provisions of the Welsh Assembly Government Directions to NHS Bodies on Fraud and Corruption, which requires Local Counter Fraud Specialists (LCFS) to provide a written report, at least annually, to the Health Board on any Counter Fraud work undertaken. The report content and style used complies with the model prescribed by NHS Counter Fraud Authority (formerly NHS Protect) and therefore is in a similar format as those which have been submitted in previous years.
- 1.2 The Cardiff and Vale University Health Board current Nominated Lead LCFS, Craig Greenstock, completed his Counter Fraud Training in December 2000 and was accredited in March 2001. As part of changes that were implemented, in 2014/15, in relation to increasing the ongoing SLA's, with a number of other Welsh NHS Bodies including Cwm Taf UHB, another LCFS, Nigel Price was then appointed (July 2014) and then, in February 2019, Emily Thompson completed her LCFS training and received her accreditation. Following that successful accreditation, Shaun Ablett was recruited, wef 1<sup>st</sup> October 2019, to the vacant Band 4 Admin Support post.
- 1.3 However, in October 2018, a decision was made, by the Cwm Taf UHB to terminate their SLA and so, with effect from 1<sup>st</sup> April 2019, the Nominated Lead LCFS, David Jones, was then due to TUPE transfer, from Cardiff and Vale UHB to the new Health Body. However, due to some unforeseen internal issues, the transfer has yet to take place.
- 1.4 During 2019/20, fifty nine (59) new investigations into possible fraudulent or corrupt activity have been instigated together with eleven (11) cases brought forward from 2018/19. The majority of new cases have seen a consistent increase in the number of Salary Overpayment, Prescription, Timesheet and False Sickness Absence related frauds.
- 1.5 Advice as to how to proceed is sought on each individual case from the NHS CFS (Wales) and once the investigation, into the allegations, has been concluded, legal opinion is also taken from the Specialist Fraud Division - Crown Prosecution Service as to whether there is sufficient evidence to warrant and support a criminal prosecution.
- 1.6 A number of cases during the year were referred to the Specialist Fraud Division - Crown Prosecution Service for legal opinion and any subsequent action. Following those referrals, one (1) individual case has successfully been dealt with by as part of a conditional police caution in addition to the successful financial recovery, including investigation costs, of **£29,436.22** having been obtained.
- 1.7 A further three (3) cases are current files, which are due to be submitted to the Specialist Fraud Division - Crown Prosecution Service for a legal opinion as to whether a criminal prosecution would be supported based on the evidence obtained.
- 1.8 In addition, there has been one (1) external referral where the subject, after a Fitness to Practice Hearing with his professional Body, was then subsequently removed from the Medical Register, together with a further three (3) internal Disciplinary Hearings, which resulted in two (2) cases where the subjects were summarily dismissed and the other case where the subject was allowed to retire on ill health prior to any disciplinary hearing taking place.
- 1.9 Regular progress reports on the progress of cases have been made to the Health Board's Audit Committee and closure reports, where system weaknesses have been identified and recommendations made, have been sent to the relevant Divisional Managers.
- 1.10 The mix of cases investigated to date are summarised in **Appendix 2** and a full index of the cases reported/referred to the LCFS' are listed in **Appendix 3**.

1.11 Cardiff and Vale University Health Board policies and procedures (e.g. Human Resources, Finance etc) have been reviewed and commented upon and a further review of the Health Board's Counter Fraud Policy is to be carried out to ensure compliance following recent changes to Data Protection legislation.

1.12 Close liaison and a good working relationship was established with the NHS Counter Fraud Service (Wales) following its establishment by Welsh Government and it becoming operational in October 2001, and this relationship continues to develop and strengthen.

## 2. Inform and Involve (Developing an Anti Fraud Culture)

2.1 The LCFS' have an on-going work programme with the NHS Counter Fraud Service (Wales) to develop a real Anti-Fraud Culture within the NHS.

Examples of work carried out to develop an Anti Fraud Culture include:

- Distribution of relevant Counter Fraud reports to Health Board Senior Managers
- Submission of comments on draft Health Board policies/protocols as appropriate relating to any Counter Fraud issues
- A number of Fraud Awareness Presentations, thirty three (33) in total, have been given to over 830 Health Board staff, including attendance at Corporate Induction days. A number of similar presentations are in the process of being arranged to take place in 2020/21
- Analysis of staff feedback questionnaires is carried out following each of the Fraud Awareness sessions in order to gauge how much knowledge the attendees had of the counter fraud work that is being undertaken within the Health Board and information collated from the various responses, received from the individual attendees, will then assist in planning future sessions.

Examples of work currently planned/being considered in developing an Anti-Fraud Culture:

- A proposed increase in the number of fraud awareness presentations to other various staff groups as outlined in the Health Boards' Counter Fraud Work-Plan 2020/21.
- Further training sessions at a local level to inform front line NHS staff of the LCFS' role and the Health Board's approach to Countering Fraud.
- Developing the quarterly Counter Fraud Newsletter, which currently provides Health Board staff with real examples of fraud and the successful outcomes from such investigations.
- Updating the Health Board's Counter Fraud website with links to various aspects of Countering Fraud in the NHS.

2.2 In accordance with the Secretary of State Directions, as in **Appendix 1**, the LCFS' will:

- Proactively seek and report to NHS Counter Fraud Authority any opportunities where details of Counter Fraud work (involving action on prevention, detection, investigation, sanction or redress) can be used within presentations or publicity in order to deter Fraud and Corruption in the NHS.
- Report all allegations of fraud to NHS Counter Fraud Authority and develop a good working relationship to ensure that all information is available for presentations and/or publicity.

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- Also share information with other LCFS' throughout Wales in order to build on good practice and identify areas where fraud may be prevented.

### 3. Prevent Fraud

- 3.1 The LCFS' will assist by providing information to and liaising with the Health Board's Communications Department when reporting prosecution cases that attract media attention to ensure that a consistent approach is taken and the message is sent out that fraud will not be tolerated within the Health Board.

The LCFS' regular liaise with Health Board Clinical Board members, Senior Managers and other staff on all allegations of fraud received and it has been identified that this work by the LCFS' continues to have a positive impact in identifying and reporting fraudulent activity within the Health Board.

The deterrence effect is difficult to measure, however, there has been an ever increasing and consistent flow in the number of cases being reported over the last seventeen (17) years and it is felt, therefore, that this only goes to show that the awareness raising work ensures that even more Health Board staff are becoming more aware of the potential areas for fraud and are, as a result of advice and guidance from the Health Board's LCFS', now prepared to take action against the fraudsters and to report the outcome of any subsequent investigation to the remaining staff.

Whilst only a small number of the reported cases each year result in criminal prosecutions as opposed to the number of referrals that are received, this has been mainly due to the smaller monetary amount involved in the cases that were not taken forward as it has been deemed *"not to be in the public interest"* to pursue.

In addition, the remaining cases have, in turn, secured summary dismissals, resignations and also a conditional police caution, together with recovery of monies paid and investigation costs. The details of the successful work undertaken by NHS CFS (Wales) and some of the prosecution cases have recently appeared on National television and also been covered in both the National and Local press in addition to details of the cases being disseminated to the managers involved and highlighted as part of fraud awareness presentations given to the various staff groups.

- 3.2 To be effective locally, publicity needs to have local relevance and it is important for the LCFS' to communicate local successes, particularly around Sanctions and Redress and so it is also important that outline details of any future successful prosecutions continue to appear in Health Board staff related publications.
- 3.3 The LCFS' will, in conjunction with NHS Counter Fraud Authority, NHS CFS (Wales) and the Health Board Communications Department, consider publicity in any case of fraud, where a successful outcome is achieved as a result of action taken via any of the disciplinary, criminal and/or civil routes. This helps to reinforce the messages about action being taken to reduce fraud and will be carried out through the appropriate channels.

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#### **4. Deter Fraud**

4.1 LCFS' will provide reports on systems weaknesses in each case where fraud is established to:

- NHS Counter Fraud Authority
- NWSSP Internal Audit
- Wales Audit Office (External Audit)

Examples where this has occurred are:

- Submission of new case notifications and intelligence information via NHS Counter Fraud Authority FIRST Case Management System.
- Providing regular reports and/or presentations to the Health Board Audit Committee and Senior Managers.
- Regular liaising with Internal and External Auditors with reference to investigations for assistance and previous reports held by them.
- Where, as a result of Counter Fraud work, any system weaknesses have been identified then the LCFS' have provided potential solutions and/or recommendations as part of closure reports to the relevant managers.

4.2 The LCFS' provide reports on policy weaknesses in each case where fraud is established to NHS Counter Fraud Authority and the Health Board's Finance Director.

4.3 Where policy and/or system weaknesses are identified, the LCFS' will notify the appropriate staff such as the Health Board's Finance Director, Director of Workforce & OD, Senior Managers, Internal and External Audit and/or NHS Counter Fraud Authority.

#### **5. Hold to Account (Detection)**

5.1 The LCFS' will take account of:

- Information from the Internal and External Audit functions regarding System Weaknesses (e.g. mobile phones, pre and post employment checks).
- NHS Counter Fraud Authority Risk Management exercises in order to prioritise other areas of detection work.
- The LCFS' own enquiries and analysis of data, reports (including Whistle Blowing) and trends (e.g. nurse bank/agency, sickness absence).
- National Fraud Initiative 2018/19 Data Matching Exercise

#### **6. Hold to Account (Investigation)**

6.1 The LCFS' will investigate cases in accordance with the Secretary of State Directions. All investigations have, therefore, been carried out in accordance with the directives outlined in **Appendix 1**.

The LCFS' will refer cases to NHS CFS (Wales) in accordance with the Secretary of State Directions and all cases have been reported using the NHS Counter Fraud Authority FIRST Case Management System. From January 2010, all NHS LCFS' have been required to electronically record all information regarding their investigations onto the NHS Counter Fraud Authority FIRST Case Management System, which is held within a restricted area within the NHS Counter Fraud Authority internet webpage.

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- 6.2 Eighteen (18) new cases were formally referred to NHS CFS (Wales) in 2019/20 via the FIRST Case Management System and there were also fourteen (14) ongoing cases brought forward from 2018/19. Most referrals received are not necessarily and/or automatically reported on the NHS Counter Fraud Authority FIRST Case Management System, due to the fact that many are isolated instances and very low in terms of monetary value. Each case is judged on the individual merits before proceeding with an investigation and in the majority of cases it has been found to best suited for the individual(s) to be dealt with under the Health Board Disciplinary Policy rather than as part of a full scale criminal investigation and/or prosecution due to the small monetary amounts involved in the alleged fraud in addition to the cost of taking a case to court.
- 6.3 The LCFS' will and do provide NHS Counter Fraud Authority, Internal Audit and External Audit, the Health Board's Finance Director and Audit Committee with regular update reports on significant movements with particular cases.

## **7. Hold to Account (Applying Sanctions and Seeking Redress)**

- 7.1 The LCFS' will give consideration to the different sanctions available to them and have regard to the "Triple Track" approach to investigations, i.e. Criminal, Civil and Disciplinary action. To ensure that correct, prompt action is taken in each case, a close working relationship has been developed with various Health Board Workforce and Human Resource Managers.
- 7.2 The LCFS' will also supply NWSSP Accounts Receivable Department with information where fraud is established in order to enable them to recover money via civil recovery. A full file is maintained on each of the investigations carried out to provide information that will assist in the recovery of funds.

## **8. Annual Assessment Declaration**

8.1 Since 2013/14 and following a review of the practice whereby NHS Counter Fraud Authority would determine how effective a Health Body's Counter Fraud arrangements were when compared to other NHS Bodies, a significant change was introduced into the way in which Health Bodies were to report and then be assessed. This new process, based on a risk based approach, now requires each Health Board to undertake it's own Self Risk Assessment (**Appendix 4**) based on a set of criteria and standards.

8.2 This submission is then assessed, by NHS Counter Fraud Authority, against the individual standards as part of a three (3) year rolling programme with guidance, on the completion of the Self Risk Assessment and the individual standards which have to met and which are issued to all NHS bodies on an annual basis.

8.3 As part of the required submission, by NHS Counter Fraud Authority, for the 2019/20 Self Risk Assessment, this process was agreed and then signed off, on 16<sup>th</sup> April 2020 by the Health Board's Finance Director.

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**SECRETARY OF STATE DIRECTIONS (December 1999)**

The following grid identifies the key requirements under Secretary of State Directions and outlines current activity within each section.

Paragraph	Instruction	Action by Health Board
2 (1)	<p>Chief Executive and Director of Finance to Monitor and ensure compliance with these Directions and any other instructions on countering fraud and corruption against the NHS</p> <p>Action to be taken in accordance with the NHS Counter Fraud and Corruption Manual and in accordance with the Table annexed to the Directions</p>	<p>Regular meetings are held between Finance Director and the Health Board Nominated Lead LCFS.</p> <p>Where possible the Manual has been referred to for guidance and appropriate action taken. An updated Manual has previously been issued following a revision, by Welsh Government, after taking into account changes in legislation within the NHS in England.</p>
2 (2)	Each health body shall facilitate, and co-operate with NHS Counter Fraud Authority's Quality and Compliance Department's work giving prompt access to staff, workplaces and relevant documentation	<p>Good close working relationship has been established with NHS CFS (Wales). To date there has never been an issue over access to staff or workplaces.</p> <p>The Health Board's NHS Counter Fraud provision was previously assessed, on 16<sup>th</sup> March 2016, by NHS Counter Fraud Authority, as part of a focused review and NHS Counter Fraud Authority three (3) year review cycle.</p> <p>The Self Risk Assessment for 2019/20 was agreed and then signed off, on ??, by the Health Board's Finance Director before submission to NHS Counter Fraud Authority for review in accordance with the agreed process.</p>
2 (3)	Endeavour to agree an SLA with NHS Counter Fraud Service (Wales).	The current SLA was signed in March 2010, but will be reviewed if/when required, to incorporate changes which may take place within the NHS in Wales.

3 (1)	<p>Nomination of a suitable officer to act as LCFS. Notify NHS Counter Fraud Authority of replacement LCFS within three months of the need becoming apparent</p>	<p>The Health Board's Nominated Lead LCFS is Craig Greenstock.</p> <p>David Jones was due to TUPE transfer to Cwm Taf Morgannwg UHB wef 1<sup>st</sup> April 2019, but this has transfer has yet to take place.</p> <p>Nigel Price was appointed as an LCFS in July 2014.</p> <p>Emily Thompson was appointed as an LCFS in February 2019.</p> <p>Shaun Ablett was appointed as Admin Support (Band 4) wef 1<sup>st</sup> October 2019</p>
3 (2)	A trained and accredited LCFS in post by 1 February 2002	The Health Board's Nominated Lead LCFS was accredited in 2001, but employed at another Health Body until 2003. However, his predecessor was in post and accredited prior to the date specified.
4 (a)	LCFS reports to Director of Finance	The Nominated Lead LCFS reports directly to Finance Director, informs him of all cases as they are received, and keeps him updated on any progress/closure.
4 (b)	LCFS provision of written report at least annually	An Annual Report was submitted in respect of 2001/02 (1 <sup>st</sup> year of LCFS arrangements), and the practice has continued.
4 ©	<p>Attendance at Audit Committee meetings</p> <p>Right of access to all Audit Committee members.</p> <p>Right of access to Chairman and Chief Executive</p>	<p>The Health Board Nominated Lead LCFS or at least one of the Health Board other LCFS' has attended all Audit Committee meetings that have taken place up to and including March 2020.</p> <p>The LCFS' have access to all Audit Committee members.</p> <p>The LCFS' have not required access during the year but are confident that, if required, right of access is available (as detailed in the Health Board Counter Fraud Policy)</p>

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4 (d)	<p>Undertake Pro-Active work to detect cases of Fraud and/or Corruption as specified by Chief Executive and Director of Finance, particularly where systems weaknesses have been identified</p>	<p>The LCFS' have made thirty three (33) separate Fraud Awareness Presentations including those made as part of planned Corporate Induction sessions, to over 830 UHB staff in a variety of specialties.</p> <p>The LCFS' have also followed up all incidents of a potential fraudulent nature received via the NHS Counter Fraud Reporting Line, the Health Board Whistle Blowing facilities and/or any Internal or External Audit reports.</p>
4 (e)	<p>Proactively seek and report opportunities for publicity to NHS Counter Fraud Authority (includes instances for inclusion in presentations) involving action to prevent, detect, investigate, impose sanctions and seek redress</p>	<p>All cases completed during the year were discussed with NHS CFS (Wales) to identify areas that may be used as examples of Best Practice or publicity opportunities.</p> <p>Also relevant cases from other NHS bodies were also publicised across the Health Board via the quarterly Counter Fraud Newsletter.</p>
4 (f)	<p>Investigate cases of suspected fraud in accordance with division of work outlined, the LCFS will not investigate (unless there is prior agreement)</p> <p>LCFS will investigate where it is clear that they will be under £15k.</p> <p>Cases where it is clear they will be over £15,000 in value will be referred to NHS CFS (Wales) for investigation</p> <p>There is evidence that fraud extends beyond the Health Body.</p> <p>GDS and/or prescription fraud are involved</p> <p>There is evidence of corruption involving a public official</p>	<p>All cases investigated to date have followed the guidelines.</p> <p>Only cases less than £15,000 are investigated, and above £15,000 the cases are referred to, and investigated by/in liaison with, NHS CFS (Wales).</p> <p>There is currently one (1) case which could potentially be cross-border and so is being managed as part of a joint-working protocol together with NHS CFS (Wales).</p> <p>There have been various alleged frauds which involved altered documentation for prescribed drugs with three (3) investigations carried out during 2019/20 in addition to those brought forward from 2018/19.</p>

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	<p>The LCFS' will provide assistance when required in investigation of cases involving their Health Body where the investigation falls within the remit of NHS Counter Fraud Authority.</p>	<p>There are eleven (11) cases currently being investigated by NHS CFS (Wales), two (2) of which involve services provided by NHS Contractors (e.g. Dentists) with significant sums in excess of £250k already having been recovered from the individual Dental Practices.</p> <p>The Health Board LCFS' is working closely with the NHS CFS (Wales) team in relation to the cases.</p>
4 (g)	Refer cases to NHS Counter Fraud Authority teams as appropriate	All cases appropriate to NHS CFS (Wales) have been referred.
4 (h)	Inform the appropriate NHS Counter Fraud Authority team of all cases of suspected fraud investigated by the Health Body.	Entries on the FIRST Case Management Systems, for intelligence purposes, have been completed for all cases of suspected fraud investigated during the year.
5	<p>Co-operate with investigative work:</p> <p>Chief Executive and Director of Finance to ensure access is given as soon as possible and not later than 7 days from the request to the LCFS or NHS Counter Fraud Authority Operational Service staff to:</p> <p>Premises, records and data owned or controlled by the health body relevant to detection/investigation of fraud and corruption</p> <p>All staff who may have relevant information.</p>	The LCFS' and NHS Counter Fraud Authority rights and responsibilities, as set out in the SLA, SFIs and the Health Board Counter Fraud Policy, have been fully complied with and both have received co-operation from all levels throughout the Health Body.
6 (1)	<p>LCFS to complete relevant forms when Director of Finance believes fraud or corruption to be present, so that NHS Counter Fraud Authority may supply advice on appropriate sanctions.</p> <p>LCFS and Director of Finance to consider further action in accordance with the NHS Fraud &amp; Corruption Manual.</p>	Investigations have complied with NHS Fraud & Corruption Manual and completed forms as appropriate.
6 (2)	Director of Finance to liaise with NHS CFS (Wales) concerning prosecutions prior to taking such action.	Investigations have complied with the NHS Fraud & Corruption Manual

6 (3)	Director of Finance to liaise with NHS CFS (Wales) prior to reaching a decision to refer cases to the police or other body for investigative action, if required.	Appropriate liaison has taken place in the cases, to date, where investigations have required referral to the police or any other third party organisation (e.g. UK Immigration Service).
6 (4)	Non-disclosure of information, except for purposes of investigation or subsequent proceedings; no disclosure to anyone who may be implicated	There has been no disclosure of information to anyone who may be implicated in any of the investigations unless required under Police & Criminal Evidence Act.
6 (5)	LCFS to report details of any identified system weakness which would allow fraud or corruption to occur, to the internal auditors	The LCFS' liaise with Internal & External Auditors and provide information regarding system weaknesses. Managers are also informed of system weaknesses and advised accordingly.
6 (6)	LCFS to ensure investigations focus on obtaining information to ensure recovery of funds can take place.  Director of Finance responsible for ensuring financial redress is sought where losses identified	A full file is maintained on each of the investigation carried out to provide information to assist the recovery of funds.  Recovery of losses is considered in all cases and has been sought where appropriate.

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## Further Information

## 1. Reporting lines

<b>Chief Executive</b>	Len Richards Chief Executive UHB Headquarters Woodland House, Maes-y-Coed Road Cardiff. CF14 4TT Email: <a href="mailto:Len.Richards@wales.nhs.uk">Len.Richards@wales.nhs.uk</a>
<b>Director of Finance</b>	Robert Chadwick Director of Finance UHB Headquarters Woodland House, Maes-y-Coed Road Cardiff. CF14 4TT Email: <a href="mailto:Bob.Chadwick@wales.nhs.uk">Bob.Chadwick@wales.nhs.uk</a>
<b>Counter Fraud Manager</b>	Craig Greenstock Counter Fraud Department UHB Headquarters 1 <sup>st</sup> Floor, Woodland House Maes-y-Coed Road Cardiff CF14 4TT Email: <a href="mailto:Craig.Greenstock@wales.nhs.uk">Craig.Greenstock@wales.nhs.uk</a>
<b>Local Counter Fraud Specialist</b>	David Jones Finance Department UHB Headquarters 2 <sup>nd</sup> Floor, Woodland House Maes-y-Coed Road Cardiff CF14 4TT Email: <a href="mailto:David.Jones100@wales.nhs.uk">David.Jones100@wales.nhs.uk</a>
<b>Local Counter Fraud Specialist</b>	Nigel Price Counter Fraud Department UHB Headquarters 1 <sup>st</sup> Floor, Woodland House Maes-y-Coed Road Cardiff CF14 4TT Email: <a href="mailto:Nigel.Price@wales.nhs.uk">Nigel.Price@wales.nhs.uk</a>
<b>Local Counter Fraud Specialist</b>	Emily Thompson Counter Fraud Department UHB Headquarters 1 <sup>st</sup> Floor, Woodland House Maes-y-Coed Road Cardiff CF14 4TT Email: <a href="mailto:Emily.Thompson@wales.nhs.uk">Emily.Thompson@wales.nhs.uk</a>

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## 2. Mix of cases

*Number of cases in 2019/20, including those brought forward from previous years:*

Area (based on initial reported category)	Number of cases	Closed	Ongoing
Working elsewhere whilst claiming to be on Sick Leave	22	16	6
Recruitment Issues (Criminal Convictions/Applications)	10	9	1
Timesheet Issues (False Claims, Altered Times etc)	20	18	2
Prescription related (Theft, Forged, Altered etc)	22	18	4
Patient Related (Hospital Hopper, GOS3 Forms etc)	10	9	1
Cases referred to NHS CFS Wales (e.g. Dental)	9	6	3
Overpayment of Salary	5	5	0
Miscellaneous (Theft of monies, Parking issues etc)	6	5	1
<b>Total</b>	<b>104</b>	<b>86</b>	<b>18</b>

## 3. NHS Counter Fraud Authority Website

Information about NHS Counter Fraud Authority and the NHS Counter Fraud Strategy can be found at [www.cfa.nhs.uk](http://www.cfa.nhs.uk)

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## INDEX OF LCFS INVESTIGATIONS 2019/20

Ref. No	Directorate	Subject	Status
SP11.06	WCC	Working whilst on Sick Leave	Case closed by NHS CFS (Wales) - Suspended sentence but was then jailed for 2 years after non-compliance with POCA Recovery - £75,620
SP13.23	Medicine	Working whilst on Sick Leave	Arrest warrant issued - court non-attendance
SP17.01	Medicine	False Information on Drugs Request - Private Company	Arrest and IUC in Aug 18. Case closed but referral made to HCPC (Professional Body)
SP17.36	RMPCE	False Details on Job Plan	Final written warning. Case closed on advice from CPS - Civil recovery of £7,396 and subject self-referred to Professional Body (HCPC).
SP18.56	Surgery	False Sickness Absence	Subject was summarily dismissed for Gross Misconduct - Case closed
SP18.58	Medicine	False Application Details	Referred to NHS CFS Wales
SP18.63	Children & Women	False Prescriptions for personal use	Subject resigned Feb 2019 before Disciplinary Hearing. Case closed on advice from CPS with Conditional Police Caution issued and £100 repaid. Referral made to subject's Professional Body
SP18.68	Nursing	False Timesheets (Bank)	Crown Court Hearing - 18 month suspended prison sentence and £9,800.15 repaid by Nursing Agency
SP19.01	Surgical	False details on Application Form and false documentation	Dismissed Sept 18 - Closed on advice from CPS - not in public interest to prosecute.
SP19.02	PCIC	Inflated medicine usage claims	Data analysis and ongoing enquiries with Pharmacy
SP19.33	Medicine	Alteration of personal cheques	Referred to NHS CFS Wales
SP20.01	Commercial Services	Working whilst on Sick Leave	Closed - no fraud identified
SP20.02	PCIC	Working whilst on Sick Leave	Dismissed from post in December 2019 - IUC to be arranged
SP20.03	PCIC	False Work Record	Closed - no fraud identified
SP20.04	PCIC	False Prescription	Closed on advice from CPS
SP20.05	Estates	Salary Overpayment	Civil recovery of £4,805.60
SP20.06	Surgery	Alleged breach of patient waiting times information	Closed - no fraud identified
SP20.07	PCIC	False WECS Claims	Closed - no fraud identified
SP20.08	Nurse Bank	False Certificate and Employment History	Arrest warrant requested - 18.2.20
SP20.09	Surgery	False Job Application Form	Closed - referred to Cwm Taf for Disciplinary Action and Professional Body (NMC)
SP20.10	Medicine	False Timesheet	Closed - no fraud identified
SP20.11	Medicine	Private use of NHS Resources	Closed - no fraud identified
SP20.12	Medicine	Salary Overpayment	Civil Recovery - £2,039.37
SP20.13	Surgery	Salary Overpayment	Civil Recovery - £7,278.44

SP20.14	Medicine	Salary Overpayment	Civil Recovery - £7,452.03
SP20.15	Surgery	Salary Overpayment	Civil Recovery - £3,204.15
SP20.16	Medicine	Hospital Hopper	Alert issued by CFS (Wales)
SP20.17	Facilities	False Invoicing Pest Control	Closed – no fraud identified
SP20.18	PCIC	False Patient Details	Closed – no fraud identified
SP20.19	Medicine	False Maternity Pay Claim	Closed – no fraud identified
SP20.20	PCIC	Altered Prescription	Closed – no fraud identified
SP20.21	Surgery	Third Party Information Request	Closed – no fraud identified
SP20.22	Medicine	Salary Overpayment	Closed - Cwm Taf Morganwwg
SP20.23	Medicine	Private use NHS resources	Closed - no fraud identified
SP20.24	Women and Children	Private Internet Usage	Closed - no fraud identified
SP20.25	Surgery	Private Patient – EHIC use	Closed - no fraud identified
SP20.26	Surgery	False Maternity Leave Claim	Closed - no fraud identified
SP20.27	Nurse Bank	False Application Details	Closed - Swansea Bay UHB
SP20.28	Medicine	Overseas Patient	Closed - UK Borders Agency
SP20.29	Commercial Services	False Employment History	Closed – no fraud identified
SP20.30	Medicine	False Medical History	Closed - Management issue
SP20.31	Child Health	False Patient Records	Closed - Lincolnshire Police
SP20.32	Emergency Medicine	False Overtime	Referred to NHS CFS (Wales)
SP20.33	Medicine	False Timesheets, Overtime and amended records	IUC on 29.1.20 and ongoing enquiries with Rosterpro
SP20.34	Commercial Services	False Sickness Absence	Closed - Management issue
SP20.35	Medicine	Overpayment of Salary	Referred to NHS CFS (Wales)
SP20.36	Commercial Services	False Sickness Absence	Closed - Management issue
SP20.37	PCIC	False Application Details	Ongoing joint enquiry - ABUHB
SP20.38	Medicine	Overseas Patient	Closed - no fraud identified
SP20.39	PCIC	False Sickness Absence	Closed - Management issue
SP20.40	Emergency Medicine	Hospital Hopper	NHS alert issued and SW Police informed
SP20.41	Women and Children	External request - Metropolitan Police	Case closed
SP20.42	Nurse Bank	False timesheets	Joint investigation with Swansea Bay UHB
SP20.43	PCIC	Altered prescription	Warning letter issued
SP20.44	PCIC	Overseas Visitor - False identity	Closed on information received from UK Borders Agency
SP20.45	Commercial Services	Private use of NHS Resources/Theft	Ongoing enquiries with Line Manager
SP20.46	PCIC	Overseas Visitor - Repeat Prescriptions	Ongoing enquiries with UK Borders Agency
SP20.47	Medicine	Salary Overpayment	NHS CFS (Wales) case
SP20.48	Medicine	Salary Overpayment	Ongoing enquiries with Payroll and Line Manager - £6,504.78
SP20.49	PCIC	Working whilst on sick leave	Closed - Management issue
SP20.50	Medical Workforce	Overpaid Locum Doctors	Closed - No fraud identified
SP20.51	Medicine	Salary Overpayment	Civil Recovery - £731.30
SP20.52	Medicine	Salary Overpayment	Ongoing enquiries with Payroll and Line Manager - £5,563.26
SP20.53	Surgery	Salary Overpayment	Civil Recovery - £1,950.17
SP20.54	Medicine	Salary Overpayment	Civil Recovery - £3,451.03
SP20.55	Emergency Medicine	False Sickness Absence	Disciplinary Investigation on hold due to COVID-19
SP20.56	Medicine	Salary Overpayment	Ongoing enquiries with Payroll
SP20.57	Temporary Staffing	False Timesheets	Joint enquiries with Swansea Bay UHB
SP20.58	Temporary Staffing	False Timesheets	Ongoing enquiries with Line Manager
SP20.59	PCIC	False Registration	Enquiries with GP due to COVID-19

#### Appendix 4

#### Summary of Risk against the Contract and Standards as at 31<sup>st</sup> March 2020

Area of Activity	Red/ Amber/Green level
Strategic Governance	Green
Inform and Involve	Green
Prevent and Deter	Green
Hold to Account	Green
Overall Level	Green

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AREA OF ACTIVITY	DAYS USED
STRATEGIC GOVERNANCE	40
INFORM AND INVOLVE	80
PREVENT AND DETER	50
HOLD TO ACCOUNT	270
TOTAL DAYS USED	440

COST OF ANTI-FRAUD, BRIBERY AND CORRUPTION WORK	
PROACTIVE COSTS	£35,086
REACTIVE COSTS	£ 55,726
TOTAL COSTS	£ 90,812

## Declaration

I declare that the Anti-Fraud, Bribery and Corruption work carried out during the financial year 2019/20, within the Cardiff and Vale University Health Board, has been self reviewed against the NHS Counter Fraud Authority Standards for Providers - Fraud, Bribery and Corruption/NHS Standard Contract and the rating, as detailed in Appendix 4, has been achieved.

### Organisation Name

Cardiff and Vale University Health Board

### Director of Finance

Bob Chadwick

### Date

12<sup>th</sup> May 2020

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**GIG**  
CYMRU  
**NHS**  
WALES

Bwrdd Iechyd Prifysgol  
Caerdydd a'r Fro  
Cardiff and Vale  
University Health Board

**Executive Headquarters / Pencadlys Gweithredol**

Woodland House  
Maes-y-Coed Road  
Cardiff  
CF14 4HH

Ty Coedtir  
Ffordd Maes-y-Coed  
Caerdydd  
CF14 4HH

Eich cyf/Your ref:  
Ein cyf/Our ref: SR/ce/06  
Welsh Health Telephone Network:  
Direct Line/Llinell uniongychol: 029 21

## Final Letter of Representation

Auditor General for Wales  
Audit Wales  
24 Cathedral Road  
Cardiff  
CF11 9LJ

29 June 2020

### Representations regarding the 2019-20 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 Cardiff and Vale University Local Health Board (the Health Board) for the year ended 31 March 2020 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 with the approval of 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.

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The Board welcomes correspondence in Welsh or English. We will ensure that we will communicate in your chosen language. Correspondence in Welsh will not lead to a delay



- Ensuring the regularity of any expenditure and other transactions incurred. On this point it is important to note that the Health Board has breached its revenue resource-limit for the three-year period 2017-18 to 2019-20.
- The design, implementation and maintenance of internal controls 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.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

Disclosures in the Remuneration Report are accurate and complete.

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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 and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions.

The effect of the one uncorrected misstatement identified during the audit is immaterial to the financial statements taken as a whole. This item is set out below:

- As reported at paragraph 23 of Audit Wales' Report on the Financial Statements, the Health Board has a partnership arrangement (a 'pooled budget' agreement) with Cardiff Council and the Vale of Glamorgan Council. In accordance with the Welsh Government's Manual for Accounts, the Health Board has correctly accounted for the in-year transactions (to and from the pool) on a net basis. This net accounting treatment is required because the Health Board acts as an agent. The Health Board should also account on a net basis for the associated year-end debtor (amounts owed from the pool) and creditor (amounts owed to the pool). However, in the draft financial statements the Health Board had accounted for these year-end balances on a gross basis, thereby overstating both its 'local authority debtors' and 'local authority creditors' by £7.231 million (as at 31 March 2020). The equivalent misstatements are also in the previous year's comparative figures, by £6.851 million. The Health Board has corrected the £7.231 million, but not corrected the previous year's comparative figure of £6.851 million.

## Representations by the Board

We acknowledge that the representations made by management, above, have been discussed with us. We also 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 Board on 29 June 2020. We confirm that we have taken all the steps that we ought to have taken in order 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:**  
**Leonard Richards**  
**Chief Executive**  
**29 June 2020**

**Signed by:**  
**Charles Janczewski**  
**Chair**  
**29 June 2020**

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## Appendix 1

### Matters in relation to fraud

International Standard for Auditing (UK and Ireland) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both management and ‘those charged with governance’, which for the Health Board is the Board. Management, with the oversight of the Board, should ensure there is a strong emphasis on fraud prevention and deterrence and create a culture of honest and ethical behaviour, reinforced by active oversight by those charged with governance.

As external auditors, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

### What are we required to do?

As part of our risk assessment procedures we are required to consider the risks of material misstatement due to fraud. This includes understanding the arrangements management has put in place in respect of fraud risks. The ISA views fraud as either:

- the intentional misappropriation of assets (cash, property, etc); or
- the intentional manipulation or misstatement of the financial statements.

We also need to understand how Board exercises oversight of management’s processes. We are also required to make enquiries of both management and the Board as to their knowledge of any actual, suspected or alleged fraud. for identifying and responding to the risks of fraud and the internal controls established to mitigate them.

## Enquiries of management - in relation to fraud

Question	2018-19 Response	2019-20 Response
1. What is management's assessment of the risk that the financial statements may be materially misstated due to fraud and what are the principal reasons?	The assessed risk is extremely low as management are not aware of any fraud or potential fraud that would materially impact on the financial statements. This assessment is made on the basis of a robust and comprehensive counter fraud and internal audit services. Any potential fraud cases are rigorously investigated and pursued by counter fraud. Internal Audit also undertake a detailed annual review of the main financial systems from which the financial statements are prepared which has been reviewed as giving substantial assurance.	The assessed risk that the financial statements are materially misstated due to fraud is extremely low. Management are not aware of any fraud or potential fraud that would materially impact on the financial statements. This assessment is made on the basis of robust and comprehensive counter fraud and internal audit services. All potential fraud cases are rigorously investigated and pursued by the Health Board's counter fraud service. Internal Audit also undertake a detailed annual review of the main financial systems from which the financial statements are prepared.
2. What processes are employed to identify and respond to the risks of fraud more generally and specific risks of misstatement in the financial statements?	The Health Board has a year-end accounts closure process, including an analytical review which aims to mitigate against the risks of any financial misstatements. The Health Board's internal auditors also annually review the fundamental financial systems upon which the financial statements are based. This is also supported by a robust and well-resourced counter fraud programme. In addition, the Health Board has undertaken, through the Counter Fraud Department, a range of measures such as establishing a Post Payment Verification Panel which evaluates	The Health Board has a well established year-end accounts closure process. This includes an analytical review which aims to mitigate against the risks of any financial misstatements. The Health Board's internal auditors also annually review the fundamental financial systems upon which the financial statements are based. The risks around fraud are mitigated by a robust and well-resourced counter fraud programme. In addition there is a Post Payment Verification Panel which evaluates and monitor 'errors' with claims that have been submitted to Primary Care Services

## Enquiries of management - in relation to fraud

Question	2018-19 Response	2019-20 Response
	and monitor 'errors' with claims that have been submitted to Primary Care Services by the individual GP Practices and Opticians. All senior staff in the Finance Department must be professionally qualified accountants whose professional institutes have strong code of conducts and professional ethics. Any deliberate mis-statements would likely result in the individual being stuck off from their professional body.	by the individual GP Practices and Opticians. All senior staff in the Finance Department must be professionally qualified accountants whose professional institutes have strong code of conducts and professional ethics. Any deliberate mis-statements would likely result in the individual being stuck off from their professional body.
3. What arrangements are in place to report fraud issues and risks to the Audit Committee?	The Audit Committee agrees a Counter Fraud Work Plan at the start of the year. It then receives regular Counter Fraud progress reports at all of its normal business meetings. It also receives an annual counter fraud report which details the work that has been undertaken during the year, together with a Self-Risk Assessment that is required to be submitted to the NHS Counter Fraud Authority which measures the Health Board's level of counter fraud work against a set of agreed National Standards for NHS	The Audit and Assurance Committee agrees a Counter Fraud Work Plan at the start of the year. It then receives regular Counter Fraud progress reports at all of its normal business meetings. It also receives an annual counter fraud report which details the work that has been undertaken during the year, together with a Self-Risk Assessment that is required to be submitted to the NHS Counter Fraud Authority which measures the Health Board's level of counter fraud work against a set of agreed National Standards for NHS

## Enquiries of management - in relation to fraud

Question	2018-19 Response	2019-20 Response
	Bodies in relation to fraud, bribery and corruption.	Bodies in relation to fraud, bribery and corruption.
4. How has management communicated expectations of ethical governance and standards of conduct and behaviour to all relevant parties, and when?	<p>All staff have access to the Standards of Behaviours Framework Policy via the Intra and Internet plus this is included upon recruitment and at induction. Consultant Medical and Dental Staff are reminded of the need to declare interests etc, when completing their job plans. Board members are made aware of the policy on recruitment and are also prompted to complete a declaration on an annual basis. This requires them to confirm that they have read and understood the policy. 'Declarations of Interest' is also a standing item on the agenda of all Board and Committee meetings. In addition, the Standards of Behaviours Framework policy has been circulated and also raised at the Health Systems Management Board to ensure that it is cascaded through Clinical Boards. This has been done to make sure that expectations of ethical governance and standards of conduct and behaviour are being communicated to all professional staff and not only to Medical and Dental</p>	<p>All staff have access to the Standards of Behaviours Framework Policy via the Intra and Internet plus this is included upon recruitment and at induction. Consultant Medical and Dental Staff are reminded of the need to declare interests etc, when completing their job plans. Board members are made aware of the policy on recruitment and are also prompted to complete a declaration on an annual basis. This requires them to confirm that they have read and understood the policy. 'Declarations of Interest' is also a standing item on the agenda of all Board and Committee meetings.</p> <p>In addition, the Standards of Behaviours Framework policy has been circulated across the Health Board via Internet, Intranet and Email communications. These communications have highlighted the need to comply with the policy at key times of the year, including Christmas, during key</p>

## Enquiries of management - in relation to fraud

Question	2018-19 Response	2019-20 Response
	<p>staff. This policy and process will be strengthened during the next financial year due to the fact that the Health Board has received a limited assurance report on Standards of Behaviour.</p>	<p>sporting events and at the start of the new financial year.</p> <p>This has been done to make sure that expectations of ethical governance and standards of conduct and behaviour are being communicated to all professional staff and not only to Medical and Dental staff. This policy and process is being Audited by Welsh Audit Office this year and it is hoped that the assurance rating will be strengthened this year.</p>
<p>5. Are you aware of any instances of actual, suspected or alleged fraud within the audited body since 1 April 2019?</p>	<p>Yes, this is fully reported to the Audit Committee at its regular business meeting in its private session via a counter fraud progress report. Also, as part of their private meetings, the Board receives minutes from the private meeting of the Audit Committee, which include reference and any significant points highlighted in the Counter Fraud Progress Reports.</p>	<p>Yes, this is fully reported to the Audit and Assurance Committee at its regular business meeting in its private session via a counter fraud progress report. Also, as part of their private meetings, the Board receives minutes from the private meeting of the Audit and Assurance Committee, which include reference and any significant points highlighted in the Counter Fraud Progress Reports.</p>

### Enquiries of management - in relation to fraud

Question	2018-19 Response	2019-20 Response
6. Are you aware of any fraud within the NHS Wales Shared Services Partnership since 1 April 2019?	No, but this is also fully reported to both the NWSSP and Velindre NHS Trust (as the hosting body) Audit Committees at its regular business meeting via a counter fraud progress report.	No as this is not reported within the Health Board. This is however fully reported to both the NWSSP and Velindre NHS Trust (as the hosting body) Audit Committees at its regular business meeting via a counter fraud progress report.

### Enquiries of those charged with governance – in relation to fraud

Question	2018-19 Response	2019-20 Response
1. How does the Board exercise oversight of management's processes for identifying and responding to the risks of fraud within the audited body and the internal control that management has established to mitigate those risks?	The Board has delegated the review and monitoring of management processes for identifying and responding to fraud risks to the Audit Committee. This monitoring is supported by the work of the Audit Committee and the internal audit and counter fraud functions for which the Finance Director is the lead Executive Director. The Audit Committee receives regular reports on counter fraud matters and on the adequacy of internal control that exist within the Health Board and on the actions being taken to mitigate these risks. The Chair of the Audit Committee is an Independent Member of the Board and reports back to the Health Board on these	The Board has delegated the review and monitoring of management processes for identifying and responding to fraud risks to the Audit and Assurance Committee. This monitoring is supported by the work of the Audit and Assurance Committee and by the internal audit and counter fraud services for which the Finance Director is the lead Executive Director. The Audit and Assurance Committee receives regular reports on counter fraud matters and on the adequacy of internal controls that exist within the Health Board and on the actions being taken to mitigate these risks. The Chair of the Audit and Assurance Committee is an Independent Member of

## Enquiries of those charged with governance – in relation to fraud

Question	2018-19 Response	2019-20 Response
	matters and the minutes of both the public and private meetings of the Audit Committee are included in the meeting papers of the Board.	the Board and reports back to the Health Board on these matters and the minutes of both the public and private meetings of the Audit and Assurance Committee are included in the meeting papers of the Board in its open and private meetings.
2. Are you aware of any instances of actual, suspected or alleged fraud with the audited body since 1 April 2019?	Yes, as part of their private meetings, the Board receives minutes from the private meeting of the Audit Committee, which includes any significant points highlighted in the Counter Fraud Progress Reports.	Yes, as part of their private meetings, the Board receives minutes from the private meeting of the Audit and Assurance Committee, which includes any significant points highlighted in the Counter Fraud Progress Reports.



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## Appendix 2

### Matters in relation to laws and regulations

International Standard for Auditing (UK and Ireland) 250 covers auditors responsibilities to consider the impact of laws and regulations in an audit of financial statements.

Management, with the oversight of those charged with governance the Board, is responsible for ensuring that the Health Board's operations are conducted in accordance with laws and regulations, including compliance with those that determine the reported amounts and disclosures in the financial statements.

As external auditors, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. The ISA distinguishes two different categories of laws and regulations:

- laws and regulations that have a direct effect on determining material amounts and disclosures in the financial statements;
- other laws and regulations where compliance may be fundamental to the continuance of operations, or to avoid material penalties.

### What are we required to do?

As part of our risk assessment procedures we are required to make inquiries of management and the Board, as to whether the Health Board is in compliance with relevant laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance, we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

## Enquiries of management – in relation to laws and regulations

Question	2018-19 Response	2019-20 Response
1. How have you gained assurance that all relevant laws and regulations have been complied with?	Assurances are gained via the appropriate Board Committees where these issues are discussed. Where relevant these are linked to the Corporate Risk and Assurance Framework for the Health Board. This process will be strengthened due to the Health Board receiving a limited assurance report on Regulatory Compliance.	Assurances are gained via the appropriate Board Committees where these issues are discussed. Where relevant these are linked to the Corporate Risk and the Health Boards, Board Assurance Framework.  The Corporate Governance team have strengthened its management of Regulatory Compliance and achieved a reasonable assurance report which was an improvement following the previous years limited rating. The Health Board has continued to develop this area and appointed a Head of Risk and Regulation in February 2020 to further strengthen its compliance with Laws and Regulations.
2. Have there been any instances of non-compliance or suspected non-compliance with relevant laws and regulations since 1 April 2019, or earlier with an ongoing impact on the 2019-20 financial statements?	Yes, there has been a Health and Safety Executive notice of legal action against the Health Board with a court hearing scheduled for February 2019. A provision for a financial penalty was included within the 2017/18 financial statements.	The Health Board was prosecuted by the Health and Safety Executive in 2019/20 for which it received and settled a fine. The costs of this were previously accrued in the Health Boards financial statements.
3. Are there any potential litigations or claims that would affect the financial statements?	There are some of Employment Tribunal cases involving the Health Board and these have been accounted for within the financial statements.	There are some Employment Tribunal cases involving the Health Board and these have been accounted for within the financial statements.

4. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	Whilst no reports have been issued, the Health Board has been reviewed by HRMC this year in respect of compliance with VAT regulations. These have been accounted for in the financial statements.	Whilst no reports have been issued, a review of the Health Board by HRMC is ongoing in respect of compliance with VAT regulations. Non compliance fines have already been levied and settled and an assessment of further liability has been accounted for in the financial statements.
5. Are you aware of any non-compliance with laws and regulations within the NHS Shared Services Partnership since 1 April 2019?	No.	No.

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## Enquiries of those charged with governance – in relation to laws and regulations

Question	2018-19 Response	2019-20 Response
1. How does the Board, in its role as those charged with governance, obtain assurance that all relevant laws and regulations have been complied with?	Assurances are gained via the appropriate Board Committees where these issues are discussed. Where relevant these are linked to the Corporate Risk and Assurance Framework for the Health Board.	Assurances are gained via the appropriate Board Committees where these issues are discussed. Where relevant these are linked to the Corporate Risk Register and the Board Assurance Framework for the Health Board.
2. Are you aware of any instances of non-compliance with relevant laws and regulations?	Yes, the Health and Safety Executive notice of legal action.	Yes, the Health and Safety Executive successful prosecution against the Health Board.

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## Appendix 3

### Matters in relation to related parties

International Standard for Auditing (UK and Ireland) 550 covers auditors responsibilities relating to related party relationships and transactions.

The nature of related party relationships and transactions may, in some circumstances, give rise to higher risks of material misstatement of the financial statements than transactions with unrelated parties.

Because related parties are not independent of each other, many financial reporting frameworks establish specific accounting and disclosure requirements for related party relationships, transactions and balances to enable users of the financial statements to understand their nature and actual or potential effects on the financial statements. An understanding of the entity's related party relationships and transactions is relevant to the auditor's evaluation of whether one or more fraud risk factors are present as required by ISA (UK and Ireland) 240, because fraud may be more easily committed through related parties.

### What are we required to do?

As part of our risk assessment procedures, we are required to perform audit procedures to identify, assess and respond to the risks of material misstatement arising from the entity's failure to appropriately account for or disclose related party relationships, transactions or balances in accordance with the requirements of the framework.

## Enquiries of management – in relation to related parties

Question	2018-19 Response	2019-20 Response
<p>1. Confirm that you have disclosed to the auditor:</p> <ul style="list-style-type: none"> <li>the identity of any related parties, including changes from the prior period;</li> <li>the nature of the relationships with these related parties;</li> <li>details of any transactions with these related parties entered into during the period, including the type and purpose of the transactions.</li> </ul>	<p>Yes, these are all disclosed to the auditor.</p>	<p>Yes, these are all disclosed to the auditor.</p>
<p>2. What controls are in place to identify, authorise, approve, account for and disclose related party transactions and relationships?</p>	<p>Staff are required to make declarations in accordance with the Standards of Behaviour Framework Policy, incorporating Gifts, Hospitality and Sponsorship. All Board members are asked to make a declaration on an annual basis, which is then recorded and published in the Declarations of Board Members' Interests. Where a Board Member's interests change during the year, they have a personal responsibility to declare this and inform the Board Secretary.</p> <p>These related party transactions are identified in the annual accounts and their materiality quantified.</p> <p>For all Committees and the Board we have a standing agenda item at the beginning of each meeting 'Declaration of Interest' in relation to items on the agenda.</p>	<p>Staff are required to make declarations in accordance with the Standards of Behaviour Framework Policy, incorporating Gifts, Hospitality and Sponsorship. All Board members are asked to make a declaration on an annual basis, which is then recorded and published in the Declarations of Board Members' Interests. Where a Board Member's interests change during the year, they have a personal responsibility to declare this and inform the Board Secretary.</p> <p>These related party transactions are identified in the annual accounts and their materiality quantified.</p> <p>For all Committees and Board meetings we have a standing agenda item at the beginning of each meeting, 'Declaration of Interest', in relation to items on the agenda.</p>

## Enquiries of the those charged with governance – in relation to related parties

Question	2018-19 Response	2019-20 Response
1. How does the Board, in its role as those charged with governance, exercise oversight of management's processes to identify, authorise, approve, account for and disclose related party transactions and relationships?	The Audit Committee receives bi-annual reports relating to compliance with the policy and the Gifts, Hospitality and Sponsorship Register. It also scrutinises the Annual Accounts which contain details of related party transactions.	<p>The Audit Committee receives bi-annual reports relating to compliance with the policy and the Gifts, Hospitality and Sponsorship Register. It also scrutinises the Annual Accounts which contain details of related party transactions.</p> <p>The Corporate Governance Team maintain the Gifts, Hospitality and Sponsorship Register. The Register is monitored in conjunction with the Health Board's Counter Fraud Team who flag staff members that appear on the National Fraud Database. Any adverse findings against staff members are reported to appropriate managers, executives and Board Committees as necessary.</p>

<b>Report Title:</b>	<b>PRESENTATION OF THE AUDITED ACCOUNTABILITY REPORT FOR 2019-20</b>					
<b>Meeting:</b>	Audit and Assurance Committee				<b>Meeting Date:</b>	29 <sup>th</sup> June 20
<b>Status:</b>	<b>For Discussion</b>		<b>For Assurance</b>		<b>For Approval</b>	x <b>For Information</b>
<b>Lead Executive:</b>	<b>Director of Corporate Governance</b>					
<b>Report Author (Title):</b>	<b>Head of Corporate Governance</b>					

### Background and current situation:

The purpose of this paper is to present the Accountability Report for 2019-20 (see Appendix 1) to the Audit and Assurance Committee for review and recommendation of adoption to the Board.

As the Audit and Assurance Committee is aware, the Welsh Government issued, as in previous years, guidance for the preparation of annual reports and accounts. This guidance is based on HM Treasury's Government Financial Reporting Manual (FReM)<sup>1</sup> and is intended to simplify and streamline the presentation of the annual reports and accounts so that they better meet the needs of those who read and use them.

NHS bodies are required to publish, as a single document, a three part annual report and accounts document, which must include:

*Part 1: The Performance Report*, which must include:

- An overview
- A Performance analysis

*Part 2: The Accountability Report*, which must include:

- A Corporate Governance Report
- A Remuneration and Staff Report
- A Parliamentary Accountability and Audit Report

*Part 3: The Financial Statements*

The Accountability Report i.e. Part 2 of the Annual Report must be submitted to the Welsh Government, on 30<sup>th</sup> June 2020 (noon), together with the Financial Statements, (Annual Accounts).

### Executive Director Opinion /Key Issues to bring to the attention of the Board/ Committee:

A draft was submitted to Welsh Government and Audit Wales for audit on 22 May 2020 and considered by the Audit Committee Workshop on 28 May 2020. The document was also circulated to Board members for comment. Changes have been made to reflect feedback from Board members and to take account of points raised by Audit Wales from its audit of the document.

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The timing of the response to the pandemic coincided with the end of the financial year, this impacted on the usual arrangements for end of year reporting and the end of year reporting timelines were therefore amended as set out below. As a result, the Performance Report again this year will be completed at a later date rather than being part of a single document.

- Draft accounts, Annual Governance Statement, Statement of Directors' Responsibilities and Remuneration Report – 22 May 2020;
- Final accounts, Annual Governance Statement, Statement of Directors' Responsibilities and Remuneration Report – 30 June 2020;
- All other sections of the Annual Report, includes Performance Report and the Accountability Report (excluding the Annual Governance Statement and the Remuneration Report) – 31 August 2020;
- Annual Quality Statement – 30 September 2020.

### **Assessment and Risk Implications (Safety, Financial, Legal, Reputational etc:)**

As previously advised, the requirements of the Accountability Report are based on the matters required to be dealt with in a Directors' Report, as set out in Chapter 5 of Part 15 of the Companies Act 2006 and Schedule 7 of SI 2008 No 410, and in a Remuneration Report, as set out in Chapter 6 of the Companies Act 2006 and Schedule 8 of SI 2008 No 410. As not all requirements of the Company's Act apply to NHS bodies, the structure adopted is as described in the Treasury's Government Financial Reporting Manual (FRM) and set out in the 2018-19 Manual for Accounts for NHS Wales, issued by the Welsh Government.

The Accountability Report is required to have three sections:

- Corporate Governance Report
- Remuneration and Staff Report
- National Assembly for Wales Accountability and Audit Report

An overview of the content of each of these three sections is provided in the introduction to the accountability report.

As Committee Members are aware feedback on the draft Accountability Report has been received from the Wales Audit Office, Welsh Government and the Audit and Assurance Committee. In light of this feedback changes were made to improve its clarity.

The Audit and Assurance Committee is asked consider the Accountability Report for 2019-20 with a view that it be adopted by the Board at the meeting scheduled for 29<sup>th</sup> June 2020 (pm).

Following adoption by the Board:

- The Chief Executive Officer will sign and date the key elements of the Accountability Report, including the Annual Governance Statement.
- The Statement of Directors' Responsibilities will be signed by the Chair, Chief executive Officer and Executive Director of Finance.
- The signed Accountability Report will be submitted to Welsh Government and Wales Audit office by noon on 30<sup>th</sup> June 2020 together with the Annual Accounts.

## Recommendation:

The Audit and Assurance Committee is asked to:-

- NOTE the content of this report;
- NOTE that the Accountability Report for 2019-20 has been subject to a statutory audit by Wales Audit Office
- AGREE to recommend to the Board that the Accountability Report for 2019-20, appended to this report is ADOPTED.

### Shaping our Future Wellbeing Strategic Objectives

*This report should relate to at least one of the UHB's objectives, so please tick the box of the relevant objective(s) for this report*

1. Reduce health inequalities	x	6. Have a planned care system where demand and capacity are in balance	x
2. Deliver outcomes that matter to people	x	7. Be a great place to work and learn	x
3. All take responsibility for improving our health and wellbeing	x	8. Work better together with partners to deliver care and support across care sectors, making best use of our people and technology	x
4. Offer services that deliver the population health our citizens are entitled to expect	x	9. Reduce harm, waste and variation sustainably making best use of the resources available to us	x
5. Have an unplanned (emergency) care system that provides the right care, in the right place, first time	x	10. Excel at teaching, research, innovation and improvement and provide an environment where innovation thrives	x

### Five Ways of Working (Sustainable Development Principles) considered

*Please tick as relevant, click [here](#) for more information*

Prevention	x	Long term	x	Integration		Collaboration		Involvement	
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### Equality and Health Impact Assessment Completed:

Yes / No / Not Applicable

*If "yes" please provide copy of the assessment. This will be linked to the report when published.*



# Accountability Report 2019-20

Contents	Page
<b>Corporate Governance Report</b>	
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Part 2 Statement of the Chief Executive's Responsibilities as Accountable Officer	3
Part 3 Statement of Directors' Responsibilities in Respect of the Accounts	4
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<b>Financial Statements</b>	

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# Part 1

## Directors' Report

### 1.1 Composition of the University Health Board

The Cardiff and Vale University Health Board (UHB) is made up of Executive Directors, who are its employees, and Independent Board Members, who are appointed to the UHB by the Minister for Health and Social Services via an open and competitive public appointment process.

Pages 18-26 set out details of the Chair, Chief Executive, Executive Directors, Independent Members, advisory and non Executive members and confirms Board and Committee membership for 2019-20, meetings attended during the tenure of the individual and any Champion roles performed.

The Annual Governance Statement also contains further information in respect of the UHB's Governance/Assurance Framework (page 7), Board and Committee Activity (pages 8 -15) and system of internal control (page 28).

The Remuneration Report contains changes to Board Membership in 2019-20 at page 50.

### 1.2 Statement for Public Sector Information Holders

This is contained at 7.3 (page 69) of the National Assembly for Wales Accountability and Audit Report.

### 1.3 Register of Interests

The UHB has a Register of Interests which provides details of company directorships and other significant interests held by members of the management board which may conflict with their management responsibilities. The Register of Interests for 2019-20 is accessible via this link: <http://www.cardiffandvaleuhb.wales.nhs.uk/register-of-interests/>

### 1.4 Personal Data Related Incidents

Information on personal data related incidents where formal reports have been made to the Information Commissioner's Office (ICO) is contained in the Annual Governance Statement at page 33.

### 1.5 Environmental, Social and Community issues

These are included on page 31 of the Annual Governance Statement.

## Part 2

# Statement of the Chief Executive's Responsibilities as Accountable Officer

The Welsh Ministers have directed that the Chief Executive should be the Accountable Officer to the Health Board.

The relevant responsibilities of Accountable Officers, including their responsibility for the propriety and regularity of the public finances for which they are answerable, and for the keeping of proper records, are set out in the Accountable Officer's Memorandum issued by Welsh Government.

I confirm that, as far as I am aware, there is no relevant audit information of which the UHB's auditors are unaware, and I, as Accountable Officer, have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the UHB's auditors are aware of that information.

I confirm that the Accountability Report and accounts as a whole are fair, balanced and understandable and I take personal responsibility for the

Accountability Report and accounts and the judgements required for determining that they are fair, balanced and understandable.

To the best of my knowledge and belief, I have properly discharged the responsibilities set out in my letter of appointment as an Accountable Officer.

**Signed by:**

**Len Richards**  
**Chief Executive**

**Date:** 29<sup>th</sup> June 2020

## Part 3

# Statement of Directors' Responsibilities in Respect of the Accounts

The directors are required under the National Health Service Act (Wales) 2006 to prepare accounts for each financial year. The Welsh Ministers, with the approval of the Treasury, direct that these accounts give a true and fair view of the state of affairs of the Health Board and of the income and expenditure of the Health Board for that period.

In preparing those accounts, the directors are required to:

- apply on a consistent basis accounting principles laid down by the Welsh Ministers with the approval of the Treasury;
- make judgements and estimates which are responsible and prudent;
- state whether accounting standards have been followed, subject to any material departures disclosed and explained in the account.

The directors confirm that they have complied with the above requirements in preparing the accounts.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the authority and to enable them to ensure that the accounts comply with the requirements outlined in the above mentioned direction by Welsh Ministers.

### By Order of the Board

#### Signed:

Chair: .....Dated: 29<sup>th</sup> June 2020

Chief Executive: .....Dated: 29<sup>th</sup> June 2020

Executive Director of Finance: .....Dated: 29<sup>th</sup> June 2020

# Part 4

## Annual Governance Statement

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#### 4.1 Scope of Responsibility

The Board is accountable for Governance, Risk Management and Internal Control. As Chief Executive of the Board, I have responsibility for maintaining appropriate governance structures and procedures as well as a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives, whilst safeguarding the public funds and the organisation's assets for which I am personally responsible. These are carried out in accordance with the responsibilities assigned by the Accountable Officer of NHS Wales.

At the time of preparing this Annual Governance Statement, the UHB and the NHS in Wales is facing unprecedented and increasing pressure in planning and providing services to meet the needs of those who are affected by COVID-19, whilst also planning to resume other activity where this has been impacted.

The required response has meant the whole organisation has had to work very differently both internally and with our staff, partners and stakeholders and it has been necessary to revise the way the governance and operational framework is discharged. In recognition of this, Dr Andrew Goodall, Director General Health and Social Services/NHS Wales Chief Executive wrote to all NHS Chief Executives in Wales, with regard to "COVID-19 – Decision Making and Financial Guidance". The letter recognised that organisations would be likely to make potentially difficult decisions at pace and without a firm evidence base or the support of key individuals which under normal operating circumstances would be available. Nevertheless, the organisation is still required to demonstrate

that decision-making has been efficient and will stand the test of scrutiny with respect to compliance with Managing Welsh Public Money and demonstrating Value for Money after the COVID-19 crisis has abated and the organisation returns to more normal operating conditions.

To demonstrate this the organisation is recording how the effects of COVID-19 have impacted on any changes to normal decision making processes, for example through the use of a register recording any deviations from normal operating procedures.

Where relevant these, and other actions taken have been explained within this Annual Governance Statement.

The Annual Governance Statement details the arrangements in place for discharging the Chief Executive's responsibilities to manage and control the UHB's resources during the financial year 2019-20; however due to the situation with COVID-19, this year's Statement is extended to cover the period up to the date of its approval on 29 June 2020 especially around the UHB's response to the ongoing pandemic. It also sets out the governance arrangements to ensure probity, that strategic and delivery plans are in place, risks mitigated and that we have appropriate controls to govern corporate and clinical situations.

The UHB is one of the largest NHS organisations in the UK. It employs approximately 14,500 staff and spends around £1.4 billion every year on providing health and wellbeing services to a population of around 490,000 in Cardiff and the Vale of Glamorgan. It also serves a wider population across South and Mid Wales for a range of specialities.



The UHB is a teaching Health Board with close links to the university sector, and together we are training the next generation of healthcare professionals.

The UHB has a clear purpose from which its strategic aims and objectives have been developed. Our vision is:

***"Caring for people, keeping people"***

The personal values of the UHB are illustrated below.

Kind and caring  
Caredig a gafalgar

Respectful  
Dangos parch

Trust and integrity  
Ymddiriedaeth ac uniondeb

Personal responsibility  
Cyfrifoldeb personol



## 4.2 Our Governance/Assurance Framework

At a local level, Health Boards in Wales must agree [Standing Orders](#) for the regulation of proceedings and business. They are designed to translate the statutory requirements set out in the LHB (Constitution, Membership and Procedures) (Wales) Regulations 2009 into day to day operating practice, and, together with the adoption of a scheme of matters reserved to the Board; a [Scheme of Delegation](#) to officers and others; and [Standing Financial Instructions](#), they provide the regulatory framework for the business conduct of the UHB and define - its 'ways of

working'. These documents, together with the range of corporate policies set by the Board make up the Governance Framework. The Board approved the All Wales Model Standing Orders, Reservation and Delegation of Power for Standing Orders at its November 2019 Board meeting.

The Board functions as a corporate decision-making body with Executive Directors and Independent Members being equal members, sharing corporate responsibility for all decisions and playing a key role in monitoring performance against strategic objectives and plans.

### **The principal role of the Board is to exercise effective leadership, direction and control, including:**

- Setting the overall strategic direction of the UHB;
- Establishing and maintaining high levels of corporate governance and accountability including risk management and internal control;
- Ensuring delivery of the UHB's aims and objectives through effective challenge and scrutiny of performance across all areas of responsibility;
- Ensuring delivery of high quality and safe patient care;
- Building capacity and capability within the workforce to build on the values of the UHB and creating a strong culture of learning and development;
- Enacting effective financial stewardship by ensuring the UHB is administered prudently and economically with resources applied appropriately and efficiently;
- Instigating effective communication between the UHB and its community to ensure its services are planned and responsive to identified needs;

### 4.3 The Board and its Committees

The UHB Board has been constituted to comply with the Local Health Boards (Constitution, Membership and Procedures) (Wales) Regulations 2009. In addition to responsibilities and accountabilities set out in terms and conditions of appointment, Board members also fulfil a number of Champion roles where they act as ambassadors for these matters.

Our Board consists of 22 members (9 Executive Directors 10 Independent Members and 3 Associate Members). The Board is supported and advised by the Director of Corporate Governance and the Director of Transformation and Informatics who also attend its meetings. Whilst Associate Members take part in public Board meetings, they do not hold any voting rights. Biographies of all our Board members can be found here: [Board Members](#)

The Board provides leadership and direction to the organisation and is responsible for governance, scrutiny and public accountability. It ensures that its work is open and transparent by holding its meetings in public and where private meetings are held the meeting agendas are also published.

The Board is supported by a number of Committees, each chaired by an Independent Member. All Committees are constituted to comply with The Welsh Government Good Practice Guide – Effective Board Committees. The Committees, which meet in public (except the Remuneration and Terms of Service Committee), provide their minutes and a written report by the Committee Chair to each Board meeting. This enables all Board Members to be sighted on the major issues and

contribute to assessment of assurance and provide scrutiny against the delivery of strategic objectives.

Board papers are published on the UHB's website 10 days prior to each meeting and Committee papers a week prior to each meeting. A breach log is maintained as of 2019-20 to capture any departures from these timescales and reports delayed or not received. The website also contains a summary of each Committee's responsibilities and Terms of Reference. All action required by the Board and Committees is included on an Action Log and at each meeting, progress is monitored. The Action Logs are also published on the UHB's website. The papers for Board meetings can be accessed [here](#) and papers for Committee meetings [here](#).

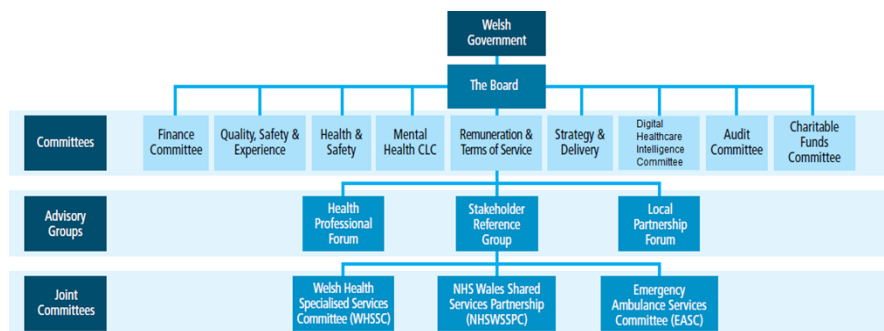
All Committees annually review their Terms of Reference and Work Plans to support the Board's business. Further, in line with Standing Orders, each Committee produces an annual report for the Board, the annual reports for 2019 - 20 can be accessed at: [Annual Reports](#)

Committees also work together on behalf of the Board to ensure that work is planned cohesively and focusses on matters of greatest risk that would prevent us from meeting our mission and objectives. To ensure consistency and links between Committees, the UHB has a Governance Co-ordinating Group, chaired by the Chair of the UHB.

The below diagram illustrates the Board and Committee structure for 2019-20.



Bwrdd Iechyd Prifysgol  
Caerdydd a'r Fro  
Cardiff and Vale  
University Health Board



#### Items Considered by the Board in 2019-20 included:

- Approval of the Annual Accounts, Accountability and Remuneration Reports for 2018-19;
- The Capital Plan for 2019-20;
- Major Trauma Centre;
- Board Assurance Framework;
- Strategic Clinical Services Plan;
- Thoracic Surgery;
- IMTP 2020-23;
- Patient stories;
- Financial performance;
- Regular reports on Quality, Safety and Experience;
- Performance reports in relation to key national and local targets;
- Assurance reports from the Committees and Advisory Groups of the Board, Terms of Reference and Workplans;

- Nurse Staffing.

#### Audit Committee

The role of the Audit Committee is to advise and assure the Board, and the Accountable Officer, on whether effective arrangements are in place to support them in their decision taking and in discharging their accountabilities in accordance with the standards of good governance determined for the NHS in Wales.

#### Items Considered by Audit Committee in 2019-20 included:

- Internal Audit Plans were submitted to each meeting providing details relating to outcomes, key findings and conclusions;
- Wales Audit Office (known as Audit Wales since 1 April 2020) reports on current and planned audits;
- Declarations of Interest Reports;
- Regulatory Compliance Tracking Reports;
- Internal & External Audit Tracking Reports;
- Post Payment Verification and Counter Fraud Reports;
- Annual Accounts, Accountability and Remuneration Reports for 2018-19;
- Losses and Special Payments.

## Finance Committee

The purpose of this Committee is to advise and assure the Board in discharging its responsibilities with regard to its current and forecast financial position, performance and delivery.

### Items Considered by Finance Committee in 2019-20 included:

- IMTP;
- Cost Reduction Programme;
- Finance Risk Register;
- Financial Monitoring Returns;
- Dragon's Heart Hospital.

## Strategy and Delivery Committee

The purpose of this Committee is to advise and assure the Board on the development and implementation of the UHB's overarching strategy, "Shaping our Future Wellbeing", and key enabling plans. This includes all aspects of delivery of the strategy through the IMTP and any risks that may hinder achievement of the objectives set out in the strategy, including mitigating actions against these.

### Items Considered by Strategy and Delivery Committee in 2019-20 included:

- Shaping our Future Wellbeing Progress Reports;

- Capital Plan;
- Clinical Services Plan;
- A Healthier Wales;
- Commercial Developments;
- Employment Policies;
- Key Organisational Performance Indicators;
- Workforce Plan;
- IMTP.

## Mental Health and Capacity Legislation Committee

This Committee advises the Board of any areas of concern relating to responsibilities under mental health legislation, and provides assurance that we are discharging our statutory duties under the relevant legislation.

### Items Considered by Mental Health and Capacity Legislation Committee in 2019-20 included:

- Mental Capacity Act and Mental Health Act Monitoring Reports;
- Deprivation of Liberty Safeguards Internal Audit Report;
- Mental Health Measure;
- Children and Adolescent Mental Health Service;
- Healthcare Inspectorate Wales visit.

### Quality, Safety and Experience Committee

The Annual Quality Statement for 2019-20 will be published in September 2020 and will include a summary of the work undertaken during the year by the Quality, Safety and Experience Committee.

The Annual Quality Statement will be published at:

<http://www.cardiffandvaleuhb.wales.nhs.uk/publications-annual-reports-accounts>

### Charitable Funds Committee

Cardiff and Vale Health Charity is the official charity supporting all the work of the UHB. The Charity was created on 3 June 1996 by Declaration of Trust and following reorganisations of health services, was amended by Supplementary Deed on 12 July 2001 and 2 December 2010. The UHB is the Corporate Trustee for the Charity.

The UHB delegates responsibility for the management of the funds to the Charitable Funds Committee. The aim of the Corporate Trustee (Trustee) is to raise and use charitable funds to provide the maximum benefit to the patients of the UHB and associated local health services in Cardiff and the Vale of Glamorgan, by supplementing and not substituting government funding of the core services of the NHS.

The Committee is empowered with the responsibility to:

- Control, manage and monitor the use of the funds resources for the public benefit, having regard for the guidance issued by the Charity Commission;
- Agree governance arrangements for standards and monitoring;
- Review strategy to maximise benefits to the Charity;
- Determine the Charity's investment strategy;
- Agree expenditure plans;
- Determine fundraising objectives and strategy.

A financial control procedure, expenditure guideline, governance framework and strategy have been developed to ensure that there are sufficient management controls in place to:

- Ensure that spending is in accordance with objects and priorities agreed by the Charitable Funds Committee;
- Ensure the criteria for spending charitable monies are fully met;
- Ensure that accounting records are maintained;
- Ensure devolved decision making is within specific parameters.

Internal Audit also undertakes annual reviews of charitable funds. This year's review of governance arrangements, including the management of expenditure and donations, provided a Reasonable assurance rating.

Investment risk is mitigated by agreeing an Investment Policy with the Charity's Investment Managers which includes ethical consideration. The Investment Managers attend the Charitable Funds Committee twice a year to provide assurance on the management of the investment portfolio and to offer advice.

Each year the Charitable Fund Accounts are subject to external audit review by Audit Wales and audit certification by the Charity Commission's deadline of 31 January of the following year. The 2018-19 statements were certified as giving a true and fair view with an unqualified opinion on 30 January 2020.

**Health and Safety Committee** Information regarding this Committee can be found at page 64.

**Digital Health and Intelligence Committee** Information regarding this Committee can be found at page 32.

More detail regarding Board, its business and issues delegated to its Committees can be found at:

<http://www.cardiffandvaleuhb.wales.nhs.uk/the-board-and-committees>

In 2019-20 overall Committee attendance rates were as follows:

Charitable Funds - 59%  
Digital and Health Intelligence - 100%  
Finance - 83%  
Health and Safety - 100%  
Mental Health - 93%  
Quality, Safety and Experience - 87%  
Strategy and Delivery - 67%  
Audit - 86%

The table on page 18 sets out details of the Chair, Chief Executive, Executive Directors and Independent Members and confirms Board and Committee membership for 2019-20, meetings attended during the tenure of the individual and any Champion roles performed. The table on page 26 sets out Board and Committee Dates for 2019-20. Those in red were inquorate however any decisions reached at these meetings are included in the Committee Chair's report to Board and highlighted for approval by the Board.

On 23 March 2020 the Welsh Government suspended all Ministerial Public Appointment Campaigns with immediate effect. At the time of this suspension, the UHB was awaiting the outcome of the appointment campaign relating to the Chair of the organisation. The Interim Chair and Interim Vice Chair continue to provide stability during this time. The intention is to recommence Campaigns in September 2020, however this is being kept under review as the public health response to COVID-19 develops.

### Hosted Organisations, Partnerships and All Wales Services

The UHB delivers a range All Wales services including:

- Adult Cystic Fibrosis Centre;
- Artificial Limb and Appliance Service;
- Medical Genetics Service;
- Veterans NHS Wales



Much of the funding for these services comes from the Welsh Health Specialist Services Committee. In addition, the UHB and Cardiff University have a long and established track record of working together to deliver exceptional services through cutting edge innovation. Such partnership working has led to the establishment of Cardiff Medicentre a business incubator for biotech and medtech startups, and the Clinical Innovation Partnership.

The UHB also hosts the Wales External Quality Assessment Service (WEQAS), one of the largest External Quality Assessment providers in the UK.

### Advisory Groups

In support of the Board, the UHB is also required to have three Advisory Groups. These are:

- Stakeholder Reference Group;
- Local Partnership Forum and
- Healthcare Professionals' Forum.

### Stakeholder Reference Group (SRG)

The SRG is formed from a range of partner organisations from across the UHB area. Its role is to provide independent advice on any aspect of UHB business. It facilitates full engagement and active debate amongst stakeholders from across the communities served by the UHB, with the aim of presenting a cohesive and balanced stakeholder perspective to inform UHB planning and decision making.

This may include:

- Early engagement and involvement in the determination of the UHB's overall strategic direction;
- Provision of advice on specific service improvement proposals prior to formal consultation;
- Feedback on the impact of the UHB's operations on the communities it serves.

Significant issues upon which the SRG was engaged during 2019-20 include:

- Tertiary Services Plan;
- The Strategic Equality Plan;
- Integrated Medium Term Plan 2020-21 – Priority Setting;
- Move More, Eat Well Plan 2020-23;
- Annual Quality Statement;
- University Hospital of Wales 2.

### Local Partnership Forum (LPF)

The LPF meets six times a year and is the formal mechanism for the UHB and Trade Union/Professional Organisation Representatives to work together to improve health services. Its purpose, as set out in the Terms of Reference, falls into four overarching themes: communicate, consider, consult and negotiate, and appraise.

The LPF is co-chaired by the Chair of Staff Representatives and the Executive Director of Workforce and Organisational Development. Membership is made up of Staff Representatives (including the Independent Member for Trade Unions), the Executive Team and Chief Executive, the Director of Corporate Governance, the Assistant Directors of Workforce and Organisational Development and the Head of Workforce Governance.

The LPF receives for noting regular reports from the Employment Policy Sub Group and Staff Benefits Group. Significant issues considered by the LPF during 2019-20 include:

<b>Communication:</b> <ul style="list-style-type: none"> <li>• Integrated Medium Term Plan engagement and updates</li> <li>• First Minister's speech to the NHS Confederation</li> <li>• A regular verbal report from the Chief Executive on current 'hot topics'</li> <li>• Embedding prevention in the UHB</li> <li>• Nurse Staffing Act</li> <li>• 'Patient knows best'</li> <li>• Streamlining our employment policies</li> </ul>	<b>Consideration:</b> <ul style="list-style-type: none"> <li>• Inclusivity</li> <li>• Prehabilitation to Rehabilitation</li> <li>• Clinical Services Strategy</li> <li>• Staff Survey Stakeholder Workshops and Steering Group (#CAVYourSay)</li> <li>• Shaping Our Future Wellbeing – midpoint review</li> <li>• CAV implementation of A Healthier Wales</li> <li>• Strategic Equality Plan</li> <li>• Standards of Behaviour Framework</li> </ul>
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<ul style="list-style-type: none"> <li>• Sustainable travel</li> <li>• Performance and winter pressures</li> <li>• Tackling stress in the workplace</li> </ul>	<ul style="list-style-type: none"> <li>• Move More, Eat Well Plan 2020-23</li> <li>• Volunteers framework</li> </ul>
<b>Consultation /Negotiation:</b> <ul style="list-style-type: none"> <li>• Proposal to increase range of surgical treatments in UHL</li> <li>• Improving the Pathway for Frail Older People</li> </ul>	<b>Appraisal:</b> <ul style="list-style-type: none"> <li>• Finance Report</li> <li>• Workforce Key Performance Indicators</li> <li>• Patient Quality, Safety and Experience Report</li> </ul>

#### Healthcare Professionals' Forum (HPF)

The HPF comprises representatives from a range of clinical and healthcare professions within the UHB and across primary care. It has provided advice to the Board on professional and clinical issues it considers appropriate.

This Advisory Group is currently undergoing review and therefore has not met during 2019-20. The UHB has a number of mechanisms to seek clinical input, for example a representative of the Consulting body attended Board meetings, feeding in comment from Consultant engagement on key issues such as major trauma and thoracic surgery. Reviewing this Advisory Group's Terms of



Reference, membership and developing its work programme and function to best use these mechanisms, establish a robust structure and avoid duplication is a governance priority for 2020-21.

Terms of Reference and minutes of all the Advisory Groups are available via the following link:

<http://www.cardiffandvaleuhb.wales.nhs.uk/board-committees-and-advisory-groups>

## COVID-19

It is acknowledged that in these unprecedented times, there are limitations on Boards and Committees being able to physically meet where this is not necessary and can be achieved by other means. In accordance with the Public Bodies (Admissions to Meetings) Act 1960, the organisation is required to meet in public. As a result of the public health risk linked to the pandemic, the UK and Welsh Government stopped public gatherings of more than two people and it is therefore not possible to allow the public to attend meetings of our Board and Committees from 20 March 2020. To ensure business was conducted in as open and transparent manner as possible during this time, the following actions were taken:

- Continuation of the publishing of Board and Committee papers in advance of meetings;

- Provision of a record of our Board meeting on our website, within 3 working days of the Board.

An assessment was also made to ensure that decisions were time critical and could not be held over until it is possible to allow members of the public to attend meetings.

Due to the pressures associated with COVID-19, the UHB stood down the meetings of some of its Committees, as summarised in the below table. This action was approved by the Board Governance Group described below and ratified at the Board meeting on 28 May 2020. Board meetings have continued as planned.

As the duration of the pandemic and the subsequent measures to be taken to mitigate spread are not yet known, it will be necessary to keep this under review.

Committee	Dates of Meetings (March-August 2020)	Actions
Audit	21 April 19 May 28 May 29 June 7 July	Meetings proceeding to review annual accounts, public disclosure statements and assurance for the audit opinion. Agendas reduced and items deferred where possible.
Quality, Safety and Experience	14 April	Meeting held but with a reduced agenda.

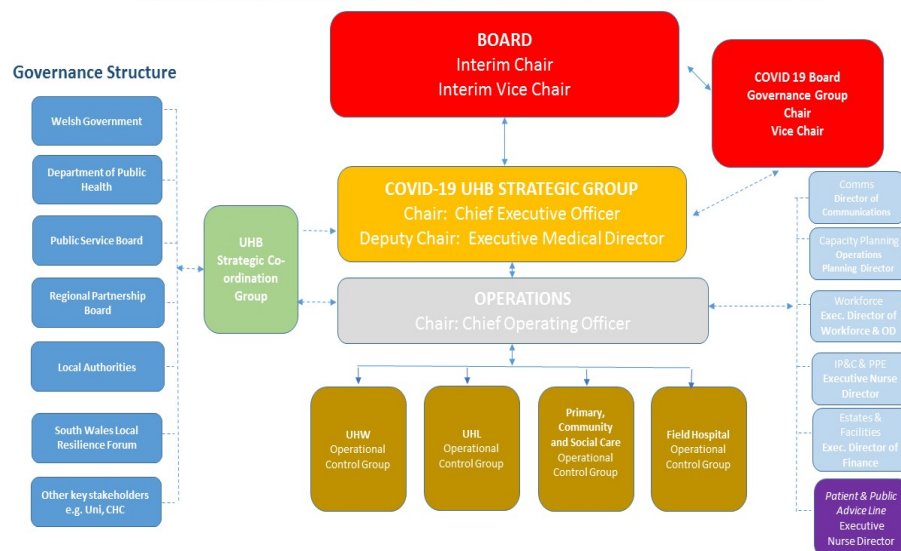


	16 June 18 August	June and August dates kept in diaries and to be reviewed.
Charitable Funds	17 March 5 May 23 June  4 August	Meeting held. Meeting cancelled. To proceed and will look at specific donations received as a result of COVID-19  To proceed
Digital and Health Intelligence Committee	9 June 9 July	Cancelled To proceed
Finance	25 March 29 April 27 May 24 June 29 July 26 August	March-June meetings held.  July and August meetings will be reviewed and remain in diaries at present.
Health and Safety	7 April  30 June	April meeting held to consider PPE. Meeting cancelled. Reports relating to significant HSE cases or

		developments will be circulated to Committee members for scrutiny.
Mental Health and Capacity Legislation Committee	7 July	To be reviewed and will remain in diaries at present.
Strategy and Delivery	12 May 14 July	Meeting cancelled. July meeting will be reviewed and remain in diaries at present.

The below diagram demonstrates the UHB governance and delivery arrangements put in place for the management of COVID-19.

UHB GOVERNANCE AND DELIVERY ARRANGEMENTS FOR THE MANAGEMENT OF COVID – 19



**UHB Strategic Group** brings together Executive Directors to provide clear strategic direction for the UHB's response to COVID-19 and ensure the maximum effectiveness of this response.

**Operations Group** reports to the UHB Strategic Group and coordinates and reports on the UHB's operational response to COVID-19 to deliver the UHB's agreed strategic objectives.

**Operational Control Groups** report to the Operations Group and develop and coordinate the implementation plans, at the direction of the Operations Group, to deliver the UHB's operational objectives.

**Functional Support Groups** each has a nominated Executive Lead to provide accelerated functional decision making and support to enable the operational implementation plans, at the direction of the Operations Group, to deliver the UHB's operational objectives.

**UHB Strategic Coordination Group** coordinates the external requirements for information and action and provides co-ordination of strategic actions required to support the UHB's response to COVID-19; it reports to the Operations Group and UHB Strategic Group.

The **COVID-19 Board Governance Group** referenced in the diagram was also established in April 2020 to scrutinise the decisions of the UHB Strategic Group and provide support to the Chief Executive and Executive Directors to allow those decisions to progress quickly but within a governance framework with appropriate audit trail. Independent Members and Executive Directors attend the Group as necessary. Its remit is as follows:

- Decisions reserved for the Board in line with Standing Orders;
- Decisions with a financial value over £500k;
- Legal documents and contracts of significance either in value or content;
- Decisions with the potential for reputational damage;
- Strategic decisions beyond the authority of the UHB Strategic Group;
- Any other decisions requiring approval of the Group.

Name	Position	Area of Expertise Representation Role	Board Committee Membership 1 April 2019 – 31 March 2020	Number of Meetings Attended During Tenure	Champion Roles
<b>John Antoniazzi</b>	Independent Member (Until 31.10.19)	Capital and Estates	<ul style="list-style-type: none"> <li>• Board</li> <li>• Trustee</li> <li>• Chair Audit</li> <li>• Finance</li> <li>• Remuneration and Terms of Service</li> <li>• Strategy &amp; Delivery</li> </ul>	4/9 0/6 3/6 5/5 0/5 0/6	
<b>Sue Bailey</b>	Associate Member		<ul style="list-style-type: none"> <li>• Board</li> </ul>	0/9	
<b>Maria Battle</b>	UHB Chair (Until 18.08.19)		<ul style="list-style-type: none"> <li>• Board</li> <li>• Trustee</li> <li>• Charitable Funds</li> <li>• Finance</li> <li>• Remuneration and Terms of Service</li> </ul>	4/9 1/6 1/4 1/5 2/5	
<b>Gary Baxter</b>	Independent Member	University	<ul style="list-style-type: none"> <li>• Board</li> <li>• Trustee</li> <li>• Digital &amp; Health Intelligence</li> <li>• Quality, Safety and</li> </ul>	8/9 2/6 0/3	

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			<ul style="list-style-type: none"> <li>Experience</li> <li>• Strategy &amp; Delivery</li> </ul>	4/6 0/6	
<b>Eileen Brandreth</b>	Independent Member	Information Communication Technology	<ul style="list-style-type: none"> <li>• Board</li> <li>• Trustee</li> <li>• Vice Chair, Audit and Assurance</li> <li>• Mental Health and Capacity Legislation Committee</li> <li>• Remuneration and Terms of Service</li> <li>• Strategy &amp; Delivery</li> <li>• Digital &amp; Health Intelligence</li> </ul>	8/9 3/6 3/6 1/4 1/5 1/6 2/3	Lead for Children and Young People and Maternity
<b>Lance Carver</b>	Associate Member		<ul style="list-style-type: none"> <li>• Board</li> </ul>	0/9	
<b>Robert Chadwick</b>	Executive Director of Finance		<ul style="list-style-type: none"> <li>• Board</li> <li>• Trustee</li> <li>• Strategy &amp; Delivery</li> <li>• Audit &amp; Assurance</li> <li>• Finance</li> </ul>	8/9 3/6 4/6 6/6 11/11	Security Management
<b>Steve Curry</b>	Chief Operating Officer		<ul style="list-style-type: none"> <li>• Board</li> <li>• Trustee</li> <li>• Strategy &amp; Delivery</li> </ul>	9/9 3/6 5/6	Delayed Transfers of Care Lead

			<ul style="list-style-type: none"> <li>• Mental Health and Capacity Legislation Committee</li> <li>• Quality, Safety &amp; Experience</li> </ul>	1/4 5/6	
<b>Martin Driscoll</b>	Executive Director of Workforce & Organisational Development		<ul style="list-style-type: none"> <li>• Board</li> <li>• Trustee</li> <li>• Charitable Funds</li> <li>• Strategy &amp; Delivery</li> <li>• Remuneration and Terms of Service</li> </ul>	8/9 1/6 1/4 6/6 4/5	Violence and Aggression Champion  Fire Safety
<b>Peter Durning</b>	Interim Executive Medical Director (19.04.19-16.07.19)		<ul style="list-style-type: none"> <li>• Board</li> <li>• Quality, Safety &amp; Experience</li> </ul>	0/9 1/6	
<b>Susan Elsmore</b>	Independent Member	Local Authority Elected	<ul style="list-style-type: none"> <li>• Board</li> <li>• Trustee</li> <li>• Charitable Funds</li> <li>• Finance</li> <li>• Quality, Safety and Experience</li> </ul>	6/9 1/6 0/4 0/3 6/6	Cleaning, Hygiene and Infection Management  Social Services and Wellbeing (Wales) Act
<b>Nicola Foreman</b>	Director of Corporate		<ul style="list-style-type: none"> <li>• Board</li> <li>• Trustee</li> </ul>	9/9 3/6	

	Governance (Other Directors)		<ul style="list-style-type: none"> <li>• Audit and Assurance</li> <li>• Finance</li> <li>• Remuneration and Terms of Service</li> <li>• Mental Health Capacity and Legislation</li> <li>• Strategy and Delivery</li> <li>• Health &amp; Safety</li> <li>• Digital &amp; Health Intelligence</li> <li>• Charitable Funds</li> <li>• Quality, Safety &amp; Experience</li> </ul>	6/6  11/11  4/5  2/4  5/6  5/5  3/3  3/4  6/6	
<b>Jonathon Gray</b> (Appointed 02.12.2019)	Director of Transformation and Informatics (Other Directors)		<ul style="list-style-type: none"> <li>• Board</li> <li>• Trustee</li> <li>• Digital &amp; Health Intelligence</li> </ul>	1/9 1/6 1/3	

<b>Akmal Hanuk</b>	Independent Member	Community	<ul style="list-style-type: none"> <li>• Board</li> <li>• Trustee</li> <li>• Chair, Charitable Funds</li> <li>• Vice Chair, Health &amp; Safety</li> <li>• Mental Health &amp; Capacity Legislative</li> </ul>	6/9 2/6  3/4 5/5 3/4	
<b>Abigail Harris</b>	Executive Director of Planning		<ul style="list-style-type: none"> <li>• Board</li> <li>• Trustee</li> <li>• Strategy &amp; Delivery</li> </ul>	8/9 2/6 4/6	Healthy Sustainable Wales,  Emergency Planning
<b>Sharon Hopkins</b>	Director of Transformation and Informatics (until 24 June 2019)		<ul style="list-style-type: none"> <li>• Board</li> <li>• Strategy &amp; Delivery</li> </ul>	2/9 1/6	
<b>Michael Imperato</b> <b>(Appointed as Interim Vice Chair 09/10/19)</b>	Independent Member		<ul style="list-style-type: none"> <li>• Board</li> <li>• Trustee</li> <li>• Vice Chair, Digital Health Intelligence</li> <li>• Chair, Health and Safety</li> <li>• Quality, Safety and</li> </ul>	9/9 2/6 3/3 4/5 6/6	



			Experience • Remuneration and Terms of Service	2/5	
<b>Charles Janczewski</b>	Vice Chair / Interim UHB Chair (from 06.08.19)		• Board • Trustee • Audit and Assurance • Finance • Remuneration and Terms of Service • Mental Health Capacity and Legislation • Chair, Strategy and Delivery • Digital & Health Intelligence • Charitable Funds • Quality, Safety and Experience	9/9 3/6 2/6 11/11 5/5 1/4 6/6 3/3 1/4 1/6	Older Persons Champion, Public Patient Involvement, Wellbeing of Future Generations Act
<b>Fiona Jenkins</b>	Executive Director of Therapies and Health Science		• Board • Trustee • Charitable Funds • Quality, Safety and Experience	9/9 3/6 2/4 6/6	Armed Forces and Veterans Champion

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<b>Fiona Kinghorn</b>	Executive Director of Public Health		<ul style="list-style-type: none"> <li>• Board</li> <li>• Trustee</li> <li>• Strategy &amp; Delivery</li> <li>• Quality, Safety and Experience</li> </ul>	9/9 2/6 4/6 5/6	Healthy Sustainable Wales,  Wellbeing of Future Generations Act
<b>Sara Moseley</b>	Independent Member		<ul style="list-style-type: none"> <li>• Board</li> <li>• Trustee</li> <li>• Vice and Interim Chair, Mental Health Capacity and Legislation</li> <li>• Strategy and Delivery</li> <li>• Charitable Funds</li> <li>• Remuneration and Terms of Service</li> </ul>	6/9 1/6  2/4  4/6 0/4 1/5	Welsh Language Champion,  Equality and Human Rights
<b>Len Richards</b>	Chief Executive Officer		<ul style="list-style-type: none"> <li>• Board</li> <li>• Trustee</li> <li>• Strategy &amp; Delivery</li> <li>• Digital &amp; Health Intelligence</li> <li>• Remuneration and Terms of Service</li> </ul>	9/9 3/6 2/6  1/3 3/5	Public Patient Involvement

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<b>Graham Shortland</b>	Executive Medical Director (Until 18.04.19)		<ul style="list-style-type: none"> <li>• Board</li> <li>• Quality, Safety &amp; Experience</li> </ul>	2/9 1/6	
<b>Richard Thomas</b>	Associate Member		<ul style="list-style-type: none"> <li>• Board</li> </ul>	0/9	
<b>John Union</b>	Independent Member	Finance	<ul style="list-style-type: none"> <li>• Board</li> <li>• Trustee</li> <li>• Chair, Audit and Assurance</li> <li>• Vice Chair, Finance</li> <li>• Charitable Funds</li> <li>• Remuneration and Terms of Service</li> </ul>	7/9 2/6 6/6 9/11 3/4 3/5	
<b>Rhian Thomas</b> (Appointed 01.02.20)	Independent Member	Capital and Estates	<ul style="list-style-type: none"> <li>• Board</li> <li>• Trustee</li> <li>• Chair, Finance</li> <li>• Strategy &amp; Delivery</li> <li>• Health &amp; Safety</li> </ul>	0/9 0/6 0/11 1/6 0/5	Design
<b>Ruth Walker</b>	Executive Nurse Director		<ul style="list-style-type: none"> <li>• Board</li> <li>• Trustee</li> <li>• Charitable Funds</li> <li>• Strategy &amp; Delivery</li> <li>• Quality, Safety &amp; Experience</li> </ul>	8/9 2/6 2/4 2/6 6/6	Lead for Children and Young People and Maternity
<b>Stuart Walker</b>	Executive Medical Director		<ul style="list-style-type: none"> <li>• Board</li> <li>• Trustee</li> <li>• Digital &amp; Health</li> </ul>	6/9 2/6 1/3	Caldicott Guardian

<b>(Appointed 17.07.19)</b>			Intelligence <ul style="list-style-type: none"> <li>• Strategy &amp; Delivery</li> <li>• Mental Health Capacity and Legislation</li> <li>• Quality, Safety and Experience</li> </ul>	1/6 1/4 4/6	
<b>Dawn Ward</b>	Independent Member	Trade Union	<ul style="list-style-type: none"> <li>• Board</li> <li>• Trustee</li> <li>• Audit and Assurance</li> <li>• Health and Safety</li> <li>• Quality, Safety and Experience</li> <li>• Strategy and Delivery</li> </ul>	8/9 1/6 6/6 3/5 5/6 1/6	

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Board / Committee	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20
<b>Board</b>		30.05.19	27.06.19	04.07.19 25.07.19	29.08.19	26.09.19		28.11.19		30.01.20		27.03.20
<b>Audit &amp; Assurance</b>	23.04.19	23.05.19 30.05.19				30.09.19			03.12.19			03.03.20
<b>Charitable Funds</b>			11.06.19			29.09.19		03.11.19	10.12.19			16.03.20
<b>Digital &amp; Health Intelligence</b>					15.08.19				03.12.19		04.02.19	
<b>Finance</b>	24.04.19	29.05.19	26.06.19	31.07.19	28.08.19	25.09.19	30.10.19	27.11.19	18.12.19	29.01.19	26.02.20	
<b>Health &amp; Safety</b>							08.10.19			21.01.20		
<b>Mental Health &amp; Capacity Legislation</b>			04.06.19				22.10.19				21.02.20	
<b>Quality, Safety &amp; Experience</b>	16.04.19		18.06.19			17.09.19	15.10.19		17.12.19		18.02.20	
<b>Remuneration &amp; Terms of Service</b>							31.10.19				20.02.20	
<b>Strategy &amp; Delivery</b>	30.04.19		25.06.20			03.09.19	29.10.19			12.01.20		09.03.20

#### 4.4 System of Internal Control

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place for the year ended 31 March 2020 and up to the date of approval of the annual report and accounts.

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risks; it can therefore only provide reasonable and not absolute assurances of effectiveness.

#### 4.5 Capacity to handle risk

The Board approved a new Risk Management and Board Assurance Framework (BAF) Strategy and supporting Risk Assessment and Risk Register Procedure in August 2019. A new Corporate Risk Register is being developed which will supplement and feed into the BAF.

Copies of the Strategy and Procedure can be found at:

<http://www.cardiffandvaleuhb.wales.nhs.uk/sitesplus/documents/1143/UHB%20470%20Risk%20Management%20and%20BAF%20Strategy%20final%20updated%2014.01.20.pdf>

<http://www.cardiffandvaleuhb.wales.nhs.uk/sitesplus/documents/1143/UHB%20024%20Risk%20Management%20Procedure%20updated%2014.01.20%20-linked.pdf>

The BAF lists the UHB's strategic objectives and sets out the:

- Principal risks that threaten the achievement of objectives;
- Controls in place to manage/mitigate the principal risks;
- Assurances on the controls in place;
- Gaps in control;
- Gaps in assurance; and
- Actions to address the gaps in control and assurance to enable delivery of objectives.

The following risks were identified in the BAF as posing the greatest risk to the delivery of the UHB's strategic objectives during 2019-20:

1. Workforce;
2. Financial Sustainability;
3. Sustainable Primary and Community Care;
4. Safety and Regulatory Compliance;
5. Sustainable Culture Change;
6. Capital Assets (including Estates, IT and Medical Equipment).

The BAF can be accessed via the following link and shows actions taken to mitigate the risks identified.



<http://www.cardiffandvaleuhb.wales.nhs.uk/sitesplus/documents/1143/BOARD%20ASSURANCE%20FRAMEWORK%20%28MARCH%202020%292.pdf>

The BAF is presented to the Board for scrutiny and approval on a bi-monthly basis and the Audit and Assurance Committee, as a sub-committee of the Board, has oversight of the processes through which the Board gains assurance in relation to management of the BAF.

Each Clinical Board and Corporate Department has responsibility for maintaining a comprehensive risk register and for highlighting the extreme risks (those scored 15 and above) for inclusion in the Corporate Risk Register. Risks scored 14 and below are managed locally within relevant Clinical Boards and Corporate Departments. Risk Assessments are undertaken based on a 5 x 5 scoring matrix i.e. the impact of the risk multiplied by the likelihood of it happening.

Training for staff in risk assessment and management is provided by the UHB Health and Safety and Corporate Governance departments. The focus of the training and support in 2020-21 will continue to be the development of the Corporate Risk Register. A draft Corporate Risk Register has been presented to the private sessions of the Board and its Committees, enabling review of the risks listed to determine whether they will impact on the UHB's Strategic Objectives. Any risks identified as impacting on our Strategic Objectives are added to the BAF. Once finalised, the Corporate Risk Register will be reported at the public meetings of the Board and its Committees.

The BAF and reports are also utilised to determine the UHB's risk appetite. In addition, our appetite for risk is reflected in the Integrated Medium Term Plan which sets out the UHB's priorities and focus for the next three years.

The Board assessed its risk appetite using the Good Governance Institute Matrix for NHS Organisations at a Board Development Workshop on 25 April 2019. The workshop results can be viewed at appendix 3 of the Risk Management and Board Assurance Framework Strategy via the below link.

<http://www.cardiffandvaleuhb.wales.nhs.uk/sitesplus/documents/1143/UHB%20470%20Risk%20Management%20and%20BAF%20Strategy%20final%20updated%2014.01.20.pdf>

The Board agreed that it had an overall risk appetite of 'cautious'. However, over time, and with a clear plan of development in place it agreed that it wished to have an appetite of 'seek'. The Board will review its risk appetite on an annual basis to ensure that it is progressing to its desired risk appetite.

The Director of Corporate Governance attends the SRG to brief public stakeholders on the activities of the Board including risk.

## COVID-19

The aforementioned UHB Strategic Group has formulated and monitored a COVID-19 BAF since March 2020 capturing the strategic risks posed by the



pandemic. The current COVID-19 BAF can be accessed via the following link and shows actions taken to mitigate the risks identified.

<http://www.cardiffandvaleuhb.wales.nhs.uk/opensoc/358571>

The following six risks have been identified as posing the greatest risk to the delivery of the UHB's Strategic Objectives during the pandemic:

1. Staff Safety and Welfare;
2. Patient Safety;
3. Decision Making, financial control and governance;
4. Workforce;
5. Risk to delivery of Cardiff and Vale IMTP; and
6. Reputational damage.

The COVID-19 BAF is supplemented by four separate Risk Registers prepared by clinicians and Clinical Directors of Operations for each of the newly established command sites at University Hospital of Wales, University Hospital Llandough, the Dragon's Heart Hospital and within our community settings.

Following the move to new ways of working to respond to the COVID-19 pandemic, the UHB has had to adjust and significantly increase its Risk Appetite in a number of areas. This has been most evident in relation to Finance and Governance where the UHB has had to make swift decisions and take prompt action to combat an ever changing set of risks posed by the pandemic and to comply with developing policies and guidelines issued by clinical governing bodies and Governmental departments. The

UHB Strategic Group has enabled us to respond to COVID-19 within a governance framework.

### Emergency Preparedness

NHS organisations must ensure that they have a Major Incident Plan that complies with the Civil Contingencies Act (2004) and associated Welsh Government Guidance. Most recently a combination of the Major Incident and Business Continuity Plans have been utilised in response to COVID-19.

The scale and impact of the pandemic has been unprecedented, and necessitated action at both a local and national level. The requirement to plan and respond to the pandemic presented a number of challenges to the UHB. The predicted impact on the organisation and population health was significant. This identified risks that dictated the activation of the Local Resilience Forum (LRF) Strategic Co-ordination Group (SCG).

A degree of uncertainty remains as to the overall impact on both immediate and longer term delivery of services by the organisation. However, a detailed proposal for Recovery detailing prioritised and appropriate action involving all appropriate partners has been produced. This will be supported by a robust risk management framework and the ability to identify, assess and mitigate risks which may impact on the ability to achieve UHB strategic objectives.



## Environmental, Social and Community Issues

The Board is aware of the potential impact that the operation of the UHB has on the environment and it is committed to wherever possible:

- Ensuring compliance with all relevant legislation and Welsh Government Directives;
- Working in a manner that protects the environment for future generations by ensuring that long term and short-term environmental issues are considered;
- Preventing pollution and reducing potential environmental impact.

At the UHB's January Board meeting the Board committed to bring forward plans for co-ordinated additional action in a number of areas to address the UHB's greenhouse gas emissions, and wider environmental impact, including:

- Reducing our energy and water use through further phases of the Refit programme;
- Continuing to enhance our sustainable procurement approach;
- Catering and food retail;
- Healthy and sustainable travel;
- Maintaining and enhancing biodiversity on our estate.

## Carbon Reduction Delivery Plans

The UHB has undertaken risk assessments and Carbon Reduction Delivery Plans are in place in accordance with emergency preparedness and civil contingency requirements as based on UKCIP 2009 weather projections to ensure that the UHB's obligation under the Climate Change Act and the Adaptation Reporting requirements are complied with.

Further information on key activities being undertaken in relation to environmental, social and community issues and carbon reduction delivery can be found in the Sustainability Report.

### 4.6 The Control Framework

#### Quality Governance Arrangements

An essential feature of our control framework is ensuring there is a robust system for measuring and reporting on the quality of our services. Our Quality Safety and Experience Committee provides timely evidence based advice to the Board to assist it in discharging its functions and meeting its responsibilities with regards to quality and safety as well as providing assurance in relation to improving the experience of all those that come into contact with our services.

The Annual Quality Statement forms part of our reporting process and provides an opportunity for us to describe in an open and honest way how we are ensuring all of our services are addressing local need and meeting the required high standard.

During 2019-20 the UHB carried out a self-assessment following the publication of the Review of Maternity Services at Cwm Taf Health Board. An assurance framework and improvement plan has been developed and outcomes will be presented to the Board in 2020-21.

### COVID-19

As outlined earlier in the report, the Quality Safety and Experience Committee has continued to meet. Reporting of patient safety incidents has continued and themes and trends around incidents relating to COVID-19 are collated and reviewed on a regular basis.

The National Clinical Audit Plan has been stood down by Welsh Government and even though data is still being inputted, there will be a six month gap in data as a result of the pandemic.

### Information Governance and Data Security

Risks relating to information are managed and controlled in accordance with the UHB's Information Governance Policy through the Digital Health and Intelligence Committee, which is chaired by an Independent Member.

The Executive Medical Director, as Caldicott Guardian, is responsible for the protection of patient information. All Information Governance issues are escalated through the Digital Health and Intelligence Committee. The Committee papers can be viewed here: [Digital & Health Intelligence Committee papers](#)

The following items were considered by the Committee in 2019-20:

- Digital Strategy;
- GDPR Audit Action Plan;
- IT Delivery Programme;
- Information Governance Compliance Reports;
- Information Governance Risk Register;
- Information Governance Policy.

The Senior Information Risk Owner (SIRO) provides an essential role in ensuring that identified information security risks are addressed and incidents properly managed.

Following the ICO audit, which took place in February 2020, the UHB has received 'reasonable assurance' on its assurance and compliance and 'reasonable assurance' on Cyber Security. An action plan, which incorporated outstanding recommendations from the ICO audit in 2016, the Internal Audit on GDPR compliance, the Audit Wales 2018 Structured Assessment and the Caldicott Principles in Practice (CPIp) will be superseded by recommendations from the ICO 2020 audit. The action plan is a standing agenda item at the Digital Health and Intelligence Committee. The 'urgent' recommendations for both the assurance and compliance and Cyber Security audits are:

- The UHB urgently needs to put in place an appropriate policy document to support the accuracy of determined lawful bases as required by Schedule 1 of the Data Protection Act 2018;

- The organisation should consider mandating the Cyber Awareness e-learning solution for staff who routinely handle digital patient information, have email accounts or who have any responsibility for digital information security in their roles or where supervising others;
- The ICO recommends that Information Governance and cyber security training is refreshed annually;
- The organisation should put in place regular Training Needs Analysis for staff with responsibilities for managing information securely;
- The organisation should ensure that any trainers put in place to deliver cybersecurity training are themselves trained to deliver that information effectively and field any questions.

The number of data protection breaches reported to the ICO remains low. Following the implementation of the GDPR, 5 breaches have been reported during 2019-20 in line with new reporting requirements. In addition to this, 14 breaches have been discussed with the ICO. The ICO considered that no formal action was warranted on any of the personal data related incidents reported or discussed for 2019-20.

The UHB continues to reinforce awareness of key principles of Data Protection legislation. This includes the overarching principle that users must only handle data in accordance with people's data protection rights.

## Health and Care Standards

In 2017-18 a revised set of Health and Care Standards were issued to NHS Wales.

While the annual corporate assessment of the Health and Care standard has been delayed due to COVID-19, the process of ongoing monitoring of compliance by the groups and Committees across the UHB has been in place throughout the year.

## Corporate Governance Code

Due to the timing of the COVID-19 response, the Board's assessment of its compliance with the Code, as it relates to an NHS public sector organisation in Wales, has been delayed and will be undertaken in the first quarter of 2020-21.

## Equality, Diversity and Human Rights

Control measures are in place to ensure that the organisation complies with the requirements of equality, diversity and human rights legislation, these include:

- Developing and producing a new Strategic Equality Plan – Caring about Inclusion 2020-2024;
- The Annual Equality Report;
- Equality reports to the Strategy and Delivery Committee on the UHB's objectives and actions;



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- Reports/Updates to the Centre for Equality and Human Rights as requested;
- Outcome Report to the Welsh Government Equalities Team regarding sensory loss;
- Provision of evidence to the Health and Care Standards self-assessment;
- Equality and Health Impact Assessments to ensure that the organisation demonstrates due regard to equality, diversity and human rights when making decisions and developing strategies or policies.

Further work is being taken forward to ensure that such legislation is properly embedded. Our focus this year has been on planning, consulting and engaging on our new Strategic Equality Plan – Caring about Inclusion. Initial discussions and engagement events with equality related organisations, experts and other key stakeholders regarding the Equality Objectives began in the summer of 2019. Participants provided us with all-embracing views and experiences of using our services, highlighting where they thought more could have been done to treat them (or the groups that their organisations represented) fairly. They also referenced barriers they have faced as a result of belonging to one or more protected group. We used the analysis from our early engagement with stakeholders, our partnership work with other public bodies, legislation, organisational plans and the evidence contained in *Is Wales Fairer?* 2018 to prepare our set of Equality Objectives. Focus was also aimed at ensuring the objectives themselves, and the long-term aims to which they will contribute, are the right ones.

The UHB has an [Equality, Diversity and Human Rights Policy](#) which sets out the organisation's commitment to promoting equality, diversity and human rights in relation to employment, service delivery, goods and service suppliers, contractors and partner agencies. It is accessible to the public as well as staff. The UHB aims to ensure that no individual or group receives less favourable treatment either directly or indirectly.

Further information on application of the equality, diversity and human rights legislation in relation to our workforce can be found at Section 6.4.

### Welsh Language

The Welsh Language Standards (No.7) Regulations 2018 were approved by the National Assembly for Wales on 26 March 2018, and a Welsh Language Group has been established to oversee progress.

The UHB recognises the importance of delivering care and support to individuals who prefer to speak Welsh and we are continually working to achieve this. Control measures are in place to ensure that the UHB complies with the requirements of the Welsh Language Standards, these include:

- Developing a new UHB project plan to implement the Welsh Language Standards across the organisation;
- The Welsh Language Standards Annual Report for the Welsh Language Commissioner;
- Welsh Language reports to the Strategy and Delivery Committee on the UHB's objectives and actions;



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- NHS Outcomes report for the Welsh Language for the Welsh Government;
- Welsh Language included in the Equality and Health Impact Assessment.

As part of our continual work, we have been raising awareness across the UHB's Clinical Boards reminding them of their obligations. We have been working to establish the infrastructure to assist these areas in complying with the standards. These include developing guidelines on following the Welsh Language Standards and promoting the new translation service available for all areas.

On a strategic level, the UHB is working towards establishing the Equality Strategy and Welsh Language Standards Group. Chaired by the Deputy Chief Executive, it will be tasked to ensure all areas of the UHB comply with the Welsh Language Standards.

While some progress was made in 2019-20 to comply, it is acknowledged that greater focus and urgency is needed. The Welsh Language Commissioner has informed the UHB that although he is currently not actively monitoring our work he is expecting us to continue to ensure we provide the best level of service in Welsh that we can. It is something that we remain committed to.

The Board will continue its commitment to the Welsh language by

providing clear leadership and direction, continuing to start Board and Committee meetings bilingually and each area committing to improve their Welsh language skills.

### NHS Pension Scheme

As an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring that deductions from salary, employer's contributions and payments in to the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations.

For those staff who are not entitled to join the NHS Pension Scheme, as part of the pensions auto enrolment requirements, the UHB operates the National Employment Savings Trust (NEST) as our designated alternative pension scheme. As with the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring that deductions from salary, employer's contributions and payments in to the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations.



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## Ministerial Directions

In 2019-20 a Ministerial Direction regarding the NHS Pension Tax Proposal was issued which can be viewed here: <https://gov.wales/ministerial-direction-regarding-nhs-pension-tax-proposal-2019-2020>

The UHB formally issued communication throughout the organisation and to the Local Negotiating Committee regarding this direction.

## Welsh Health Circulars

A range of Welsh Health Circulars (WHCs) were published by Welsh Government during 2019-20 and can be viewed at: <https://gov.wales/health-circulars#Circulars2019>

These are centrally logged within the UHB with a lead Executive Director being assigned to oversee implementation of any required action. Where appropriate, the Board or one of its Committees is also sighted on the content of the WHC.

## Regulatory and Inspection Reports

A formal system is in place to track regulatory and inspection reports against statutory requirements. These reports are made available to the appropriate Board Committee and are discussed at Management Executives and Health System Management Board which includes the entire leadership team of the organisation. Quarterly follow ups also take place with the Executive Leads.

During 2018-19, a Limited assurance report was received from Internal Audit on regulatory compliance. The UHB's process for monitoring the implementation of audit and inspection recommendations was also highlighted as an area for improvement by the Audit Wales Structured Assessment Report for 2018.

In 2019-20 we have strengthened our system for tracking recommendations and regulatory compliance. Three tracking reports have been implemented which capture: Internal Audit reviews, Audit Wales reviews and regulatory compliance. These reports are monitored at each Audit Committee and were first presented there on 30 September 2019.

The follow-up review undertaken by Internal Audit has provided Reasonable assurance. Our focus in 2020-21 is on addressing the high number of outstanding recommendations that remain.




## 4.7 Integrated Medium Term Plans (IMTP)






The Welsh Government formally approved the UHB's IMTP for 2019-22 on 26 March 2019. The Plan set out an ambitious programme of work for the UHB and can be found here:

<http://www.cardiffandvaleuhb.wales.nhs.uk/cav-imtp>




Significant progress was made against the plans through 2019-20 including:



We Said	We Did	Result
Support the sustainability of general medical services through the roll out of MSK and mental health cluster based services	Delivered 	Over 3400 slots with a first contact physiotherapist were made available between 01.04.19 and 31.08.19, and over 2800 patients booked appointments with the service, the majority of whom would previously have required appointments with a GP.
Development of response to population growth and establishment of a Primary Care Estates Strategy	Delivered 	We have undertaken a comprehensive review of our Primary Care estates and established a Primary Care Estates Strategy.
Repatriation of CAMHS and development of Emotional Wellbeing Service	Delivered 	Specialist CAMHS provision was successfully repatriated and there was no disruption to the running of clinical services as a result of the transfer. An objective of the repatriation was the development and implementation of a single point of access to improve the referral process and access into children's mental health services this went live from 01.04.19.

Improve access to Mental Health services for young people	Delivered 	We have established a Multi-Disciplinary Team with third sector support and enhanced the number of staff in the team. An evidence based specialist pathway has been introduced and demand is being met currently.
Development of team around the individual for dementia patients	Delivered 	Specialist Mental Health Practitioner posts have been developed to work in partnership with Community Resource Teams and Dementia Liaison Staff in GP practices.
Community Mental Health Team Review	Delivered 	All Vale teams are now co-located. New service model based on direct access, minimal assessments and strengths based outcomes commenced.
Open Young Onset Dementia unit	Delivered 	The unit has opened at Barry Hospital providing an age appropriate environment for patients.
Introduce Health Pathways	Delivered 	We have successfully introduced Health Pathways into our system with over 60 pathways live on the system. We introduced the first

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		Sepsis health pathway across the UK, Australia and New Zealand.
Increase the number of patients who receive dialysis in the community	Delivered 	The nocturnal dialysis programme has commenced which converting existing patients from unit based to home therapies. The Renal Roadshow was held at the end of June helping to increase awareness of home therapies.
Establish Non-Invasive Ventilation (NIV) Unit at UHW	Delivered 	An initial 4 bedded NIV unit was opened in 2019.
ENT Surgery Moved to UHL	Delivered 	The first ENT elective lists have taken place in UHL, resulting in patients who would previously have had their surgery cancelled on the day due to emergency pressures receiving timely care.

that a person's chance of leading a healthy life is the same wherever they live and whoever they are.

The monitoring of its progress is embedded in our approach to performance management and governance across the UHB. A refreshed plan for 2020-23 was provided to Welsh Government in January 2020 and notification of approvable nature of the plan was received from Welsh Government on 19 March 2020. However, as a result of the current COVID-19 challenges, Welsh Government has confirmed that the IMTP processes will be paused to allow all resources to be redirected to sustaining key services.

#### 4.8 Review of Effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the system of internal control is informed by the work of the internal auditors, and the executive officers within the organisation who have responsibility for the development and maintenance of the internal control framework, and comments made by external auditors in their audit letter and other reports.

Further sources of assurances are identified within the Board's own performance management and assurance framework and include, but are not limited to:

- Direct assurances from management on the operation of internal controls through the upward chain of accountability

The IMTP is the UHB's key planning document and sets out the milestones and actions we are taking in the next 1 to 3 years in order to progress [Shaping Our Future Wellbeing](#), our ten-year strategy. It is based on the health needs of our population, delivering quality services and ensuring equitable and timely access to services and sets out how we will deliver our mission Caring for People; Keeping People Well, and vision



- Internally assessed performance against the Health and Care Standards
- Results of internal compliance functions including Local Counter-Fraud, Post Payment Verification, and risk management
- Reported compliance via the Welsh Risk Pool regarding claims standards and other specialty specific standards reviewed during the period
- Reviews completed by external regulation and inspection bodies including the Audit Wales and Healthcare Inspectorate Wales.

The effectiveness of the system of internal control is maintained and reviewed by the Committees of the Board in respect of assurances received. This is also supported by the BAF with high risks being closely monitored by Board and the respective Committees.

Internal Sources	External Sources
<ul style="list-style-type: none"> <li>- Performance management reports</li> <li>- Service change management reports</li> <li>- Workforce information and surveys</li> <li>- Benchmarking</li> <li>- Internal and clinical audit reports</li> <li>- Board and Committee reports</li> <li>- Local Counter Fraud work</li> </ul>	<ul style="list-style-type: none"> <li>- Population Health Information</li> <li>- Audit Wales</li> <li>- Welsh Risk Pool Assessment reports</li> <li>- Healthcare Inspectorate Wales reports</li> <li>- Community Health Council visits and scrutiny reports</li> </ul>

<ul style="list-style-type: none"> <li>- Health and Care Standards assessments</li> <li>- Executive and Independent Member Safety WalkRounds</li> <li>- Results of internal investigations and Serious Incident reports</li> <li>- Concerns and compliments</li> <li>- Whistleblowing and Safety Valve</li> <li>- Infection prevention and control reports</li> <li>- Information governance toolkit self-assessment</li> <li>- Patient experience surveys and reports</li> <li>- Compliance with legislation (e.g. Mental Health Act/Health and Safety, Data Protection)</li> </ul>	<ul style="list-style-type: none"> <li>- Feedback from healthcare and third sector partners</li> <li>- Royal College and Deanery visits</li> <li>- Regulatory, licensing and inspection bodies</li> <li>- External benchmarking and statistics</li> <li>- Accreditation Schemes</li> <li>- National audits</li> <li>- Peer reviews</li> <li>- Feedback from service users</li> <li>- Local networks (e.g. cancer networks)</li> <li>- Welsh Government reports and feedback</li> </ul>
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### Governance, Leadership and Accountability

Due to pressures around COVID-19 the annual electronic self-assessment to review Board / Committee effectiveness, including the quality of data received by the Board and whether we meet the Health and Care Standard for Governance, Leadership and Accountability is not yet concluded. The self-assessment has however been circulated to Board



and Committee members, and results captured will feed into the continuing Board effectiveness work and action plan for 2020-21.

A Board/Committee review was commissioned in 2019-20 where views of members were sought and feedback was that a more forward looking and strategic approach is needed. A workshop was planned to follow this through but due to COVID-19 this was put on hold; this work will also recommence in 2020-21.

#### 4.9 Internal Audit

Internal Audit provide me, as Accountable Officer, and the Board through the Audit Committee with a flow of assurance on the system of internal control. I have commissioned a programme of audit work which has been delivered in accordance with public sector internal audit standards by the NHS Wales Shared Services Partnership. The scope of this work is agreed with the Audit Committee and is focussed on significant risk areas and local improvement priorities.

The overall opinion by the Head of Internal Audit on governance, risk management and control is a function of this risk based audit programme and contributes to the picture of assurance available to the Board in reviewing effectiveness and supporting our drive for continuous improvement.

The programme has been impacted by the need to respond to the COVID-19 pandemic with some audits deferred, cancelled or curtailed as the organisation responded to the pandemic. The Head of Internal Audit is satisfied that there has been sufficient internal audit coverage during the

reporting period in order to provide the Head of Internal Audit Annual Opinion. In forming the Opinion the Head of Internal Audit has considered the impact of the audits that have not been fully completed.

#### The Head of Internal Audit Opinion

As a result of the COVID-19 pandemic and the response to it from the UHB Internal Audit has not been able to complete its audit programme in full. However, sufficient audit work has been undertaken during the year to be able to give an overall opinion in line with the requirements of the Public Sector Internal Audit Standards.

46 Internal Audit outputs had been anticipated at year end however due to the impact of COVID-19 the final position is: 37 Final reports, 2 Draft reports and 7 which were either removed or deferred into the 2020-21 Internal Audit plan. Where changes were made to the audit plan then the reasons were presented to the Audit Committee for consideration and approval. The significance of these deferred audits has been taken into account when assessing the ratings for the assurance domains and the overall assurance opinion.

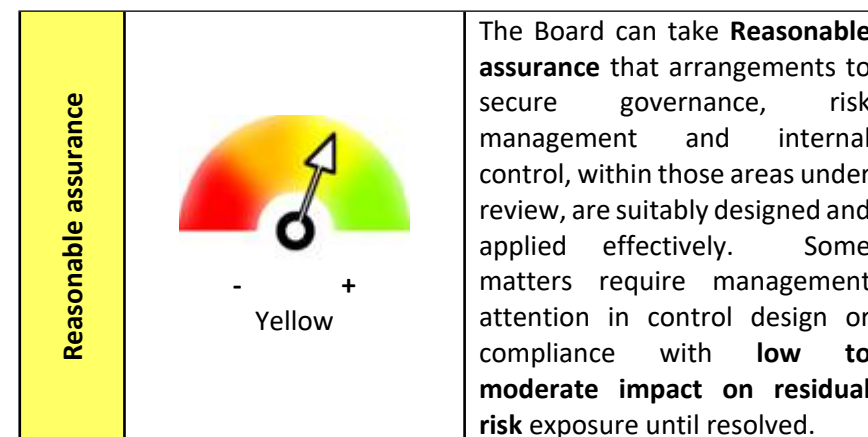
For those audits that are either at the Draft report stage or are work in progress, an appropriate approach will be agreed with the UHB to complete and finalise those audits for formal submission to the Audit Committee at a later date.

The following audits could not be completed due to the COVID-19 outbreak. This was reported to the Audit Committee at its meeting on 21 April 2020.

Review Title
Health and Care Standards
Strategic Performance Reporting
Data Quality Performance Reporting
IM&T Backlog
Medicine CB – QS&E Governance
Medicine CB – Internal Medicine Follow-up
Facilities / Estates Service Board Governance

The scope of this opinion is confined to those areas examined in the risk based audit plan which has been agreed with senior management and approved by the Audit Committee. The Head of Internal Audit assessment should be interpreted in this context when reviewing the effectiveness of the system of internal control and be seen as an internal driver for continuous improvement.

The Head of Internal Audit opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management, and control is set out below.



In reaching the overall Reasonable assurance opinion the Head of Internal Audit has identified that the majority of reviews during the year concluded positively with sound control arrangements operating in many areas. In addition, seven of the eight individual domains would be classified with a positive assurance opinion; one being Substantial assurance and six being Reasonable assurance. One of the individual domains was classified with a Limited assurance opinion.

During the year ten Substantial Assurance and twenty five Reasonable assurance opinions were given for individual assignments. However it is important to highlight that two Limited assurance reports have been issued during the year and these were split across two of the eight assurance domains.

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### Limited assurance

In the following review areas the Board can take only **Limited assurance** that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. More significant matters require management attention with moderate impact on residual risk exposure until resolved.

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Review Title	Objectives	Issues leading to conclusion	Actions
<b>Consultant Job Planning Follow-up</b>	To provide the UHB with assurance that agreed actions from the previous Limited assurance review of Consultant Job Planning have been implemented appropriately.	The majority of the agreed management actions had not been progressed and the rating therefore remained as Limited assurance.	Internal Audit Report taken to the Health Systems Management Board.  Centralized monitoring system and standardized job plans being developed.  Business Case being prepared to achieve a digital solution.

Review Title	Objectives	Issues leading to conclusion	Actions
<b>Tentacle IT System</b>	To provide assurance that data held within the Tentacle system is accurate, secure from unauthorised access and loss and that the system is used fully.	A significant number of key weaknesses were identified around the current governance processes for the system, including a lack of system documentation and records of testing and acceptance of changes. There are also issues around the age of the system and its on-going compatibility and usability.	Interim steps taken to reduce access by authenticating system users.  Tentacle system being put onto main PMS system by end of May.

There are no audited areas in which the Board has No assurance.



#### 4.10 Audit Wales

The Auditor General for Wales is the UHB's statutory external auditor and the Wales Audit Office undertakes audits on his behalf. Since 1 April 2020 the Auditor General for Wales and the Wales Audit Office are known collectively as Audit Wales.

Audit Wales scrutinises the UHB's financial systems and processes, performance management, key risk areas and the Internal Audit function.

The Annual Audit Report for 2019 can be viewed here:

<https://www.audit.wales/node/5841>

The following performance reviews were included in the Audit Wales 2019 Audit Plan. The resultant reports were presented to the Audit Committee and the review recommendations recorded in a tracking report which is provided to each Audit and Assurance Committee to provide assurance on their implementation. The Audit and Assurance Committee also reviews the outcomes of national reviews at each meeting.

The 2020 Annual Audit Plan has been set and was presented to the Audit and Assurance Committee on 3 March 2020 however COVID-19 will impact on Audit Wales audit work and as a result, this audit plan will be amended accordingly and changes fed into the Audit and Assurance Committee.

Title of Review	Date Issued	Date Considered by Committee
Clinical Coding Follow up From 2014 not yet completed	June 2019	30 September 2019
Audit of Financial Statements Report Addendum - Recommendations	July 2019	30 September 2019
Implementing the Wellbeing of Future Generations Act	November 2019	3 December 2019

The Audit Wales 2019 Structured Assessment of the UHB's corporate arrangements for ensuring that resources are used efficiently, effectively and economically can be viewed here:

[https://www.wao.gov.uk/system/files/publications/pdf\\_52.pdf](https://www.wao.gov.uk/system/files/publications/pdf_52.pdf) and concluded that:

**"The Health Board is strengthening processes that support board business, risk management and arrangements for tracking recommendations. It now has an approved IMTP, forecasts a break even position and is making progress in tackling workforce issues. But there are opportunities for improvement, these include; Board level performance reporting and scrutiny of IMTP delivery, flows of information between the senior management teams and the Board and addressing a large volume of outstanding audit recommendations".**

The UHB's progress with implementing the Structured Assessment recommendations (captured in the below table) has been monitored through the Audit Committee during 2019-20. The remaining performance management timescales have not been met due to COVID-19 and this will be rectified with new dates for completion set as the pandemic response lessens.

Recommendation	Response	Completion
<b>Committee meeting frequency and timing</b> a) Review the frequency of Audit Committee meetings to close the gap between the May and September meeting. b) Review Independent Member's capacity and timings of Committee meetings where there is infrequent Independent Member attendance.	a) An additional meeting will be added in for July. b) Already under review with the change in Chair and Vice Chair. Current proposals include increasing the membership of each Committee to ensure the meetings are quorate.	Complete
<b>Performance Management Framework</b> Extend the performance framework review to include: a) Monitoring IMTP delivery on a quarterly basis and reporting the wholesale position to the	a) Review Flash report used for Performance Reviews will be sent to the Committee on a quarterly basis.	Complete Provided to the Committee from January 2020

Strategy and Delivery Committee and Board. b) Ensuring the Strategy and Delivery Committee receives, the same or more, detailed performance information than that received by the Board.	b) Performance information under review alongside other performance information to the Committees to ensure a consistent approach and that assurance can then be appropriately provided to the Board from each Committee.	January 2020
c) Review the format and legibility of the performance dashboard currently reported to Board.	c) Committees of the Board will all be considering their respective KPIs and they will then provide assurance to the Board. The dashboard will be presented in a format which is legible and clearly identifies the areas for concern and what is happening with them.	March 2020



#### 4.11 Conclusion

As Accountable Officer, based on the assurance process outlined above, I have reviewed the relevant evidence and assurances in respect of internal control. I can confirm that the Board and its Executive Directors are alert to their accountabilities in respect of internal control. During 2019-20, we have again proactively identified areas requiring improvement and requested Internal Audit to undertake detailed assessments in order to manage and mitigate associated risks. A number of reports issued by Internal Audit concur with our view and have consequently provided the UHB with clear recommendations to ensure that focussed and urgent management actions are in place to address identified shortcomings. These actions are then monitored through the Board and its Committees to ensure appropriate assurances can be provided.

I am pleased to note sufficient progress made in relation to our Standards of Behaviour to warrant an Internal Audit finding of Substantial assurance on follow-up review. In addition, assurance is provided by the audits of Budgetary Control and the Core Financial systems which were both given Substantial assurance.

There have been significant improvements to risk management, with the BAF now an integral part of the UHB's risk management process.

The UHB has an approved IMTP covering the years 2019-20 to 2021-22 however we have not achieved our financial duty of break even for the three years to 31 March 2020. We have operated within our capital

resource for the three years to 31 March 2020 (subject to current audit), but have not done so for the same three year period in respect of our revenue resource limit. More detail is provided in the Financial Statements, Note 2. If the UHB successfully delivers its current approved IMTP, it would achieve the Statutory Financial Duty to break even for the three years to 31 March 2022.

In 2019-20, the UHB received a Health and Safety Executive fine following the fall of a contractor on our premises. A great deal of work has been done within the UHB to improve our systems and processes around contractors and the Health and Safety Committee and the Board received reports to provide assurance around these lessons learned.

As indicated throughout this statement, the need to plan and respond to the COVID-19 pandemic has had a significant impact on the organisation, wider NHS and society as a whole. It has required a dynamic response which has presented a number of opportunities in addition to the risks.

The need to respond and recover from the pandemic will be with the organisation and wider society throughout 2020-21 and beyond. I will ensure our Governance Framework considers and responds to this need together with any recommendations received from the Welsh Government commissioned review of our governance processes around the construction of Dragon's Heart Hospital.

As a result of the COVID-19 governance structure put in place, the continuation of the Board and key Committees and continued presence of Executive Directors and Independent Members, I am confident that



our systems of internal control have not been materially affected and am assured that there have been no significant internal control or governance issues during the time of pandemic.

In summary, my review confirms that the Board has sound systems of internal control in place to support the delivery of policy aims and objectives and that there are no significant internal control or governance issues to report for 2019-20.

**Signed by:**

**Len Richards**  
**Chief Executive**  
**Date:** 29<sup>th</sup> June 2020

## Part 5

# Remuneration Report

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GIG  
CYMRU  
NHS  
WALES

Bwrdd Iechyd Prifysgol  
Caerdydd a'r Fro  
Cardiff and Vale  
University Health Board

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### 5.1 Salary and Pension Entitlements of Senior Managers 2019-20

The pay and Terms and Conditions of Employment for the Executive team and senior managers have been, and will be determined by, the UHB's Remuneration and Terms of Service Committee, within the framework set by Welsh Government. The Remuneration and Terms of Service Committee also considers and approves applications relating to the Voluntary Release Scheme. The Remuneration and Terms of Service Committee members are all Independent Members of the Board and the Committee is chaired by the UHB's chairperson.

The Remuneration Report is required to contain information about senior managers' remuneration. The senior management team consists of the Chief Executive, Officer Members, Independent Members and other Members of the UHB Board. Full details of senior managers' remunerations for 2019-20, including the 2% pay award effective from 1 April 2019, are provided in the audited tables that follow:

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Caerdydd a'r Fro  
Cardiff and Vale  
University Health Board

#### Salaries of Senior Managers

Name and title	31-Mar-2020					
	Salary (bands of £5,000)	Other Remuneration (bands of £5,000)	Bonus Payments (bands of £5,000)	Benefits in kind (Rounded to the nearest £00)	Pension Benefits (Rounded to the nearest £000)	Total (bands of £5,000)
	£000	£000	£000	£00	£000	£000
<b>Cardiff and Vale University Local Health Board</b>						
<u>Officer Members</u>						
Leonard Richards, Chief Executive	215-220	0	0	0	0	215-220
Ruth Walker, Executive Nurse Director (1)	130-135	0	0	0	0	130-135
Steve Curry, Chief Operating Officer	140-145	0	0	0	30	170-175
Abigail Harris, Executive Director of Planning	130-135	0	0	0	29	160-165
Robert Chadwick, Executive Director of Finance	170-175	0	0	0	0	170-175
Martin Driscoll, Executive Director of Workforce & Organisational Development (2)	140-145	0	0	0	33	175-180
Dr Fiona Jenkins, Executive Director of Therapies & Health Science	105-110	0	0	0	12	120-125
Dr Graham Shortland, Executive Medical Director (3)	5-10	0	0-5	0	0	10-15
Dr Peter Durning, Interim Executive Medical Director (3)	40-45	0	5-10	0	0	50-55
Dr Stuart Walker, Executive Medical Director (3)	155-160	0	0-5	1	0	155-160
Fiona Kinghorn, Executive Director of Public Health	120-125	0	0	0	65	185-190
<u>Other Directors</u>						
Nicola Foreman, Director of Corporate Governance	105-110	5-10	0	0	47	155-160
Jonathon Gray, Director of Transformation & Informatics (4) (see footnote)	50-55	0	0	0	0	50-55
Dr Sharon Hopkins, Director of Transformation & Informatics (5)	25-30	0	0	0	0	25-30
<u>Independent Members (IM)</u>						
Maria Battle, Chair (6)	25-30	0	0	0	0	25-30
Charles Janczewski, Interim Chair (6)	45-50	0	0	13	0	45-50
Charles Janczewski, Vice Chair (6)	15-20	0	0	0	0	15-20
Michael Imperato, IM - Interim Vice Chair (7)	25-30	0	0	0	0	25-30
Michael Imperato, IM - Legal (7)	5-10	0	0	0	0	5-10
John Union - Finance	15-20	0	0	3	0	15-20
Eileen Brandreth, IM - Information Communication & Technology	15-20	0	0	0	0	15-20
Professor Gary Baxter, IM - University	0	0	0	0	0	0
Sara Moseley, IM - Third (Voluntary) Sector	15-20	0	0	0	0	15-20
Councillor Susan Elsmore, IM - Local Authority	15-20	0	0	0	0	15-20
Akmal Hanuk, IM - Local Community	15-20	0	0	0	0	15-20
John Antoniazzi, IM - Estates (8)	5-10	0	0	0	0	5-10
Rhian Thomas, IM - Capital & Estates (8)	0-5	0	0	0	0	0-5
Dawn Ward, IM - Trade Union	0	40-45	0	0	0	40-45
<u>Associate Members</u>						
Richard Thomas, Chair, Stakeholder Reference Group	0	0	0	0	0	0
Susan Bailey, Chair, Health Professionals' Forum	0	85-90	0	0	0	85-90
Lance Carver, Associate Member - Local Authority	0	0	0	0	0	0

The pension benefit is not an amount which has been paid to an individual by the UHB during the year, it is a calculation which uses information from the pension benefit table. These figures can be influenced by many factors e.g. changes in a person's salary, whether or not they choose to make additional contributions to the pension scheme from their pay and other valuation factors affecting the pension scheme as a whole.

No Pension benefit figures have been shown for Jonathon Gray as his membership in the NHS Pension scheme was frozen in 2010 and only reactivated upon joining the UHB in December 2019. The calculation of pension benefit requires an individual to have been a scheme member in the previous financial year and therefore it will not be possible to calculate pension benefit figures until 2020-21.



#### Salaries of Senior Managers

Name and title	31-Mar-2019					
	Salary (bands of £5,000) £000	Other Remuneration (bands of £5,000) £000	Bonus Payments (bands of £5,000) £000	Benefits in kind (Rounded to the nearest £00) £00	Pension Benefits (Rounded to the nearest £000) £000	Total (bands of £5,000) £000
<b>Cardiff and Vale University Local Health Board</b>						
<b>Officer Members</b>						
Leonard Richards, Chief Executive (see footnote)	205-210	0	0	0	14	220-225
Dr Sharon Hopkins, Executive Director of Public Health	65-70	0	0	0	0	65-70
Ruth Walker, Executive Nurse Director	135-140	0	0	0	0	135-140
Steve Curry, Chief Operating Officer	135-140	0	0	0	69	205-210
Abigail Harris, Executive Director of Planning	125-130	0	0	0	24	150-155
Robert Chadwick, Executive Director of Finance	155-160	0	0	0	0	155-160
Martin Driscoll, Executive Director of Workforce & Organisational Development	130-135	0	0	0	30	160-165
Dr Fiona Jenkins, Executive Director of Therapies & Health Science	105-110	0	0	0	5	110-115
Dr Graham Shortland, Executive Medical Director	165-170	0	45-50	0	0	215-220
Fiona Kinghorn, Interim Executive Director of Public Health	55-60	0	0	0	4	60-65
<b>Other Directors</b>						
Peter Welsh, Director of Corporate Governance	50-55	0	0	0	0	50-55
Nicola Foreman, Director of Corporate Governance	70-75	0	0	0	47	115-120
Dr Sharon Hopkins, Director of Transformation & Informatics	55-60	0	0	0	0	55-60
<b>Independent Members (IM)</b>						
Maria Battle, Chair	65-70	0	0	0	0	65-70
Charles Janczewski, Vice Chair	55-60	0	0	19	0	55-60
John Union - Finance	15-20	0	0	4	0	15-20
Eileen Brandreth, IM - Information Communication & Technology	15-20	0	0	0	0	15-20
Professor Gary Baxter, IM - University	0	0	0	0	0	0-5
Sara Moseley, IM - Third (Voluntary) Sector	15-20	0	0	0	0	15-20
Councillor Susan Elsmore, IM - Local Authority	15-20	0	0	0	0	15-20
Michael Imperato, IM - Legal	15-20	0	0	0	0	15-20
Akmal Hanuk, IM - Local Community	15-20	0	0	0	0	15-20
John Antoniazzi, IM - Estates	15-20	0	0	0	0	15-20
Dawn Ward, IM - Trade Union	0	40-45	0	0	0	40-45
<b>Associate Members</b>						
Paula Martyn, Chair, Stakeholder Reference Group	0	0	0	0	0	0
Richard Thomas, Chair, Stakeholder Reference Group	0	0	0	0	0	0
Susan Bailey, Chair, Health Professionals' Forum	0	80-85	0	0	0	80-85
Lance Carver, Associate Member - Local Authority	0	0	0	0	0	0

The pension benefit is not an amount which has been paid to an individual by the UHB during the year, it is a calculation which uses information from the pension benefit table. These figures can be influenced by many factors e.g. changes in a person's salary, whether or not they choose to make additional contributions to the pension scheme from their pay and other valuation factors affecting the pension scheme as a whole.

We wish to bring to your attention that the column for Bonus payments contains amounts paid to Dr Graham Shortland, Dr Peter Durning and Dr Stuart Walker under the national Clinical Excellence and Distinction award scheme.

Clinical Excellence and Distinction awards are awarded at a National level by the Advisory Committee on Clinical Excellence awards (ACCEA) which is an independent, advisory Non-Departmental Public Body (NDPB) and succeeded the Advisory Committee on Distinction awards (ACDA). The awards are given to recognise and reward the exceptional contribution of NHS consultants, over and above that normally expected in a job, to the values and goals of the NHS and to patient care.

Neither Dawn Ward nor Susan Bailey are remunerated as Members of the Board, however they are employees of the UHB and their salary costs are shown in the Other Remuneration column.

The Director of Corporate Governance has been paid £6,035 Relocation expenses and this amount has been included in the Other Remuneration column for the 2019-20 Remuneration table.

## 5.2 Changes to Board Membership in 2019-20

- (1) **Ruth Walker** retired on 26 May 2019 and returned to employment initially for 16 hours per week from 10 June 2019, increasing to full time hours from 28 June 2019 under the provisions of the 1995 NHS Pension Scheme. During the two week break in employment Jason Roberts, the Deputy Nurse Director, was temporary Nurse Director. He did not receive any additional remuneration for the two week period to 9 June.
- (2) **Martin Driscoll** was appointed Deputy Chief Executive from 1 November 2019.
- (3) **Graham Shortland** retired as Executive Medical Director on 18 April 2019. **Peter Durning** was interim Executive Medical Director from 19 April 2019 to 16 July 2019. **Stuart Walker** started on 17 July 2019.
- (4) **Jonathon Gray** started on 2 December 2019.
- (5) **Sharon Hopkins** ended on 23 June 2019.
- (6) **Charles Janczewski** started as Interim Chair on 6 August 2019 as Maria Battle was on leave from this date, her official end date was 18 August 2019.
- (7) **Michael Imperato** started as Interim Vice Chair on 9 October 2019.
- (8) **John Antoniazzi** ended 31 October 2019. **Rhian Thomas** started on 1 February 2020.

## 5.3 Remuneration Relationship

The details of the Remuneration Relationship are reported at section 9.6 of the Financial Statements.

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## 5.4 Pension Benefits

Name and title	Real increase in pension at pension age (bands of £2,500)	Real increase in pension lump sum at pension age (bands of £2,500)	Total accrued pension at pension age at 31/03/20 (bands of £5,000)	Lump sum at pension age related to accrued pension at 31/03/2020 (bands of £5,000)	Cash Equivalent Transfer Value at 31 March 2020	Cash Equivalent Transfer Value at 31 March 2019	Real increase (decrease) in Cash Equivalent Transfer Value	Employer's contribution to stakeholder pension
	£000	£000	£000	£000	£000	£000	£000	To nearest £100
Leonard Richards, Chief Executive (Note 1)						1,021		
Ruth Walker - Executive Nurse Director (Note 4)	(2.5) - 0	(2.5) - 0	55-60	170-175		1,225		
Steve Curry - Chief Operating Officer	2.5-5	0-2.5	60-65	150-155	1,270	1,176	41	
Abigail Harris - Executive Director of Planning	0-2.5	(2.5) - 0	40-45	90-95	767	704	27	
Martin Driscoll - Executive Director of Workforce & Organisational Development & Deputy Chief Executive	2.5-5	0	5-10	0	83	47	15	
Dr Fiona Jenkins, Executive Director of Therapies & Health Science (Note 3)	0-2.5	2.5-5	50-55	160-165		1,259		
Fiona Kinghorn - Executive Director of Public Health	2.5-5	2.5-5	40-45	95-100	861	756	69	
Nicola Foreman - Director of Governance	2.5-5	0	20-25	0	243	197	12	

Note 1 - The Chief Executive chose not to be covered by the NHS pension arrangements from 1 September 2018 and therefore there are no figures to be reported for 2019-20.

Note 2 - Sharon Hopkins, Graham Shortland, Robert Chadwick, Peter Durning and Stuart Walker chose not to be covered by the NHS Pension arrangements for 2019-2020 and 2018-2019 and hence are not included in the table above.

Note 3 - Fiona Jenkins is over the Normal Retirement Age for the NHS Pension scheme and therefore no CETV is reported in 2019-20.

Note 4 - Ruth Walker retired and returned during 2019-20 and therefore no CETV is reported.

Note 5 - No Pension benefit figures have been shown for Jonathon Gray as his membership in the NHS Pension scheme was frozen in 2010 and only reactivated upon joining the UHB in December 2019. The calculation of pension benefit requires an individual to have been a scheme member in the previous financial year and therefore it will not be possible to calculate pension benefit figures until 2020-21.

As Non-Officer members do not receive pensionable remuneration, there will be no entries in respect of pensions for Non-Officer members.

#### 5.4.1 Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The audited pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The audited CETV figures and the other pension details include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS pension scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

#### 5.4.2 Real Increase in Cash Equivalent Transfer Values

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another scheme or arrangement) and uses common market valuation factors for the start and end of the period.

**Signed by:**

**Len Richards**  
**Chief Executive**  
**Date:** 29<sup>th</sup> June 2020

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## Part 6

### Staff Report

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### 6.1 Staff Numbers

The UHB workforce profile identifies that approximately 76% of the workforce is female. This is not representative of the local community where a little more than half the population is female. The audited numbers of female and male directors, managers and employees as at 31 March 2020 were as follows:

	Female	Male	Total
Director	13	11	24
Manager	122	74	196
Employee	11783	3611	15394
<b>Total</b>	<b>11918</b>	<b>3696</b>	<b>15614</b>

### 6.2 Staff Composition

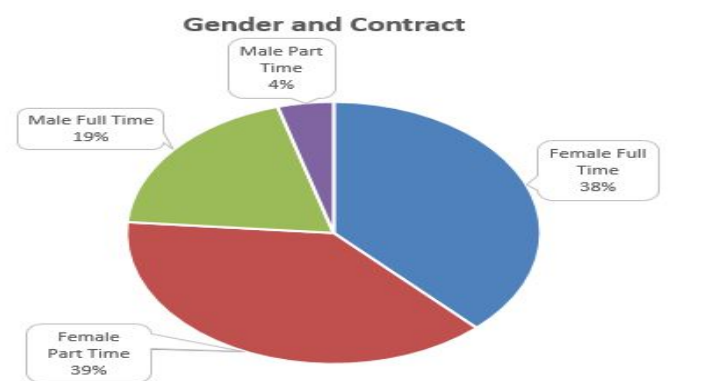
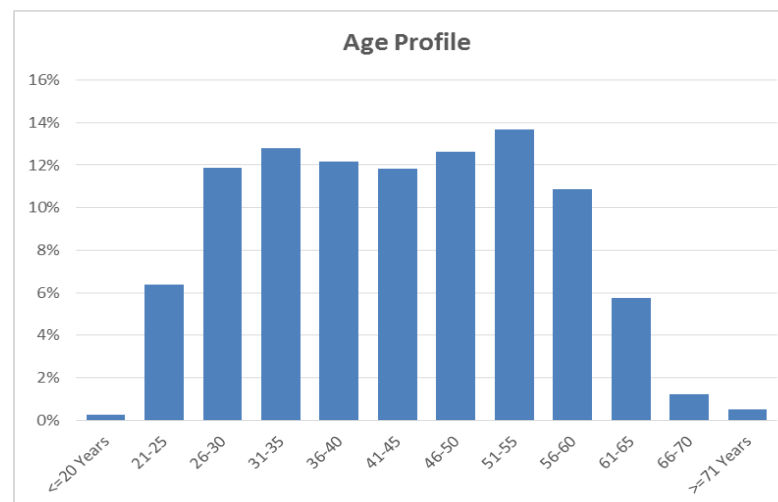
The charts below indicate the following challenges when determining optimal ways to deploy the current and future workforce and how to consider future supply against service priorities:

- The UHB has an aging workforce with the largest age categories being aged 51-55 years (over 2,100 staff). The impact of employees retiring from service critical areas is key in Clinical Boards undertaking local workforce planning;
- The largest grade categories are staff in Agenda for Change Bands 2, 5 and 6. Continually reviewing skill mix and new ways

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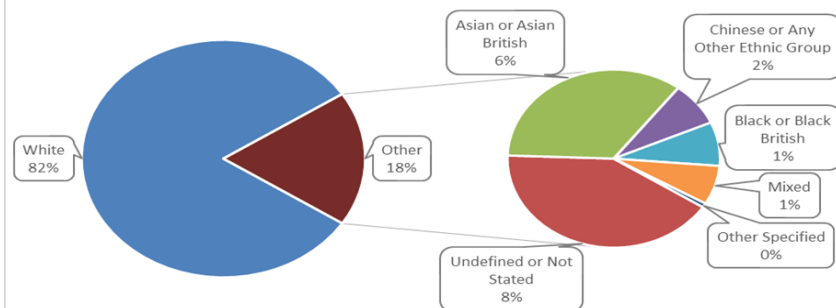
of working is important in ensuring adequate future supply of skills in the right place and grade;

- The majority of the workforce is female (76%) with an even split in this group of full-time (38%) and part-time working (39%). Use of our employment policies, such as the Flexible Working Policy, is crucial to retaining talent and keeping staff engaged;
- The majority of the workforce is white (82%) with 10% in Black and Minority Ethnic categories and 8% not stated. The Strategic Equality Plan has a number of actions to continue review of our workforce in this regard to ensure it strives to reflect the local population where relevant e.g. in recruiting practices;
- The nursing and midwifery registered staff and unqualified nursing staff make up 42% of the total workforce. Given there is a recognised national shortage of registered nurses, the UHB has made nurse sustainability a high priority on its workforce agenda.

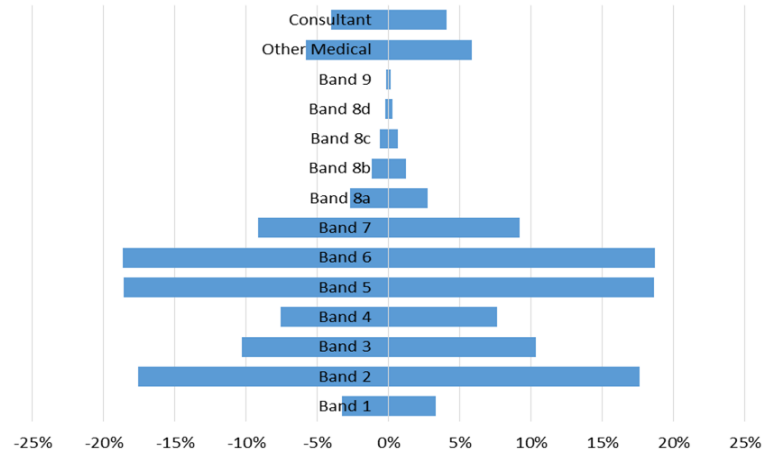


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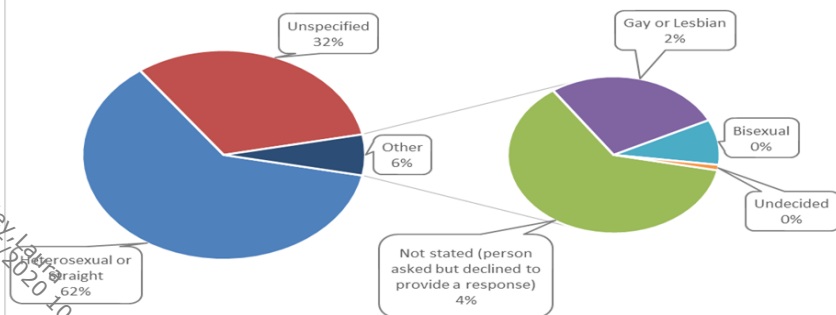
**Ethnic Group**



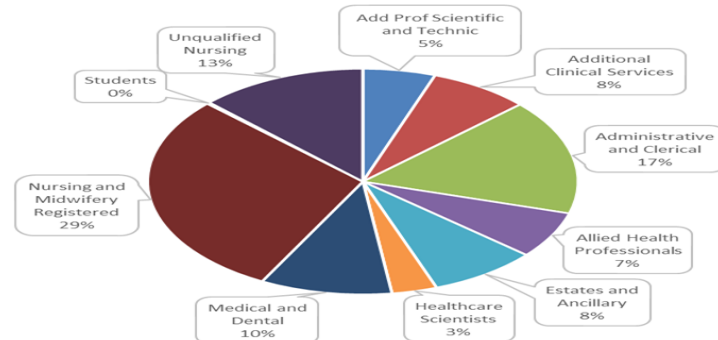
**Christmas Tree by Payband**



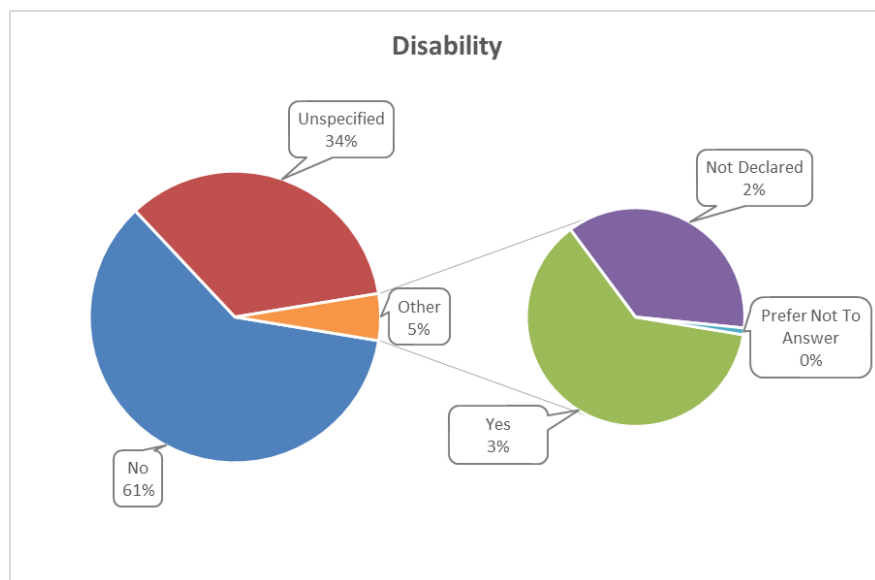
**Sexual Orientation**



**Staff Group**



Workforce profile information collected for the UHB in March 2020 shows that 3% of staff consider themselves to have a disability, but this information is not known for a significant number of staff (34%).



### 6.3 Sickness Absence Data

Staff well-being remains a priority for the UHB and is key to staff feeling engaged.

A multi-disciplinary group leads a strategic action plan for **improving staff health and wellbeing**. Dietetics, physiotherapy, health and safety, transport and travel, occupational health, employee well-being and the Public Health team have developed a collaborative plan, which has realised improvements across a range of areas. The UHB has achieved both the Gold and Platinum Corporate Health Standards and has been recognised as an exemplar organisation. In 2019-20 we have continued to use the learning from these standards to stretch our health and wellbeing activity even further, and have begun to prepare for re-assessment against the standards in autumn 2020.

**Sickness absence** remains a priority for the UHB. The cumulative sickness rate for the 12-month period up to and including March 2020 is 5.41% which is 0.81% above the 2019-20 year-end target of 4.60%.

71% of this sickness was attributed to long-term absence and 29% to short-term absence. The UHB top reasons recorded for absence during 2019-20 were Anxiety/stress/depression/other psychiatric illnesses and Musculoskeletal.

The following table provides information on the number of days lost due to sickness during 2018-19 and 2019-20.

	2019-20	2018-19
	Number	Number
Days lost (long term)	182,907.36	174,637.03
Days lost (short term)	75,301.51	65,185.37
<b>Total days lost</b>	<b>258,208.87</b>	<b>239,822.41</b>
<b>Total staff years</b>	<b>13,074.26</b>	<b>12,850.87</b>
Average working days lost	12.33	11.65
Total staff employed in period (headcount)	14,658	14,474
Total staff employed in period with no absence (headcount)	6,144	6,213
<b>Percentage staff with no sick leave</b>	<b>39.81%</b>	<b>41.31%</b>

The UHB is passionate about caring for the wellbeing of its staff members. We are signatories of both the Time to Change Wales (TTCW) Campaign and Mindful Employer Charter, and run a number of initiatives such as the CAV a Coffee Campaign and Menopause Café which encourages staff to take time out and talk about their wellbeing. In 2019 we celebrated Men's International Day by promoting the Time for Change Campaign 'Talking is a Lifeline' which encourages men to talk about their mental health without fear of being judged. We have now trained over 40 TTCW wellbeing champions with further training planned.



In 2019 the UHB's Health Charity provided a two year financial investment in the Employee Wellbeing Service which will double the number of counsellors and introduce a new assistant psychological therapy practitioner role thereby increasing access to low intensity support and reducing waiting times for staff.

In January 2020 the UHB also introduced the 'one small change' campaign, encouraging people to pledge to make one change to improve our health and wellbeing and to share their story via social media.

#### 6.4 Staff Policies

In the 2018 staff survey, concerns were raised about some of our Employment (HR) Policies – we were told that at times they were woolly, confusing and did not help managers to manage effectively. We took this feedback on board and have made some changes.

We have reduced the number of our local UHB employment Policies to six:

- Recruitment and Selection
- Adaptable Workforce
- Employee Health and Wellbeing
- Learning Education and Development
- Equality, Diversity and Human Rights Policy
- Maternity, Adoption, Paternity and Shared Parental Leave

These set out our organisational commitments and what we are aiming to achieve. Each of them is supported by a number of procedures which describe the processes to follow, roles and responsibilities, and any entitlements or obligations. This means there is less duplication, more transparency and information which is easier to understand. The All Wales Policies remain unchanged and continue to apply to us and all other Health Boards in Wales.

All employment and other related Human Resources (HR), Workforce and Organisational Development (WOD) policies, procedures and guidelines are required to have at least two authors, i.e. a management and staff representative and they are subject to robust consultation processes. This includes publication on the UHB intranet for a period of at least 28 days and consideration at the Employment Policies Sub Group of the Local Partnership Forum.

The UHB is committed to ensuring that the recruitment and selection of staff is conducted in a systematic, comprehensive and fair manner, promoting equality of opportunity at all times, eliminating discrimination and promoting good relations between all. The [Recruitment and Selection Policy](#) was reviewed in 2019 and sets out

how we will attract, appoint and retain qualified, motivated staff with the right skills and experience to ensure the delivery of a quality service and support its values. This is supported by a number of procedures including the Recruitment and Selection Procedure, Fixed Term Contract Procedure and Professional Registration Procedure. The UHB is committed to equal opportunities in recruitment, and demonstrates this by displaying the Disability Confident symbol (which replaces the 'two ticks' scheme) in all adverts, as well as Supporting Age Positive, Mindful Employer and Stonewall Cymru symbols.



The UHB is committed to supporting its employees and keeping them well. In 2019 we adopted a new Employee Health and Wellbeing Policy which sets out our commitment to encourage and empower our employees to take personal responsibility for their lifestyle choices, health and wellbeing, and to guide managers on their roles and responsibilities.

The [NHS Wales Managing Attendance at Work Policy](#) assists managers in supporting staff when they are ill, managing their absence and facilitating their timely return to work. It is also designed to help managers know their staff and focus on their health and wellbeing to keep them well and in work.

The Managing Attendance at Work Policy includes a number of toolkits. One of these deals with reasonable/tailored adjustments and reminds



managers of our legal duty to make reasonable adjustments to ensure workers with disabilities, or physical or mental health impairments, are not disadvantaged when doing their jobs or during the recruitment process. The Policy states that not all illnesses are disabilities, however, if an employee is asking for support with a health and wellbeing condition, it is best to provide the support accordingly, assuming it is proportionate to do so. There are many benefits to this including supporting the employee back into work and helping them remain in work.

Our [Redeployment Policy](#) includes the following principles:

- We are committed to not discriminating on the grounds of the protected characteristics described in the Equality Act 2010;
- We recognise that we have a positive duty to make reasonable adjustments to ensure that employees with a disability remain in work whenever this is feasible;
- We want to provide security of employment and assist employees who are at risk of losing their job because of a change in circumstances;
- We recognise the skills and experience of our staff and want to retain them whenever possible.

By making reasonable adjustments for staff with disabilities we have been able to retain a number of valued employees in their substantive role. Typical changes include reviewing caseloads, changes to equipment used, purchase of specialist equipment and modifying workplaces. We have

worked with organisations such as Dyslexia Cymru and Access to Work to support our disabled employees.

In 2017 the UHB employed two people with learning disabilities at its restaurant, Y Gegin at the University Hospital of Wales in Cardiff. These staff members started off as interns under the 'Project Enable' Scheme (Quest) and were subsequently employed as catering assistants. Both individuals are still employed by us and have now moved into Band 2 positions. Our partnership work continues with Elite, a Working Group organisation to help young people with Learning Disabilities into employment.

## 6.5 Other Employee Matters

2019-20 is the fourth and final year of the Strategic Equality Plan (SEP) 'Fair Care' 2016-20. Our focus this year has been on planning, consulting and engaging on our new Strategic Equality Plan – Caring about Inclusion 2020-24. Initial discussions and engagement events with equality related organisations, experts and other key stakeholders regarding the Equality Objectives began in the summer of 2019. Participants shared their views, experiences of using our services and barriers they have faced because they belong to one or more protected group. We used the analysis from our early engagement with stakeholders, our partnership work with other public bodies, legislation, organisational plans and the evidence contained in *Is Wales Fairer?* 2018 to prepare our set of Equality Objectives. Focus was also aimed at ensuring the objectives themselves, and the long-term aims to which they will contribute, are the right ones.



We have also continued to ensure, as far as possible, that when we make a decision, develop a strategy or policy, or do anything else that affects our service users or staff, we do so in a fair, accountable and transparent way taking into account the needs and rights of all those who might be affected.

The UHB endeavours to communicate regularly and meaningfully with its staff through their managers and through the recognised staff organisations. Staff are encouraged to give their views and feedback to their appropriate manager, either personally or through the representative of the appropriate recognised staff organisation. Where members of staff have concerns they can raise them through the processes set out in the All-Wales Procedure for NHS Staff to Raise Concerns, the Freedom to Speak Up Helpline or, if they relate to patient safety, they can also contact the UHB Chair directly through the 'Safety Valve' system. In 2019-20 the Freedom to Speak Up webpages were improved and promoted and the number of hits increased from 135 per month to an average of 440 hits per month. We also made a commitment to investigate and respond to all concerns with 30 days.

The UHB is committed to improving staff engagement and recognises that staff who are engaged are more productive, content and more likely to remain within the UHB. Positive staff engagement has been linked to reduced staff turnover, lower sickness absence and improved patient experience, as well as being positively associated with staff-wellbeing. Therefore, obtaining staff views and helping managers to have meaningful conversations with staff/teams to find out what matters to them and to explore potential solutions is a priority for the UHB. When

leaders demonstrate that they value an employee's contribution, it fosters further engagement.

In 2018 NHS Wales conducted a Staff Survey. The UHB had a response rate of just 23% but we were able to identify some key themes. More than 50 people volunteered to take part in a stakeholder group to use the survey results to make a difference for our staff and patients. We have had 3 workshops and formulated objectives and actions around the following themes:

- Engagement
- Leadership
- Culture and Behaviour
- Involvement

In January 2020, we published a booklet for staff to let them know about some of the things we have done in response to their feedback including simplifying our policies, publicising ways of working flexibly, tackling stress in the workplace and improving the raising concerns system.

The UHB is committed to working in partnership with recognised Trade Unions and Professional Organisations. The UHB acknowledges the valuable contribution that staff representatives can make to corporate, strategic and operational planning processes and therefore ensures partnership working by:

- Developing and implementing an effective two-way communication process across the organisation;



- Developing a culture where managers involve staff at all times in decision making and where staff feel able to contribute and be confident that their contribution is valued;
- Developing and implementing a structure and process which requires managers at all levels to involve staff in day to day service decisions and formulation of service plans;
- Working in partnership to manage change more effectively and achieve long term goals.

The LPF is the formal mechanism where the Executives and Trade Unions/Professional Organisations work together. Each Clinical Board also has a Partnership Forum and a named Lead Representative. Engagement with medical staff is supported by partnership working through the Local Negotiating Committee.

All employment and other related HR/WOD policies, procedures and other control documents are required to have at least two authors, i.e. a management and staff representative and are subject to robust consultation processes. This includes publication on the UHB intranet for a period of at least 28 days and consideration at the Employment Policies Sub Group of the LPF.

The UHB launched its Talent Management Programme in April 2019, supporting our culture of being 'A Great Place to Work and Learn'. The Talent Management Programme is about encouraging open, honest and constructive conversations between managers and staff about where they are now, where they want to be and how to get there.

We have also made a clear commitment to develop our leaders in order to build leadership capacity and capability across all services that is reflective of the values of the organisation. The focus of the leadership and management development at all levels is on networking, supporting each other and stimulating staff to solicit new ideas and innovative solutions from each other and their teams and encouraging them to present ideas that are different from their own.

In 2019-20 a new suite of Leadership and Management development opportunities have been developed for all levels of UHB staff.



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**FIRST STEPS TO MANAGEMENT** - To help new and existing supervisors develop key supervisory and management skills

**ESSENTIAL MANAGEMENT SKILLS** – for aspiring and existing managers to develop the essential skills required by all managers

**OPER8** – a development programme for new and experienced Clinical Board Operational Managers

**ACCELER8** – introduces leaders to the business of caring within the whole health and care system

**INTEGR8** – introduces staff to the concept of leadership and service improvement within the health and social care system

**COLLABOR8** – a one day programme that assists participants in building positive working relationships with people

**LEADING THROUGH INCLUSION** – a leadership programme that focuses on the diversity of our organisation and challenges staff to lead with an inclusive culture

from improved staff morale and culture with a high trusting environment and a person centred approach.

We have designed a similar programme of work to develop our own health system for the benefit of patients and staff. The '**Amplify 2025**' engagement event was the first step in this process and enabled 80 leaders to think differently about delivering healthcare, ensuring we put the person 'Wyn' at the heart of all our decision making.



The UHB is a values based organisation and we want to recruit, develop and nurture engaged and motivated staff with the skills and confidence to live up to our values every day.

During 2019-20 we have developed a **Values Based Appraisal (VBA)** which will be rolled out across the UHB for all staff from April 2020. It is a focussed conversation around staff development, the value they bring,

The UHB has developed a learning alliance with Canterbury Health Board (CHB) in New Zealand to learn about the significant cultural and system improvements it has achieved over the last 10 years. CHB has benefitted



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and the position(s) that best suit their skills now and in the future. Training is available for managers and covers the new process to measure values and behaviours alongside performance objectives, developing a person centred approach around appraisal, talent management and succession planning in the organisation. Information sessions for staff are also available.

**Values Based Recruitment (VBR)** is an approach which attracts and recruits people on the basis that their values and behaviours align with those of the organisation. VBR training aims to provide all recruiting managers with the skills and tools they need.

Mandatory Training and Personal Appraisal and Development Review compliance are monitored monthly to ensure we are moving towards our 85% compliance target.

### Health and Safety at Work

The Health and Safety Department reports to the Director of Workforce and Organisational Development. The team consists of Head of Health and Safety, Health and Safety Advisers, Environmental Adviser, Assistant Health and Safety Adviser, Manual Handling Advisers, Case Management Team, Administrators and Trainers.

The Health and Safety Committee is a full Committee of the Board and its membership includes Board Members, Management, Safety Specialists and Trade Union/staff representatives.

The Committee is chaired by an Independent Member, meets on a quarterly basis and has a clear responsibility to provide assurance to the Board. It also has a significant role in complying with The Safety Representatives and Safety Committee Regulations 1977.

There is both a Lead and Deputy Lead Health and Safety Staff Representative both of whom attend the Committee. To ensure Health and Safety Representatives participate at every level, the Lead and Deputy Lead Health and Safety Staff Side Representatives will attend the Health and Safety Committee, Operational Health and Safety Group, Fire Safety Group and the Anti Violence/Security Management Group.

Each Clinical Board has a designated Health and Safety Group with an agreed frequency of meeting. In some cases these are incorporated into the Clinical Board Quality, Safety and Experience meeting but with an emphasis on health and safety. The Clinical Board Health and Safety Group Chair also attends the Operational Health and Safety Group and each Clinical Board has a designated Health and Safety Adviser to support them with their health and safety responsibilities.

In 2019-20, the UHB received a Health and Safety Executive fine of £400k in relation to a contractor fall case. The associated learning from this incident was reported to the Health and Safety Committee.

### COVID-19

COVID-19 has impacted on workforce priorities and duties in the following way:



- Regular monitoring of junior doctor's rotas/working time has stopped given that many doctors have been pulled into new rotas to cope with the crisis;
- A stay of Tribunal proceedings has been requested for complex Consultant case (involves partner organisation);
- Medical appraisal/revalidation activity has largely stopped with the impact of individual doctor's revalidation dates being pushed back and appraisal sessions being postponed;
- The annual Mandatory May Programme has been cancelled – this includes tutor led training for the following statutory/mandatory topics:

Fire Safety (Statutory requirement)

Health and Safety )

Infection Control )

Equality ) Mandatory requirement

Dementia )

Mental Capacity Act )

(Staff who are unable to access the e-learning/on-line modules rely on updating themselves during this week long programme;

- Delay in the implementation of the revised regulatory 2019 Nursing and Midwifery Council Education Standards, in particular the Standards for Supervision and Assessment which have been placed on hold;
- Consultant Medical recruitment has continued but reduced due to need to respond to COVID-19 and restrictions on running panels – these have been conducted remotely;

- Risk assessment of BAME staff and staff from other vulnerable groups – risk assessment form developed and issued;
- Work continues on the Welsh Language Standards although there are concerns about sending out communication messages in English only during the pandemic, especially on social media;
- Any statutory duties/requirements relating to workforce information (e.g. Freedom of Information requests, all-Wales reporting compliance etc.) are being met.

## 6.6 Consultancy Expenditure

As disclosed in note 3.3 of its annual accounts, the UHB spent £2.475m on consultancy services during 2019-20 compared to £2.186m in 2018-19. The majority of this expenditure is going towards projects aimed at delivering better clinical outcomes and efficiencies.

## 6.7 Tax Assurance for Off-payroll Appointees

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**For all off-payroll engagements as of 31 March 2020, for more than £245 per day and that last longer than six months**

and national insurance in respect of these engagements, we have written to the agencies concerned stating that we believe that our relationship with the staff is one of employment and so they should be paying these employees under deduction of tax and national insurance.

	Employees engaged via other public sector bodies	Employed for tax and NI purposes only	Other Engagements	Total
No. of existing engagements as of 31 March 2020	38	8	1	47
Of which:				
No. that have existed for less than one year at time of reporting	2	5	1	8
No. that have existed for between one and two years at the time of reporting	1	1	0	2
No. that have existed for between two and three years at the time of reporting	2	2	0	4
No. that have existed for between three and four years at the time of reporting	1	0	0	1
No. that have existed for four or more years at the time of reporting	32	0	0	32

The "other engagements" shown above represent staff employed via recruitment agencies. While the UHB is not responsible for deducting tax



**For all new off-payroll engagements, or those that reached six months in duration between 1 April 2019 and 31 March 2020, for more than £245 per day and that last for longer than six months**

While the UHB does not have the contractual right to request assurance that the appropriate tax and national insurance is being deducted in respect of staff supplied by public sector bodies, it has been agreed by The Welsh Government that this assurance can be obtained via written confirmation from the Director of Finance of the public body who is invoicing us for the staff concerned. This has been requested and received for all staff meeting the disclosure criteria in 2019-20.

	Employees engaged via other public sector bodies	Employed for tax and NI purposes only	Other Engagements	Total
No. of new engagements, or those that reached six months in duration between 1st April 2019 & 31st March 2020	2	9	2	13
of which.....				
No. assessed as caught by IR35	0	9	0	9
No. assessed as not caught by IR35	2	0	2	4
No. engaged directly (via PSC contracted to department) and are on the departmental payroll	0	9	0	9
No. of engagements reassessed for consistency / assurance purposes during the year whom assurance has been requested but not received, and	0	0	0	0
No. of engagements that saw a change to IR35 status following the consistency review	0	0	0	0



**For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2019 and 31 March 2020**

	Employees engaged via other public sector bodies	Employed for tax and NI purposes only	Other Engagements	Total
No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	0	0	0	0
No. of individuals that have been deemed "board members, and/or senior officials with significant financial responsibility", during the financial year.	0	0	0	0

Please note that the UHB considers that its Board members are the only officials who have significant responsibility within the Health Board.

## Part 7

# National Assembly for Wales Accountability and Audit Report

### 7.1 Regularity of Expenditure

As a result of pressures on public spending, the UHB has had to meet considerable new cost pressures and increase in demand for high quality patient services, within a period of restricted growth in funding. This has resulted in the need to deliver significant cost and efficiency savings to offset unfunded cost pressures to work towards achieving its financial duty, which is break even over a three year period. Unfortunately this has not been achieved and the expenditure of £36.667m which it has incurred in excess of its resource limit over that period is deemed to be irregular. The UHB has an approved IMTP covering the years 2019-20 to 2021-22 which plans to deliver a break even position in each of these financial years. Successful delivery of this plan will result in the UHB achieving its Statutory Financial Duty of a break even position at the end of this period.





## 7.2 Fees and charges

The UHB levies charges or fees on its patients in a number of areas. Where the UHB makes such charges or fees, it does so in accordance with relevant Welsh Health Circulars and charging guidance.

Charges are generally made on a full cost basis. None of the items for which charges are made are by themselves material to the UHB, however details of some of the larger items (Dental Fees, Private and Overseas Patient income) are disclosed within Note 4 of the Annual Accounts.

## 7.3 Managing public money

This is the required Statement for Public Sector Information Holders as referenced at 1.2 (page 2) of The Directors' Report. In line with other Welsh NHS bodies, the UHB has developed Standing Financial Instructions which enforce the principles outlined in HM Treasury on Managing Public Money. As a result the UHB should have complied with the cost allocation and charging requirements of this guidance and the UHB has not been made aware of any instances where this has not been done.

## 7.4 Material remote contingent liabilities

As disclosed in note 21.2 of its annual accounts, the UHB had net remote contingent liabilities as at 31 March 2020 of £0.050m. The liabilities relate to one clinical negligence claim and one personal injury claim and the above figure is net of potential recoveries from the NHS Wales Risk Pool of £0.114m.

## 7.5 The Certificate of the Auditor General for Wales to the Senedd

I certify that I have audited the financial statements of Cardiff and Vale University Local Health Board for the year ended 31 March 2020 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 Tax-Payers' 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 HM Treasury's Financial Reporting Manual based on International Financial Reporting Standards (IFRSs).

### Opinion

In my opinion, except for the possible effects of the matters described in the 'Basis for qualified opinion' section of my report, the financial statements:

- give a true and fair view of the state of affairs of Cardiff and Vale University Local Health Board as at 31 March 2020 and of its net operating costs for the year then ended; and
- have been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by Welsh Ministers.





### **Basis for qualified opinion**

The Health Board had an inventory balance of £16.784 million as at 31 March 2020, disclosed in Note 14.1 to the financial statements. Due to the impact of the COVID-19 pandemic and the statutory lockdown arrangements that took effect from 23 March 2020, I was unable to observe and reperform parts of the Health's Board's count of its inventories on 31 March 2020.

As I have been unable to obtain the required audit assurance by alternative means, I am therefore unable to determine whether the Health Board's reported year-end inventory balance of £16.784 million is materially true and fair.

### **Emphasis of Matter – effects of the COVID-19 pandemic on the valuation of land and buildings**

I draw attention to Note 11.1 to the financial statements, which describes the impact of the COVID-19 pandemic on the valuation of land and buildings as at 31 March 2020.

As a result of the pandemic the Health Board's valuer declared a 'material valuation uncertainty' in four of their professional valuation reports, with a total valuation of £65.076 million. All four valuation reports were dated 31 March 2020. The Health Board has used these valuation reports to inform the measurement of certain of its property asset values in the financial statements at that date.

My opinion is not modified in respect of this matter.

### **Emphasis of Matter – clinicians' pension tax liabilities**

I draw attention to Note 21 of the financial statements, which describes the impact of a Ministerial Direction issued on 18 December 2019 to the Permanent Secretary of the Welsh Government, instructing her to fund NHS Clinicians' pension tax liabilities incurred by NHS Wales bodies in respect of the 2019-20 financial year.

The Health Board has disclosed the existence of a contingent liability at 31 March 2020, and my opinion is not modified in respect of this matter.

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am 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 opinion.

### **Conclusions relating to going concern**

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:



- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Executive has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Health Board's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

#### Other information

The Chief Executive is responsible for the other information in the annual report and accounts. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. 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.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

#### Qualified opinion on regularity

In my opinion, except for the irregular expenditure of £36.667 million explained in the paragraph below, in all material respects the expenditure and income have been applied to the purposes intended by the Senedd and the financial transactions conform to the authorities which govern them.

#### Basis for qualified opinion on regularity

The Health Board has breached its revenue resource limit by spending £36.667 million over the £2,832 million that it was authorised to spend in the three-year period 2017-18 to 2019-20. This spend constitutes irregular expenditure. Further detail is set out in my attached Report.

#### Report on other requirements

#### 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 information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent

with the financial statements and the Governance Statement has been prepared in accordance with Welsh Ministers' guidance; and

- the information given in the Foreword and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Foreword and Accountability Report has been prepared in accordance with Welsh Ministers' guidance.

#### **Matters on which I report by exception**

In the light of the knowledge and understanding of the board and its environment obtained in the course of the audit, I have not identified material misstatements in the Foreword and Accountability Report.

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- proper accounting records have not been kept;
- the financial statements 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; or
- I have not received all the information and explanations I require for my audit.

#### **Report**

Please see my Report on page 74, in respect of my qualified opinion on regularity.

#### **Responsibilities**

##### **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, the Directors and the Chief Executive are responsible for the preparation of financial statements which give a true and fair view and for such internal control 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.

In preparing the financial statements, the Directors and Chief Executive are responsible for assessing the 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 deemed inappropriate.

##### **Auditor's responsibilities for the audit of the financial statements**

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 an auditor's report that

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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.

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.

### Responsibilities for regularity

The Chief Executive is responsible for ensuring the regularity of financial transactions.

I am required to obtain sufficient evidence to give reasonable assurance that the expenditure and income have been applied to the purposes intended by the Senedd and the financial transactions conform to the authorities which govern them.

Adrian Crompton  
Auditor General for Wales  
2 July 2020

24 Cathedral Road  
Cardiff  
CF11 9LJ

## 7.6 Report of the Auditor General to the Senedd

### Introduction

Local Health Board (LHBs) are required to meet two statutory financial duties – known as the first and second financial duties.

For 2019-20 Cardiff and Vale University Local Health Board (the Health Board) failed to meet the first financial duty and so I have decided to issue a narrative report to explain the position.

### 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 fourth three-year period under this duty is 2017-18 to 2019-20, and so it is measured this year for the fourth time.

Note 2.1 to the Financial Statements shows that the LHB did not manage its revenue expenditure within its resource allocation over this three-year period, exceeding its cumulative revenue resource limit of £2,832 million by £36.667 million. The Health Board therefore did not meet its first financial duty.

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.

**Adrian Crompton**  
**Auditor General for Wales**  
**2 July 2020**

**24 Cathedral Road**  
**Cardiff**  
**CF11 9LJ**

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# Financial Statements

## Foreword

These accounts have been prepared by the Local Health Board under schedule 9 section 178 Para 3(1) of the National Health Service (Wales) Act 2006 (c.42) in the form in which the Welsh Ministers have, with the approval of the Treasury, directed.

## Statutory background

The Local Health Board was established on 1 October 2009, following the merger of Cardiff & Vale NHS Trust, Cardiff Local Health Board and The Vale of Glamorgan Local Health Board. The main purpose of the body being, the provision of healthcare to and the procurement of healthcare for the populations of Cardiff and the Vale of Glamorgan. In addition as a Tertiary Centre the UHB serves the wider population across Wales (and the UK) via the provision of specialist and complex services.

## Performance Management and Financial Results

Welsh Health Circular WHC/2016/054 replaces WHC/2015/014 'Statutory and Administrative Financial Duties of NHS Trusts and Local Health Boards' and further clarifies the statutory financial duties of NHS Wales bodies and is effective for 2019-20. The annual financial duty has been

revoked and the statutory breakeven duty has reverted to a three year duty, with the first assessment of this duty in 2016-17.

Local Health Boards in Wales must comply fully with the Treasury's Financial Reporting Manual to the extent that it is applicable to them. As a result, the Primary Statement of in-year income and expenditure is the Statement of Comprehensive Net Expenditure, which shows the net operating cost incurred by the LHB which is funded by the Welsh Government. This funding is allocated on receipt directly to the General Fund in the Statement of Financial Position.

Under the National Health Services Finance (Wales) Act 2014, the annual requirement to achieve balance against Resource Limits has been replaced with a duty to ensure, in a rolling 3 year period, that its aggregate expenditure does not exceed its aggregate approved limits. The Act came into effect from 1 April 2014 and under the Act the first assessment of the 3 year rolling financial duty took place at the end of 2016-17.



Statement of Comprehensive Net Expenditure for the year ended 31 March 2020			
		2019-20	2018-19
	Note	£'000	£'000
Expenditure on Primary Healthcare Services	3.1	238,456	233,138
Expenditure on healthcare from other providers	3.2	290,895	274,511
Expenditure on Hospital and Community Health Services	3.3	953,236	862,403
		<b>1,482,587</b>	1,370,052
Less: Miscellaneous Income	4	(437,774)	(406,760)
<b>LHB net operating costs before interest and other gains and losses</b>		<b>1,044,813</b>	963,292
Investment Revenue	5	0	0
Other (Gains) / Losses	6	(2,175)	9
Finance costs	7	1,278	1,332
<b>Net operating costs for the financial year</b>		<b>1,043,916</b>	<b>964,633</b>
See note 2 on page 25 for details of performance against Revenue and Capital allocations.			
The notes on pages 8 to 70b form part of these accounts			

Other Comprehensive Net Expenditure			
		2019-20	2018-19
		£'000	£'000
Net (gain) / loss on revaluation of property, plant and equipment		(1,134)	(4,172)
Net (gain) / loss on revaluation of intangibles		0	0
(Gain) / loss on other reserves		0	(7)
Net (gain)/ loss on revaluation of PPE & Intangible assets held for sale		0	0
Net (gain)/loss on revaluation of financial assets held for sale		0	0
Impairment and reversals		0	0
Transfers between reserves		0	0
Transfers to / (from) other bodies within the Resource Accounting Boundary		99	0
Reclassification adjustment on disposal of available for sale financial assets		0	0
Other comprehensive net expenditure for the year		(1,035)	(4,179)
<b>Total comprehensive net expenditure for the year</b>		<b>1,042,881</b>	<b>960,454</b>
The £99k on the Transfers to/from other bodies line reflects Assets transferred to Cwm Taf Morgannwg Health Board in 2019/20 relating to the community dental service.			
The notes on pages 8 to 70b form part of these accounts			

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Statement of Financial Position as at 31 March 2020				
		31 March 2020 £'000	31 March 2019 £'000	
	Notes			
<b>Non-current assets</b>				
Property, plant and equipment	11	687,650	675,904	
Intangible assets	12	2,133	2,902	
Trade and other receivables	15	17,779	21,432	
Other financial assets	16	0	0	
<b>Total non-current assets</b>		<b>707,562</b>	<b>700,238</b>	
<b>Current assets</b>				
Inventories	14	16,784	16,926	
Trade and other receivables	15	161,605	176,987	
Other financial assets	16	0	0	
Cash and cash equivalents	17	1,410	1,219	
		<b>179,799</b>	<b>195,132</b>	
Non-current assets classified as "Held for Sale"	11	0	1,906	
<b>Total current assets</b>		<b>179,799</b>	<b>197,038</b>	
<b>Total assets</b>		<b>887,361</b>	<b>897,276</b>	
<b>Current liabilities</b>				
Trade and other payables	18	(182,792)	(174,685)	
Other financial liabilities	19	0	0	
Provisions	20	(113,580)	(129,087)	
<b>Total current liabilities</b>		<b>(296,372)</b>	<b>(303,772)</b>	
<b>Net current assets/ (liabilities)</b>		<b>(116,573)</b>	<b>(106,734)</b>	
<b>Non-current liabilities</b>				
Trade and other payables	18	(8,489)	(9,095)	
Other financial liabilities	19	0	0	
Provisions	20	(19,327)	(24,862)	
<b>Total non-current liabilities</b>		<b>(27,816)</b>	<b>(33,957)</b>	
<b>Total assets employed</b>		<b>563,173</b>	<b>559,547</b>	
<b>Financed by :</b>				
<b>Taxpayers' equity</b>				
General Fund		450,666	443,904	
Revaluation reserve		112,507	115,643	
<b>Total taxpayers' equity</b>		<b>563,173</b>	<b>559,547</b>	
The financial statements on pages 2 to 7 were approved by the Board on 29th June 2020 and signed on its behalf by:				
Chief Executive and Accountable Officer	Leonard Richards	Date:	29th June 2020	
The notes on pages 8 to 70b form part of these accounts				

Statement of Changes in Taxpayers' Equity For the year ended 31 March 2020			
	General Fund £000s	Revaluation Reserve £000s	Total Reserves £000s
<b>Changes in taxpayers' equity for 2019-20</b>			
<b>Balance at 1 April 2019</b>	443,904	115,643	<b>559,547</b>
Net operating cost for the year	(1,043,916)		<b>(1,043,916)</b>
Net gain/(loss) on revaluation of property, plant and equipment	0	1,134	<b>1,134</b>
Net gain/(loss) on revaluation of intangible assets	0	0	<b>0</b>
Net gain/(loss) on revaluation of financial assets	0	0	<b>0</b>
Net gain/(loss) on revaluation of assets held for sale	0	0	<b>0</b>
Impairments and reversals	0	0	<b>0</b>
Other Reserve Movement	0	0	<b>0</b>
Transfers between reserves	4,270	(4,270)	<b>0</b>
Release of reserves to SoCNE	0	0	<b>0</b>
Transfers (to)/from LHBs	(99)	0	<b>(99)</b>
<b>Total recognised income and expense for 2019-20</b>	<b>(1,039,745)</b>	<b>(3,136)</b>	<b>(1,042,881)</b>
Net Welsh Government funding	1,019,429		<b>1,019,429</b>
Notional Welsh Government Funding	27,078		<b>27,078</b>
<b>Balance at 31 March 2020</b>	<b>450,666</b>	<b>112,507</b>	<b>563,173</b>
The notes on pages 8 to 70b form part of these accounts			
The £99k on the Transfers to/from line reflects Assets transferred to Cwm Taf Morgannwg Health Board in 2019/20 relating to the community dental service.			





Statement of Changes in Taxpayers' Equity For the year ended 31 March 2019			
	General	Revaluation	Total
	Fund	Reserve	Reserves
	£000s	£000s	£000s
<b>Changes in taxpayers' equity for 2018-19</b>			
<b>Balance at 31 March 2018</b>	417,207	112,765	<b>529,972</b>
Adjustment for Implementation of IFRS 9	(1,259)	0	<b>(1,259)</b>
<b>Balance at 1 April 2018</b>	415,948	112,765	<b>528,713</b>
Net operating cost for the year	(964,633)		<b>(964,633)</b>
Net gain/(loss) on revaluation of property, plant and equipment	0	4,172	<b>4,172</b>
Net gain/(loss) on revaluation of intangible assets	0	0	<b>0</b>
Net gain/(loss) on revaluation of financial assets	0	0	<b>0</b>
Net gain/(loss) on revaluation of assets held for sale	0	0	<b>0</b>
Impairments and reversals	0	0	<b>0</b>
Other reserve movement	0	0	<b>0</b>
Transfers between reserves	1,294	(1,294)	<b>0</b>
Release of reserves to SoCNE	0	0	<b>0</b>
Transfers to/from LHBs	7	0	<b>7</b>
<b>Total recognised income and expense for 2018-19</b>	<b>(963,332)</b>	2,878	<b>(960,454)</b>
Net Welsh Government funding	991,288		<b>991,288</b>
<b>Balance at 31 March 2019</b>	<b>443,904</b>	<b>115,643</b>	<b>559,547</b>
The notes on pages 8 to 70b form part of these accounts			
The £7k on the Transfers to/from line reflects a correction in respect of balances transferred over from Abertawe Bro Morgannwg LHB in 2017/18.			

Statement of Cash Flows for year ended 31 March 2020			
		2019-20	2018-19
		£'000	£'000
<b>Cash Flows from operating activities</b>			
Net operating cost for the financial year	Notes	(1,043,916)	(964,633)
Movements in Working Capital	27	21,891	22,537
Other cash flow adjustments	28	84,166	29,544
Provisions utilised	20	(30,300)	(25,133)
<b>Net cash outflow from operating activities</b>		<b>(968,159)</b>	<b>(937,685)</b>
<b>Cash Flows from investing activities</b>			
Purchase of property, plant and equipment		(54,657)	(52,538)
Proceeds from disposal of property, plant and equipment		4,341	131
Purchase of intangible assets		(238)	(1,532)
Proceeds from disposal of intangible assets		0	170
Payment for other financial assets		0	0
Proceeds from disposal of other financial assets		0	0
Payment for other assets		0	0
Proceeds from disposal of other assets		0	0
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(50,554)</b>	<b>(53,769)</b>
<b>Net cash inflow/(outflow) before financing</b>		<b>(1,018,713)</b>	<b>(991,454)</b>
<b>Cash Flows from financing activities</b>			
Welsh Government funding (including capital)		1,019,429	991,288
Capital receipts surrendered		0	0
Capital grants received		0	0
Capital element of payments in respect of finance leases and on-SoFP		(525)	(471)
Cash transferred (to)/ from other NHS bodies		0	0
<b>Net financing</b>		<b>1,018,904</b>	<b>990,817</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>191</b>	<b>(637)</b>
<b>Cash and cash equivalents (and bank overdrafts) at 1 April 2019</b>		<b>1,219</b>	<b>1,856</b>
<b>Cash and cash equivalents (and bank overdrafts) at 31 March 2020</b>		<b>1,410</b>	<b>1,219</b>
The notes on pages 8 to 70b form part of these accounts			

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Bwrdd Iechyd Prifysgol  
Caerdydd a'r Fro  
Cardiff and Vale  
University Health Board

## Notes to the Accounts

### 1. Accounting policies

The Minister for Health and Social Services has directed that the financial statements of Local Health Boards (LHB) in Wales shall meet the accounting requirements of the NHS Wales Manual for Accounts. Consequently, the following financial statements have been prepared in accordance with the 2019-20 Manual for Accounts. The accounting policies contained in that manual follow the 2019-20 Financial Reporting Manual (FReM), which applies European Union adopted IFRS and Interpretations in effect for accounting periods commencing on or after 1 January 2019, except for IFRS 16 Leases, which is deferred until 1 April 2021; to the extent that they are meaningful and appropriate to the NHS in Wales.

Where the LHB Manual for Accounts permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the LHB for the purpose of giving a true and fair view has been selected. The particular policies adopted by the LHB are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

#### 1.1. Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets and inventories.

### 1.2. Acquisitions and discontinued operations

Activities are considered to be 'acquired' only if they are taken on from outside the public sector. Activities are considered to be 'discontinued' only if they cease entirely. They are not considered to be 'discontinued' if they transfer from one public sector body to another.

### 1.3. Income and funding

The main source of funding for the LHBs are allocations (Welsh Government funding) from the Welsh Government within an approved cash limit, which is credited to the General Fund of the LHB. Welsh Government funding is recognised in the financial period in which the cash is received.

Non-discretionary funding outside the Revenue Resource Limit is allocated to match actual expenditure incurred for the provision of specific pharmaceutical, or ophthalmic services identified by the Welsh Government. Non-discretionary expenditure is disclosed in the accounts and deducted from operating costs charged against the Revenue Resource Limit.

Funding for the acquisition of fixed assets received from the Welsh Government is credited to the General Fund.

Miscellaneous income is income which relates directly to the operating activities of the LHB and is not funded directly by the Welsh Government. This includes payment for services uniquely provided by the LHB for the Welsh Government such as funding provided to agencies and non-activity

costs incurred by the LHB in its provider role. Income received from LHBs transacting with other LHBs is always treated as miscellaneous income.

From 2018-19, IFRS 15 Revenue from Contracts with Customers has been applied, as interpreted and adapted for the public sector, in the FREM. It replaces the previous standards IAS 11 Construction Contracts and IAS 18 Revenue and related IFRIC and SIC interpretations. The potential amendments identified as a result of the adoption of IFRS 15 are significantly below materiality levels.

Income is accounted for applying the accruals convention. Income is recognised in the period in which services are provided. Where income had been received from third parties for a specific activity to be delivered in the following financial year, that income will be deferred.

Only non-NHS income may be deferred.

#### 1.4. Employee benefits

##### 1.4.1. Short-term employee benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees. The cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

##### 1.4.2. Retirement benefit costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

The latest NHS Pension Scheme valuation results indicated that an increase in benefit required a 6.3% increase (14.38% to 20.68%) which was implemented from 1 April 2019.

As an organisation within the full funding scope, the joint (in NHS England and NHS Wales) transitional arrangement operated in 2019-20 where employers in the Scheme would continue to pay 14.38% employer contributions under their normal monthly payment process, in Wales the additional 6.3% being funded by Welsh Government directly to the Pension Scheme administrator, the NHS Business Services Authority (BSA the NHS Pensions Agency).

However, NHS Wales' organisations are required to account for **their staff** employer contributions of 20.68% in full and on a gross basis, in the 2019-20 annual accounts. Payments made on their behalf by Welsh Government are accounted for on a notional basis. For detailed information see Other Note within these accounts.

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to expenditure at the time the NHS Wales organisation commits itself to the retirement, regardless of the method of payment.

Where employees are members of the Local Government Superannuation Scheme, which is a defined benefit pension scheme this is disclosed. The scheme assets and liabilities attributable to those employees can be identified and are recognised in the NHS Wales organisation's accounts. The assets are measured at fair value and the liabilities at the present value of the future obligations. The increase in the liability arising from pensionable service earned during the year is recognised within operating expenses. The expected gain during the year from scheme assets is recognised within finance income. The interest cost during the year arising from the unwinding of the discount on the scheme liabilities is recognised within finance costs.

#### 1.4.3. NEST Pension Scheme

An alternative pensions scheme for employees not eligible to join the NHS Pensions scheme has to be offered. The NEST (National Employment Savings Trust) Pension scheme is a defined contribution scheme and therefore the cost to the NHS body of participating in the scheme is equal to the contributions payable to the scheme for the accounting period.

#### 1.5. Other expenses

Other operating expenses for goods or services are recognised when, and to the extent that, they have been received. They are measured at the fair value of the consideration payable.

#### 1.6. Property, plant and equipment

##### 1.6.1. Recognition

Property, plant and equipment is capitalised if:

- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potential will be supplied to, the NHS Wales organisation;
- it is expected to be used for more than one financial year;
- the cost of the item can be measured reliably; and
- the item has cost of at least £5,000; or
- Collectively, a number of items have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
- Items form part of the initial equipping and setting-up cost of a new building, ward or unit, irrespective of their individual or collective cost. Where a large asset, for example a building, includes a number of components with significantly different asset lives, the components are treated as separate assets and depreciated over their own useful economic lives.

### 1.6.2. Valuation

All property, plant and equipment are measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management.

Land and buildings used for services or for administrative purposes are stated in the Statement of Financial Position (SoFP) at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Fair values are determined as follows:

- Land and non-specialised buildings – market value for existing use

- **Specialised buildings – depreciated replacement cost**

HM Treasury has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued. NHS Wales' organisations have applied these new valuation requirements from 1 April 2009.

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees but not borrowing costs, which are recognised as expenses immediately, as allowed by IAS 23 for assets held at fair value.

Assets are revalued and depreciation commences when they are brought into use.

In 2017-18 a formal revaluation exercise was applied to land and properties. The carrying value of existing assets at that date will be written off over their remaining useful lives and new fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value.

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit should be taken to expenditure.

References in IAS 36 to the recognition of an impairment loss of a revalued asset being treated as a revaluation decrease to the extent that the impairment does not exceed the amount in the revaluation surplus for the same asset, are adapted such that only those impairment losses that do not result from a clear consumption of economic benefit or reduction of service potential (including as a result of loss or damage resulting from normal business operations) should be taken to the revaluation reserve. Impairment losses that arise from a clear

consumption of economic benefit should be taken to the Statement of Comprehensive Net Expenditure (SoCNE).

From 2015-16, IFRS 13 Fair Value Measurement must be complied with in full. However IAS 16 and IAS 38 have been adapted for the public sector context which limits the circumstances under which a valuation is prepared under IFRS 13. Assets which are held for their service potential and are in use should be measured at their current value in existing use. For specialised assets current value in existing use should be interpreted as the present value of the assets remaining service potential, which can be assumed to be at least equal to the cost of replacing that service potential. Where there is no single class of asset that falls within IFRS 13, disclosures should be for material items only.

In accordance with the adaptation of IAS 16 in table 6.2 of the FReM, for non-specialised assets in operational use, current value in existing use is interpreted as market value for existing use which is defined in the RICS Red Book as Existing Use Value (EUV).

Assets which were most recently held for their service potential but are surplus should be valued at current value in existing use, if there are restrictions on the NHS organisation or the asset which would prevent access to the market at the reporting date. If the NHS organisation could access the market then the surplus asset should be used at fair value using IFRS 13. In determining whether such an asset which is not in use is surplus, an assessment should be made on whether there is a clear plan to bring the asset back into use as an operational asset. Where there is a clear plan, the asset is not surplus and the current value in existing use

should be maintained. Otherwise the asset should be assessed as being surplus and valued under IFRS13.

Assets which are not held for their service potential should be valued in accordance with IFRS 5 or IAS 40 depending on whether the asset is actively held for sale. Where an asset is not being used to deliver services and there is no plan to bring it back into use, with no restrictions on sale, and it does not meet the IAS 40 and IFRS 5 criteria, these assets are surplus and are valued at fair value using IFRS 13.

Assets which are not held for their service potential should be valued in accordance with IFRS 5 or IAS 40 depending on whether the asset is actively held for sale. Where an asset is not being used to deliver services and there is no plan to bring it back into use, with no restrictions on sale, and it does not meet the IAS 40 and IFRS 5 criteria, these assets are surplus and are valued at fair value using IFRS 13.

### 1.6.3. Subsequent expenditure

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is capitalised. Where subsequent expenditure restores the asset to its original specification, the expenditure is capitalised and any carrying value of the item replaced is written-out and charged to the SoCNE. As highlighted in previous years the NHS in Wales does not have systems in place to ensure that all items being "replaced" can be identified and hence the cost involved to be quantified. The NHS in Wales has thus established a national protocol to ensure it complies with the standard as far as it is able to which is outlined in the capital accounting chapter of the Manual For Accounts.



This dictates that to ensure that asset carrying values are not materially overstated. For All Wales Capital Schemes that are completed in a financial year, NHS Wales organisations are required to obtain a revaluation during that year (prior to them being brought into use) and also similar revaluations are needed for all Discretionary Building Schemes completed which have a spend greater than £0.5m. The write downs so identified are then charged to operating expenses.

## 1.7. Intangible assets

### 1.7.1. Recognition

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the business or which arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to, the NHS Wales organisation; where the cost of the asset can be measured reliably, and where the cost is at least £5,000.

Intangible assets acquired separately are initially recognised at fair value. Software that is integral to the operating of hardware, for example an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software that is not integral to the operation of hardware, for example application software, is capitalised as an intangible asset. Expenditure on research is not capitalised: it is recognised as an operating expense in the period in which it is incurred. Internally-generated assets are recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use
- the intention to complete the intangible asset and use it
- the ability to use the intangible asset
- how the intangible asset will generate probable future economic benefits
- the availability of adequate technical, financial and other resources to complete the intangible asset and use it
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

### Measurement

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the criteria above are initially met. Where no internally-generated intangible asset can be recognised, the expenditure is recognised in the period in which it is incurred.

Following initial recognition, intangible assets are carried at fair value by reference to an active market, or, where no active market exists, at amortised replacement cost (modern equivalent assets basis), indexed for relevant price increases, as a proxy for fair value. Internally-developed software is held at historic cost to reflect the opposing effects of increases in development costs and technological advances.

### 1.8. Depreciation, amortisation and impairments

Freehold land, assets under construction and assets held for sale are not depreciated.



Otherwise, depreciation and amortisation are charged to write off the costs or valuation of property, plant and equipment and intangible non-current assets, less any residual value, over their estimated useful lives, in a manner that reflects the consumption of economic benefits or service potential of the assets. The estimated useful life of an asset is the period over which the NHS Wales Organisation expects to obtain economic benefits or service potential from the asset. This is specific to the NHS Wales organisation and may be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. Assets held under finance leases are depreciated over the shorter of the lease term and estimated useful lives.

At each reporting period end, the NHS Wales organisation checks whether there is any indication that any of its tangible or intangible non-current assets have suffered an impairment loss. If there is indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount. Intangible assets not yet available for use are tested for impairment annually.

Impairment losses that do not result from a loss of economic value or service potential are taken to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to the SoCNE. Impairment losses that arise from a clear consumption of economic benefit are taken to the SoCNE. The balance on any revaluation reserve (up to the level of the impairment) to which the impairment

would have been charged under IAS 36 are transferred to retained earnings.

### 1.9. Research and Development

Research and development expenditure is charged to operating costs in the year in which it is incurred, except insofar as it relates to a clearly defined project, which can be separated from patient care activity and benefits there from can reasonably be regarded as assured. Expenditure so deferred is limited to the value of future benefits expected and is amortised through the SoCNE on a systematic basis over the period expected to benefit from the project.

### 1.10 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met when the sale is highly probable, the asset is available for immediate sale in its present condition and management is committed to the sale, which is expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Fair value is open market value including alternative uses.

The profit or loss arising on disposal of an asset is the difference between the sale proceeds and the carrying amount and is recognised in the SoCNE. On disposal, the balance for the asset on the revaluation reserve, is transferred to the General Fund.



Property, plant and equipment that is to be scrapped or demolished does not qualify for recognition as held for sale. Instead it is retained as an operational asset and its economic life adjusted. The asset is derecognised when it is scrapped or demolished.

### 1.11. Leases

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

#### 1.11.1. The NHS Wales organisation as lessee

Property, plant and equipment held under finance leases are initially recognised, at the inception of the lease, at fair value or, if lower, at the present value of the minimum lease payments, with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the SoCNE.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially as a liability and subsequently as a reduction of rentals on a straight-line basis over the lease term. Contingent rentals are recognised as an expense in the period in which they are incurred.

Where a lease is for land and buildings, the land and building components are separated and individually assessed as to whether they are operating or finance leases.

#### 1.11.2. The NHS Wales organisation as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the NHS Wales organisation net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the NHS Wales organisation's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

### 1.12. Inventories

Whilst it is accounting convention for inventories to be valued at the lower of cost and net realisable value using the weighted average or "first-in first-out" cost formula, it should be recognised that the NHS is a special case in that inventories are not generally held for the intention of resale and indeed there is no market readily available where such items could be sold. Inventories are valued at cost and this is considered to be a reasonable approximation to fair value due to the high turnover of stocks. Work-in-progress comprises goods in intermediate stages of production. Partially completed contracts for patient services are not accounted for as work-in-progress.

#### 1.13. Cash and cash equivalents

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of



acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Statement of Cash flows (SoCF), cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of the cash management.

#### 1.14. Provisions

Provisions are recognised when the NHS Wales organisation has a present legal or constructive obligation as a result of a past event, it is probable that the NHS Wales organisation will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using the discount rate supplied by HM Treasury.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursements will be received and the amount of the receivable can be measured reliably.

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the NHS Wales organisation has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

A restructuring provision is recognised when the NHS Wales organisation has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with ongoing activities of the entity.

##### 1.14.1. Clinical negligence and personal injury costs

The Welsh Risk Pool Services (WRPS) operates a risk pooling scheme which is co-funded by the Welsh Government with the option to access a risk sharing agreement funded by the participative NHS Wales bodies. The risk sharing option was implemented in 2019-20. The WRP is hosted by Velindre NHS Trust.

##### 1.14.2. Future Liability Scheme (FLS) - General Medical Practice Indemnity (GMPI)

The FLS is a state backed scheme to provide clinical negligence General Medical Practice Indemnity (GMPI) for providers of GMP services in Wales.

In March 2019, the Minister issued a Direction to Velindre NHS Trust to enable Legal and Risk Services to operate the Scheme. The GMPI is underpinned by new secondary legislation, The NHS (Clinical Negligence Scheme) (Wales) Regulations 2019 which came into force on 1 April 2019.

GMP Service Providers are not direct members of the GMPI FLS, their qualifying liabilities are the subject of an arrangement between them and their relevant LHB, which is a member of the scheme. The qualifying reimbursements to the LHB are not subject to the £25,000 excess.

### 1.15. Financial Instruments

From 2018-19 IFRS 9 Financial Instruments has applied, as interpreted and adapted for the public sector, in the FReM. The principal impact of IFRS 9 adoption by NHS Wales' organisations, was to change the calculation basis for bad debt provisions, changing from an incurred loss basis to a lifetime expected credit loss (ECL) basis.

All entities applying the FReM recognised the difference between previous carrying amount and the carrying amount at the beginning of the annual reporting period that included the date of initial application in the opening general fund within Taxpayer's equity.

### 1.16 Financial assets

Financial assets are recognised on the SoFP when the NHS Wales organisation becomes party to the financial instrument contract or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred.

The accounting policy choice allowed under IFRS 9 for long term trade receivables, contract assets which do contain a significant financing component (in accordance with IFRS 15), and lease receivables within the scope of IAS 17 has been withdrawn and entities should always recognise

a loss allowance at an amount equal to lifetime Expected Credit Losses. All entities applying the FReM should utilise IFRS 9's simplified approach to impairment for relevant assets.

IFRS 9 requirements required a revised approach for the calculation of the bad debt provision, applying the principles of expected credit loss, using the practical expedients within IFRS 9 to construct a provision matrix.

#### 1.16.1. Financial assets are initially recognised at fair value

Financial assets are classified into the following categories: financial assets 'at fair value through SoCNE'; 'held to maturity investments'; 'available for sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

#### 1.16.2 Financial assets at fair value through SoCNE

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial assets at fair value through SoCNE. They are held at fair value, with any resultant gain or loss recognised in the SoCNE. The net gain or loss incorporates any interest earned on the financial asset.

#### 1.16.3 Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, and there is a positive intention and ability to hold to maturity. After initial recognition,

they are held at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

#### 1.16.4 Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or that do not fall within any of the other three financial asset classifications. They are measured at fair value with changes in value taken to the revaluation reserve, with the exception of impairment losses. Accumulated gains or losses are recycled to the SoCNE on de-recognition.

#### 1.16.5. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. After initial recognition, they are measured at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

Fair value is determined by reference to quoted market prices where possible, otherwise by valuation techniques.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the net carrying amount of the financial asset.

At the SOFP date, the NHS Wales organisation assesses whether any financial assets, other than those held at 'fair value through profit and

loss' are impaired. Financial assets are impaired and impairment losses recognised if there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in the SoCNE and the carrying amount of the asset is reduced directly, or through a provision of impairment of receivables.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the SoCNE to the extent that the carrying amount of the receivable at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### 1.17. Financial liabilities

Financial liabilities are recognised on the SOFP when the NHS Wales organisation becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been discharged, that is, the liability has been paid or has expired.



#### **1.17.1. Financial liabilities are initially recognised at fair value**

Financial liabilities are classified as either financial liabilities at fair value through the SoCNE or other financial liabilities.

#### **1.17.2. Financial liabilities at fair value through the SoCNE**

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial liabilities at fair value through profit and loss. They are held at fair value, with any resultant gain or loss recognised in the SoCNE. The net gain or loss incorporates any interest earned on the financial asset.

#### **1.17.3. Other financial liabilities**

After initial recognition, all other financial liabilities are measured at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the life of the asset, to the net carrying amount of the financial liability. Interest is recognised using the effective interest method.

#### **1.18. Value Added Tax (VAT)**

Most of the activities of the NHS Wales organisation are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

#### **1.19. Foreign currencies**

Transactions denominated in a foreign currency are translated into sterling at the exchange rate ruling on the dates of the transactions. Resulting exchange gains and losses are taken to the SoCNE. At the SoFP date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date.

#### **1.20. Third party assets**

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the NHS Wales organisation has no beneficial interest in them. Details of third party assets are given in the Notes to the accounts.

#### **1.21. Losses and Special Payments**

Losses and special payments are items that the Welsh Government would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way each individual case is handled.

Losses and special payments are charged to the relevant functional headings in the SoCNE on an accruals basis, including losses which would have been made good through insurance cover had the NHS Wales organisation not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure). However, the note on losses and special payments is compiled directly from the losses register which is prepared on a cash basis.



The NHS Wales organisation accounts for all losses and special payments gross (including assistance from the WRP).

The NHS Wales organisation accrues or provides for the best estimate of future pay-outs for certain liabilities and discloses all other potential payments as contingent liabilities, unless the probability of the liabilities becoming payable is remote.

All claims for losses and special payments are provided for, where the probability of settlement of an individual claim is over 50%. Where reliable estimates can be made, incidents of clinical negligence against which a claim has not, as yet, been received are provided in the same way. Expected reimbursements from the WRP are included in debtors. For those claims where the probability of settlement is between 5- 50%, the liability is disclosed as a contingent liability.

#### 1.22. Pooled budget

The LHB has entered into a pooled arrangement with Cardiff and The Vale of Glamorgan Local Authorities, as permissible under section 33 of the NHS (Wales) Act 2006 for the operation of a Joint Equipment Store (JES). The purpose of the JES is the provision and delivery of common equipment and consumables to patients which are resident in the localities of the partners to the pooled budget. The pooled budget arrangement became operational from 1st January 2012.

During 2019-20 the UHB received funding from the Welsh Government's Integrated Care Fund and its Transformation Fund. The planning and

delivery of the programmes associated with this funding has the involvement of social services, housing and the third independent sector.

Also during 2019-20 the UHB received funding from Cardiff Council which had been allocated from Welsh Government Families First monies. The service provided from this funding is operationally managed by the Local Authority with the UHB offering professional support.

As required under Part 9 of the Social Services and Well-being (Wales) Act 2014, a pooled budget arrangement has been agreed between ourselves and the Cardiff and Vale Local Authorities. This came into effect from April 1st 2018.

Details of the operational and accounting arrangements in place around each of the above can be found in Note 32 of these accounts on page 67.

#### 1.23. Critical Accounting Judgements and key sources of estimation uncertainty

In the application of the accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates. The estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the



revision affects only that period, or the period of the revision and future periods if the revision affects both current and future periods.

#### 1.24. Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the SoFP date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Significant estimations are made in relation to on-going clinical negligence and personal injury claims. Assumptions as to the likely outcome, the potential liabilities and the timings of these litigation claims are provided by independent legal advisors. Any material changes in liabilities associated with these claims would be recoverable through the Welsh Risk Pool.

Significant estimations are also made for continuing care costs resulting from claims post 1 April 2003. An assessment of likely outcomes, potential liabilities and timings of these claims are made on a case by case basis. Material changes associated with these claims would be adjusted in the period in which they are revised.

Estimates are also made for contracted primary care services. These estimates are based on the latest payment levels. Changes associated with these liabilities are adjusted in the following reporting period.

#### 1.24.1. Provisions

The NHS Wales organisation provides for legal or constructive obligations for clinical negligence, personal injury and defence costs that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation.

Claims are funded via the Welsh Risk Pool Services (WRPS) which receives an annual allocation from Welsh Government to cover the cost of reimbursement requests submitted to the bi-monthly WRPS Committee. Following settlement to individual claimants by the NHS Wales organisation, the full cost is recognised in year and matched to income (less a £25K excess) via a WRPS debtor, until reimbursement has been received from the WRPS Committee.

#### 1.24.2. Probable & Certain Cases – Accounting Treatment

A provision for these cases is calculated in accordance with IAS 37. Cases are assessed and divided into four categories according to their probability of settlement;

<b>Remote</b>	Probability of Settlement Accounting Treatment	0 – 5% Contingent Liability.
<b>Possible</b>	Probability of Settlement Accounting Treatment Contingent Liability for all other estimated expenditure.	6% - 49% Defence Fee - Provision*
<b>Probable</b>	Probability of Settlement Accounting Treatment	50% - 94% Full Provision



<b>Certain</b>	Probability of Settlement	95% - 100%
	Accounting Treatment	Full Provision

\* *Personal injury cases - Defence fee costs are provided for at 100%.*

The provision for probable and certain cases is based on case estimates of individual reported claims received by Legal & Risk Services within NHS Wales Shared Services Partnership.

The solicitor will estimate the case value including defence fees, using professional judgement and from obtaining counsel advice. Valuations are then discounted for the future loss elements using individual life expectancies and the Government Actuary's Department actuarial tables (Ogden tables) and Personal Injury Discount Rate of minus 0.75%.

Future liabilities for certain & probable cases with a probability of 95%-100% and 50%- 94% respectively are held as a provision on the balance sheet. Cases typically take a number of years to settle, particularly for high value cases where a period of development is necessary to establish the full extent of the injury caused.

i) The LHB provides for potential bad debts both as a result of specific disputes and based on historic collectability patterns. As a result of this, the LHB is carrying a bad debt provision of £7.896m re non NHS organisations and a credit note provision of £0.712m in respect of NHS debts. While this provision is considered prudent and accurate as at the statement of financial position date, due to the ongoing trading

relationships it covers, potentially there could be gains and losses re the ultimate recoverability in respect of amounts provided for.

ii) In line with IAS 19 the LHB has reviewed the level of annual leave taken by its staff to March 31st 2020. Based on a sample the LHB has accrued £0.914m re untaken annual leave. This is based on a sample of the leave records of 29% of all LHB staff and reflects the LHB's policy of only allowing annual leave to be carried forward into 2019/20 under exceptional circumstances or when this has been necessary to help the LHB achieve service performance targets.

iii) The LHB has estimated a liability of £0.544m in respect of retrospective claims for continuing healthcare funding. The estimated provision is based upon an assessment of the likelihood of claims meeting criteria for continuing healthcare and the actual costs incurred by individuals in care homes. The provision is based on information made available to the LHB at the time of these accounts and could be subject to significant change as outcomes are determined. Accordingly the UHB is disclosing a contingent liability of £1.674m in respect of such cases within note 21.1 of these Accounts.

iv) During 2009/10 the LHB counted inventory (excluding drugs which were already being counted) held on wards for the first time as part of its year end inventory figure. From a practical perspective it would be extremely difficult for the LHB to physically count all such areas immediately prior to March 31st, hence an extrapolation method was agreed. As a result, on a three yearly rolling basis the stock in 26 different wards has now been counted. This represents 638 beds out of a possible





1,939 across the LHB. In this way a figure of £0.622m has been calculated for ward stock and has been included within the inventory balance shown in note 14.1 of the accounts. As the number of wards counted increases a picture has emerged of a strata of wards which have a relatively low level of stockholding and one for those which have higher than average levels. This intelligence is now being built in to the calculation of the balance involved.

v) As in other years due to the relatively short timescale available to prepare the annual accounts, the primary care expenditure disclosed contains a number of significant estimates where the value of actual liabilities was not available prior to the date of the accounts submission.

The most material areas being:

- > GMS Enhanced Services £2.000m
- > GMS Schemes & Frameworks £3.154m
- > Prescribing £13.469m
- > Pharmacy £5.340m

vi) Due to restrictions created by the Covid 19 pandemic it was not possible to count all inventory items held at the end of March 2020. In these cases estimates have been made as to the value held based on previous counts. The value of these holdings included within note 14.1 is £2,195,814.

#### 1.25 Private Finance Initiative (PFI) transactions

HM Treasury has determined that government bodies shall account for infrastructure PFI schemes where the government body controls the use of the infrastructure and the residual interest in the infrastructure at the

end of the arrangement as service concession arrangements, following the principles of the requirements of IFRIC 12. The NHS Wales organisation therefore recognises the PFI asset as an item of property, plant and equipment together with a liability to pay for it. The services received under the contract are recorded as operating expenses.

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:

- a) Payment for the fair value of services received;
- b) Payment for the PFI asset, including finance costs; and
- c) Payment for the replacement of components of the asset during the contract 'lifecycle replacement'.

##### 1.25.1. Services received

The fair value of services received in the year is recorded under the relevant expenditure headings within 'operating expenses'.

##### 1.25.2. PFI asset

The PFI assets are recognised as property, plant and equipment, when they come into use. The assets are measured initially at fair value in accordance with the principles of IAS 17. Subsequently, the assets are measured at fair value, which is kept up to date in accordance with the NHS Wales organisation's approach for each relevant class of asset in accordance with the principles of IAS 16.

##### 1.25.2. PFI liability

A PFI liability is recognised at the same time as the PFI assets are recognised. It is measured initially at the same amount as the fair value of

the PFI assets and is subsequently measured as a finance lease liability in accordance with IAS 17.

An annual finance cost is calculated by applying the implicit interest rate in the lease to the opening lease liability for the period, and is charged to 'Finance Costs' within the SoCNE.

The element of the annual unitary payment that is allocated as a finance lease rental is applied to meet the annual finance cost and to repay the lease liability over the contract term.

An element of the annual unitary payment increase due to cumulative indexation is allocated to the finance lease. In accordance with IAS 17, this amount is not included in the minimum lease payments, but is instead treated as contingent rent and is expensed as incurred. In substance, this amount is a finance cost in respect of the liability and the expense is presented as a contingent finance cost in the SoCNE.

### 1.25.3. Lifecycle replacement

Components of the asset replaced by the operator during the contract ('lifecycle replacement') are capitalised where they meet the NHS Wales organisation's criteria for capital expenditure. They are capitalised at the time they are provided by the operator and are measured initially at their fair value.

The element of the annual unitary payment allocated to lifecycle replacement is pre-determined for each year of the contract from the operator's planned programme of lifecycle replacement. Where the

lifecycle component is provided earlier or later than expected, a short-term finance lease liability or prepayment is recognised respectively.

Where the fair value of the lifecycle component is less than the amount determined in the contract, the difference is recognised as an expense when the replacement is provided. If the fair value is greater than the amount determined in the contract, the difference is treated as a 'free' asset and a deferred income balance is recognised. The deferred income is released to the operating income over the shorter of the remaining contract period or the useful economic life of the replacement component.

### 1.25.4. Assets contributed by the NHS Wales organisation to the operator for use in the scheme

Assets contributed for use in the scheme continue to be recognised as items of property, plant and equipment in the NHS Wales organisation's SoFP.

### 1.25.5. Other assets contributed by the NHS Wales organisation to the operator

Assets contributed (e.g. cash payments, surplus property) by the NHS Wales organisation to the operator before the asset is brought into use, which are intended to defray the operator's capital costs, are recognised initially as prepayments during the construction phase of the contract. Subsequently, when the asset is made available to the NHS Wales organisation, the prepayment is treated as an initial payment towards the finance lease liability and is set against the carrying value of the liability.



A PFI liability is recognised at the same time as the PFI assets are recognised. It is measured at the present value of the minimum lease payments, discounted using the implicit interest rate. It is subsequently measured as a finance lease liability in accordance with IAS 17.

On initial recognition of the asset, the difference between the fair value of the asset and the initial liability is recognised as deferred income, representing the future service potential to be received by the NHS Wales organisation through the asset being made available to third party users.

#### 1.26. Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the NHS Wales organisation, or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably. A contingent liability is disclosed unless the possibility of a payment is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the NHS Wales organisation. A contingent asset is disclosed where an inflow of economic benefits is probable.

Where the time value of money is material, contingencies are disclosed at their present value.

Remote contingent liabilities are those that are disclosed under Parliamentary reporting requirements and not under IAS 37 and, where practical, an estimate of their financial effect is required.

#### 1.27. Absorption accounting

Transfers of function are accounted for as either by merger or by absorption accounting dependent upon the treatment prescribed in the FReM. Absorption accounting requires that entities account for their transactions in the period in which they took place with no restatement of performance required.

Where transfer of function is between LHBs the gain or loss resulting from the assets and liabilities transferring is recognised in the SoCNE and is disclosed separately from the operating costs.

#### 1.28. Accounting standards that have been issued but not yet been adopted

The following accounting standards have been issued and or amended by the IASB and IFRIC but have not been adopted because they are not yet required to be adopted by the FReM

IFRS14 Regulatory Deferral Accounts Not EU-endorsed.\*

Applies to first time adopters of IFRS after 1 January 2016. Therefore not applicable.

IFRS 16 Leases is to be effective from 1st April 2021.

IFRS 17 Insurance Contracts, Application required for accounting periods beginning on or after 1 January 2021, but not yet adopted by the FReM: early adoption is not therefore permitted.



### 1.29. Accounting standards issued that have been adopted early

During 2019-20 there have been no accounting standards that have been adopted early. All early adoption of accounting standards will be led by HM Treasury.

### 1.30. Charities

Following Treasury's agreement to apply IAS 27 to NHS Charities from 1 April 2013, the LHB has established that as the LHB is the corporate trustee of the linked NHS Charity (Cardiff & Vale Health Charity), it is considered for accounting standards compliance to have control of the Cardiff & Vale Health Charity as a subsidiary and therefore is required to consolidate the results of the Cardiff & Vale Health Charity within the statutory accounts of the LHB.

The determination of control is an accounting standard test of control and there has been no change to the operation of the Cardiff & Vale Health Charity or its independence in its management of charitable funds.

However, the NHS Wales organisation has with the agreement of the Welsh Government adopted the IAS 27 (10) exemption to consolidate. Welsh Government as the ultimate parent of the Local Health Boards will disclose the Charitable Accounts of Local Health Boards in the Welsh Government Consolidated Accounts. Details of the transactions with the charity are included in the related parties' notes.

2. Financial Duties Performance				
The National Health Service Finance (Wales) Act 2014 came into effect from 1 April 2014. The Act amended the financial duties of Local Health Boards under section 175 of the National Health Service (Wales) Act 2006. From 1 April 2014 section 175 of the National Health Service (Wales) Act places two financial duties on Local Health Boards:				
- A duty under section 175 (1) to secure that its expenditure does not exceed the aggregate of the funding allotted to it over a period of 3 financial years				
- A duty under section 175 (2A) to prepare a plan in accordance with planning directions issued by the Welsh Ministers, to secure compliance with the duty under section 175 (1) while improving the health of the people for whom it is responsible, and the provision of health care to such people, and for that plan to be submitted to and approved by the Welsh Ministers.				
The first assessment of performance against the 3 year statutory duty under section 175 (1) was at the end of 2016-17, being the first 3 year period of assessment.				
Welsh Health Circular WHC/2016/054 "Statutory and Financial Duties of Local Health Boards and NHS Trusts" clarifies the statutory financial duties of NHS Wales bodies effective from 2016-17.				
2.1 Revenue Resource Performance				
Annual financial performance				
	2017-18	2018-19	2019-20	Total
	£'000	£'000	£'000	£'000
Net operating costs for the year	919,484	964,633	1,043,916	2,928,033
Less general ophthalmic services expenditure and other non-cash limited expenditure	(19,396)	(18,186)	(17,276)	(54,858)
Less revenue consequences of bringing PFI schemes onto SoFP	(1,028)	(1,028)	(1,028)	(3,084)
Total operating expenses	899,060	945,419	1,025,612	2,870,091
Revenue Resource Allocation	872,207	935,547	1,025,670	2,833,424
Under / (over) spend against Allocation	(26,853)	(9,872)	58	(36,667)
The LHB has not met its financial duty to break-even against its Revenue Resource Limit over the 3 years 2017-18 to 2019-20.				
The Health Board did not receive any repayable cash only support in 2019-20. The accumulated cash only support provided to the Health Board by the Welsh Government is £54.849m as at 31 March 2020. The cash only support is provided to assist the Health Board with ensuring payments to staff and suppliers, there is no interest payable on cash only support. Repayment of this cash assistance will be in accordance with the Health Boards future Integrated Medium Term Plan submissions.				
2.2 Capital Resource Performance				
	2017-18	2018-19	2019-20	Total
	£'000	£'000	£'000	£'000
Gross capital expenditure	55,936	49,349	61,333	166,618
Add: Losses on disposal of donated assets	0	4	13	17
Less NBV of property, plant and equipment and intangible assets disposed	(2,297)	(310)	(2,167)	(4,774)
Less capital grants received	0	0	0	0
Less donations received	(6,606)	(630)	(1,109)	(8,345)
Charge against Capital Resource Allocation	47,033	48,413	58,070	153,516
Capital Resource Allocation	47,121	48,487	58,159	153,767
(Over) / Underspend against Capital Resource Allocation	88	74	89	251
The LHB has met its financial duty to break-even against its Capital Resource Limit over the 3 years 2017-18 to 2019-20.				



<b>2.3 Duty to prepare a 3 year plan</b>					
The NHS Wales Planning Framework for the period 2019-20 to 2021-22 issued to LHBs placed a requirement upon them to prepare and submit Integrated Medium Term Plans to the Welsh Government.					
The LHB submitted an Integrated Medium Term Plan for the period 2019-20 to 2021-22 in accordance with NHS Wales Planning Framework.					

<b>3. Analysis of gross operating costs</b>				
<b>3.1 Expenditure on Primary Healthcare Services</b>				
	<b>Cash limited</b>	<b>Non-cash limited</b>	<b>2019-20 Total</b>	<b>2018-19</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
General Medical Services	76,550		76,550	74,929
Pharmaceutical Services	20,475	12,032	32,507	34,932
General Dental Services	33,739		33,739	32,806
General Ophthalmic Services	1,903	5,244	7,147	7,072
Other Primary Health Care expenditure	12,057		12,057	11,327
Prescribed drugs and appliances	76,456		76,456	72,072
<b>Total</b>	<b>221,180</b>	<b>17,276</b>	<b>238,456</b>	<b>233,138</b>
The Total expenditure above includes £15,469m in respect of staff costs (£12,923m 2018-19)				
<b>3.2 Expenditure on healthcare from other providers</b>			<b>2019-20</b>	<b>2018-19</b>
			<b>£'000</b>	<b>£'000</b>
Goods and services from other NHS Wales Health Boards			24,048	26,331
Goods and services from other NHS Wales Trusts			30,938	28,606
Goods and services from Health Education and Improvement Wales (HEIW)			0	0
Goods and services from other non Welsh NHS bodies			2,147	2,244
Goods and services from WHSSC / EASC			128,702	121,693
Local Authorities			15,452	8,006
Voluntary organisations			7,290	7,309
NHS Funded Nursing Care			9,093	8,979
Continuing Care			59,128	57,757
Private providers			14,097	13,586
Specific projects funded by the Welsh Government			0	0
Other			0	0
<b>Total</b>			<b>290,895</b>	<b>274,511</b>
The 2018-19 Expenditure with Local Authorities included £27.4m re a payment to Cardiff Council in respect of a pooling arrangement re the purchase of continuing healthcare services. Under the terms of the agreement the Council returned to us the same figure which we recorded as income from Local Authorities in Note 4. We have subsequently been advised that these transactions are of no economic value and hence we have netted off the receipt and payment in 2019/20				



Bwrdd Iechyd Prifysgol  
Caerdydd a'r Fro  
Cardiff and Vale  
University Health Board

3.3 Expenditure on Hospital and Community Health Services				
	2019-20	2018-19		
	£'000	£'000		
Directors' costs	2,373	2,331		
Staff costs	651,637	597,790		
Supplies and services - clinical	189,458	177,070		
Supplies and services - general	8,837	8,561		
Consultancy Services	2,475	2,186		
Establishment	11,330	10,666		
Transport	707	865		
Premises	30,138	27,863		
External Contractors	0	0		
Depreciation	29,962	31,574		
Amortisation	855	717		
Fixed asset impairments and reversals (Property, plant & equipment)	19,963	(123)		
Fixed asset impairments and reversals (Intangible assets)	0	0		
Impairments & reversals of financial assets	0	0		
Impairments & reversals of non-current assets held for sale	350	0		
Audit fees	381	401		
Other auditors' remuneration	0	0		
Losses, special payments and irrecoverable debts	3,379	2,898		
Research and Development	0	0		
Other operating expenses	1,391	(396)		
<b>Total</b>	<b>953,236</b>	<b>862,403</b>		
<b>3.4 Losses, special payments and irrecoverable debts: charges to operating expenses</b>				
		Reclassified		
	2019-20	2018-19		
	£'000	£'000		
Increase/(decrease) in provision for future payments:				
Clinical negligence;		0		
Secondary care	30,437	22,264		
Primary care	0	0		
Redress Secondary Care	406	126		
Redress Primary Care	0	0		
Personal injury	2,226	277		
All other losses and special payments	1,240	440		
Defence legal fees and other administrative costs	729	372		
Gross increase/(decrease) in provision for future payments	35,038	23,479		
Contribution to Welsh Risk Pool	0	0		
Premium for other insurance arrangements	0	0		
Irrecoverable debts	(160)	875		
Less: income received/due from Welsh Risk Pool	(31,499)	(21,456)		
<b>Total</b>	<b>3,379</b>	<b>2,898</b>		
	2019-20	2018-19		
	£	£		
Permanent injury included within personal injury £:	162,530	(20,000)		

4. Miscellaneous Income				
	2019-20	2018-19		
	£'000	£'000		
Local Health Boards	74,359	71,217		
Welsh Health Specialised Services Committee (WHSSC)/Emergency Ambulance Services Committee (EASC)	240,256	221,552		
NHS Wales trusts	6,188	5,311		
Health Education and Improvement Wales (HEIW)	20,685	9,953		
Foundation Trusts	195	224		
Other NHS England bodies	5,282	4,848		
Other NHS Bodies	0	0		
Local authorities	9,094	8,177		
Welsh Government	5,121	4,739		
Welsh Government Hosted bodies	0	0		
Non NHS:				
Prescription charge income	0	83		
Dental fee income	5,871	5,859		
Private patient income	1,247	1,055		
Overseas patients (non-reciprocal)	144	302		
Injury Costs Recovery (ICR) Scheme	2,694	1,654		
Other income from activities	2,144	1,965		
Patient transport services	0	0		
Education, training and research	28,847	38,520		
Charitable and other contributions to expenditure	3,226	2,842		
Receipt of donated assets	1,107	631		
Receipt of Government granted assets	0	0		
Non-patient care income generation schemes	3,542	2,227		
NHS Wales Shared Services Partnership (NWSSP)	0	0		
Deferred income released to revenue	750	224		
Contingent rental income from finance leases	0	0		
Rental income from operating leases	0	0		
Other income:				
Provision of laundry, pathology, payroll services	7,613	7,415		
Accommodation and catering charges	4,117	3,577		
Mortuary fees	509	343		
Staff payments for use of cars	0	0		
Business Unit	0	0		
Other	14,783	14,042		
<b>Total</b>	<b>437,774</b>	<b>406,760</b>		
Other income Includes:				
Non Staff SLAs with Cardiff University	4,805	3,338		
Creche Fees	708	600		
Compensation Payments received	60	1,218		
Pharmacy sales	0	2,070		
Equipment Evaluation Income	232	442		
NHS Non Patient Care Income	2,071	2114		
Non Patient Related Staff Recharges	665	1305		
Other	5,646	2,955		
<b>Total</b>	<b>14,187</b>	<b>14,042</b>		

Injury Costs Recovery (ICR) Scheme income is subject to a provision for impairment of 50.28% re personal injury claims and 18.42% re RTA claims to reflect expected rates of collection based on the UHB's past recoverability performance.

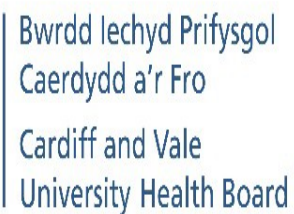
The 2018-19 Local Authorities income included £27.4m re a receipt from Cardiff Council in respect of a pooling arrangement re the purchase of continuing healthcare services. Under the terms of the agreement, we made payments to the Council amounting to the same figure. This was disclosed as purchases of healthcare from Local Authorities in Note 3.2. We have subsequently been advised that these transactions are of no economic value and hence we have netted off the receipt and payment in 2019/20

The reclassification of 18/19 is presentation only with the Clinical negligence costs being further detailed into Primary and Secondary care in 19/20



5. Investment Revenue				
	2019-20	2018-19		
	£000	£000		
<b>Rental revenue :</b>				
PFI Finance lease income				
planned	0	0		
contingent	0	0		
Other finance lease revenue	0	0		
<b>Interest revenue :</b>				
Bank accounts	0	0		
Other loans and receivables	0	0		
Impaired financial assets	0	0		
Other financial assets	0	0		
<b>Total</b>	<b>0</b>	<b>0</b>		
6. Other gains and losses				
	2019-20	2018-19		
	£000	£000		
Gain/(loss) on disposal of property, plant and equipment	105	(12)		
Gain/(loss) on disposal of intangible assets	0	0		
Gain/(loss) on disposal of assets held for sale	2,070	3		
Gain/(loss) on disposal of financial assets	0	0		
Change on foreign exchange	0	0		
Change in fair value of financial assets at fair value through SoCNE	0	0		
Change in fair value of financial liabilities at fair value through SoCNE	0	0		
Recycling of gain/(loss) from equity on disposal of financial assets held for sale	0	0		
<b>Total</b>	<b>2,175</b>	<b>(9)</b>		
For more information on the gain on disposal of buildings, please see page 41 of these accounts				
7. Finance costs				
	2019-20	2018-19		
	£000	£000		
Interest on loans and overdrafts	0	0		
Interest on obligations under finance leases	5	8		
Interest on obligations under PFI contracts				
main finance cost	1256	1,282		
contingent finance cost	0	0		
Interest on late payment of commercial debt	2	0		
Other interest expense	0	0		
<b>Total interest expense</b>	<b>1,263</b>	<b>1,290</b>		
Provisions unwinding of discount	15	42		
Other finance costs	0	0		
<b>Total</b>	<b>1,278</b>	<b>1,332</b>		

8. Operating leases				
	2019-20	2018-19		
	£000	£000		
<b>LHB as lessee</b>				
As at 31st March 2020 the LHB had 20 operating lease agreements in place for premises, 3 arrangements in respect of equipment and 48 in respect of vehicles. During the year 1 premises, 0 equipment and 7 vehicle leases expired.				
<b>Payments recognised as an expense</b>	<b>2019-20</b>	<b>2018-19</b>		
	<b>£000</b>	<b>£000</b>		
Minimum lease payments	2,325	1,353		
Contingent rents	0	0		
Sub-lease payments	0	0		
<b>Total</b>	<b>2,325</b>	<b>1,353</b>		
<b>Total future minimum lease payments</b>				
<b>Payable</b>	<b>£000</b>	<b>£000</b>		
Not later than one year	2,260	1,129		
Between one and five years	5,696	2,564		
After 5 years	2,439	2,167		
<b>Total</b>	<b>10,394</b>	<b>5,860</b>		
During our preparatory work for the introduction of IFRS16, the UHB concluded that 4 of its contracts with suppliers contained implicit leases that should have been disclosed in the operating leases in previous years. While these are included in the 2019-20 figures, comparatives have not been restated. If they had been included in 2018-19 then the payments recognised as an expense would have increased by £0.938m and total future minimum lease payments would have increased by £5.974m.				
<b>Number of operating leases expiring</b>	<b>Land &amp; Buildings</b>	<b>Vehicles</b>	<b>Equipment</b>	<b>Total</b>
Not later than one year	3	30	1	34
Between one and five years	6	18	2	26
After 5 years	11	0	0	11
<b>Total</b>	<b>20</b>	<b>48</b>	<b>3</b>	<b>71</b>
<b>Charged to the income statement</b>	<b>1,875</b>	<b>162</b>	<b>246</b>	<b>2,283</b>
There are no future sublease payments expected to be received				
<b>LHB as lessor</b>				
<b>Rental revenue</b>	<b>£000</b>	<b>£000</b>		
Rent	0	0		
Contingent rents	0	0		
<b>Total revenue rental</b>	<b>0</b>	<b>0</b>		
<b>Total future minimum lease payments</b>				
<b>Receivable</b>	<b>£000</b>	<b>£000</b>		
Not later than one year	0	0		
Between one and five years	0	0		
After 5 years	0	0		
<b>Total</b>	<b>0</b>	<b>0</b>		



9.1 Employee costs		Permanent Staff	Staff on Inward Secondment	Agency Staff	Other	Total	2018-19
	£000	£000	£000	£000	£000	£000	
Salaries and wages	507,176	1,643	12,008	8,841	529,668	506,072	
Social security costs	51,062	0	0	0	51,062	48,394	
Employer contributions to NHS Pension Scheme	88,855	0	0	0	88,855	59,065	
Other pension costs	480	0	0	0	480	386	
Other employment benefits	0	0	0	0	0	0	
Termination benefits	147	0	0	0	147	315	
<b>Total</b>	<b>647,720</b>	<b>1,643</b>	<b>12,008</b>	<b>8,841</b>	<b>670,212</b>	<b>614,232</b>	
Charged to capital					1,002	1,294	
Charged to revenue					669,210	612,938	
					670,212	614,232	
Net movement in accrued employee benefits (untaken staff leave accrual included above)					174	85	

9.2 Average number of employees		Permanent Staff	Staff on Inward Secondment	Agency Staff	Other	Total	2018-19
	Number	Number	Number		Number	Number	
Administrative, clerical and board members	2,069	7	19	11	2,106	2,055	
Medical and dental	1,347	5	4	47	1,403	1,391	
Nursing, midwifery registered	3,828	1	139	1	3,969	3,894	
Professional, Scientific, and technical staff	609	5	1	7	622	604	
Additional Clinical Services	2,505	0	2	1	2,508	2,480	
Allied Health Professions	843	18	11	0	872	855	
Healthcare Scientists	462	0	3	1	466	464	
Estates and Ancillary	1,047	0	27	0	1,074	1,084	
Students	28	0	0	0	28	13	
<b>Total</b>	<b>12,738</b>	<b>36</b>	<b>206</b>	<b>68</b>	<b>13,048</b>	<b>12,840</b>	

9.3. Retirements due to ill-health			
		2019-20	2018-19
Number		14	11
Estimated additional pension costs £		498,805	427,856

The estimated additional pension costs of these ill-health retirements have been calculated on an average basis and are borne by the NHS Pension Scheme.

9.4 Employee benefits	
The CHB does not have an employee benefit scheme.	

Redundancy costs have been paid in accordance with the NHS Redundancy provisions, other departure costs have been paid in accordance with the provisions of the NHS Voluntary Early Release Scheme (VERS). Where the LHB has agreed early retirements, the additional costs are met by the LHB and not by the NHS pension scheme. Ill-health retirement costs are met by the NHS pensions scheme and are not included in the table.

All 2 special payments are severance payments, the highest payment was £108,519 the lowest payment was £38,519 and the median payment was for £73,519.

The tables above report packages agreed in the financial year rather than packages paid during the financial year. During 2019-20 £329,514 was paid for exit packages (2018-19 £132,844).





## 9.6 Remuneration Relationship

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in the LHB in the financial year 2019-20 was £220,000 - £225,000 (2018-19, £215,000 - £220,000). This was 7.31 times (2018-19, 7.42) the median remuneration of the workforce, which was £30,442 (2018-19, £29,302). In both 2019-20 and 2018-19 the highest paid director was the Medical Director.

	2019-20	2018-19
Band of Chief Executive Remuneration	215-220	205-210
Median Total Remuneration £	30,442	29,302
Ratio	7.14	7.08
Band of Highest Paid Director's Remuneration	220-225	215-220
Median Total Remuneration £	30,442	29,302
Ratio	7.31	7.42

In 2019-20, 4 (2018-19, 6) employees received remuneration in excess of the highest-paid director. Remuneration for these staff ranged from £230,000 to £285,000 (2018-19 £215,000 to £250,000). All four employees are Medical Consultants and remuneration for the highest paid staff includes payments for additional sessions worked, and varies from month to month.

Total remuneration includes salary and non-consolidated performance-related pay. It does not include severance payments, employer pension

contributions and the cash equivalent transfer value of pensions. The guidance also suggests that this information should include benefits-in-kind, the LHB does not have the relevant information available to comply with this requirement. In addition, please note that overtime payments are included where applicable in the calculation of both elements of the relationship.

There has been an increase in year in the median remuneration of the workforce, which was partly the result of an average 1.7% inflationary pay increase received by staff covered by the Agenda for Change agreement. In addition, Medical Staff and Executives received an inflationary pay award of 2.5% and 2% respectively and there were also slight changes to the composition of the workforce which will have contributed to the change in the ratio.

## 9.7 Pension costs

Past and present employees are covered by the provisions of the two NHS Pension Schemes. Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at [www.nhsbsa.nhs.uk/pensions](http://www.nhsbsa.nhs.uk/pensions). Both are unfunded defined benefit schemes that cover NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State for Health and Social Care in England and Wales. They are not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, each scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating



in each scheme is taken as equal to the contributions payable to that scheme for the accounting period.

In order that the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the FReM requires that “the period between formal valuations shall be four years, with approximate assessments in intervening years”. An outline of these follows:

#### **a) Accounting valuation**

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and is accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2020, is based on valuation data as 31 March 2019, updated to 31 March 2020 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

The latest assessment of the liabilities of the scheme is contained in the report of the scheme actuary, which forms part of the annual NHS Pension Scheme Accounts. These accounts can be viewed on the NHS

Pensions website and are published annually. Copies can also be obtained from The Stationery Office.

#### **b) Full actuarial (funding) valuation**

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the schemes (taking into account recent demographic experience), and to recommend contribution rates payable by employees and employers.

The latest actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2016. The results of this valuation set the employer contribution rate payable from April 2019 to 20.6%, and the Scheme Regulations were amended accordingly.

The 2016 funding valuation was also expected to test the cost of the Scheme relative to the employer cost cap set following the 2012 valuation. Following a judgment from the Court of Appeal in December 2018 Government announced a pause to that part of the valuation process pending conclusion of the continuing legal process.

#### **c) National Employment Savings Trust (NEST)**

NEST is a workplace pension scheme, which was set up by legislation and is treated as a trust-based scheme. The Trustee responsible for running the scheme is NEST Corporation. It's a non-departmental public body (NDPB) that operates at arm's length from government and is accountable to Parliament through the Department for Work and Pensions (DWP).



NEST Corporation has agreed a loan with the Department for Work and Pensions (DWP). This has paid for the scheme to be set up and will cover expected shortfalls in scheme costs during the earlier years while membership is growing.

NEST Corporation aims for the scheme to become self-financing while providing consistently low charges to members.

Using qualifying earnings to calculate contributions, currently the legal minimum level of contributions is 8% of a jobholder's qualifying earnings, for employers whose legal duties have started. The employer must pay at least 3% of this.

The earnings band used to calculate minimum contributions under existing legislation is called qualifying earnings. Qualifying earnings are currently those between £6,136 and £50,000 for the 2019-20 tax year (2018-19 £6,032 and £46,350).

Restrictions on the annual contribution limits were removed on 1st April 2017.

10. Public Sector Payment Policy - Measure of Compliance							
10.1 Prompt payment code - measure of compliance							
The Welsh Government requires that Health Boards pay all their trade creditors in accordance with the CBI prompt payment code and Government Accounting rules. The Welsh Government has set as part of the Health Board financial targets a requirement to pay 95% of the number of non-NHS creditors within 30 days of delivery.							
The figures for 2019-20 and 2018-19 exclude both the number and value of non-NHS bills paid to primary care services and contractor services.							
				2019-20	2019-20	2018-19	2018-19
NHS				Number	£000	Number	£000
Total bills paid				8,216	233,809	8,361	231,945
Total bills paid within target				6,401	222,077	5,991	217,636
Percentage of bills paid within target				77.9%	95.0%	71.7%	93.8%
Non-NHS							
Total bills paid				305,232	646,369	308,555	606,354
Total bills paid within target				292,518	621,255	293,203	580,435
Percentage of bills paid within target				95.8%	96.1%	95.0%	95.7%
Total							
Total bills paid				313,448	880,178	316,916	838,299
Total bills paid within target				298,919	843,332	299,194	798,071
Percentage of bills paid within target				95.4%	95.8%	94.4%	95.2%

10.2 The Late Payment of Commercial Debts (Interest) Act 1998							
					2019-20	2018-19	
					£	£	
Amounts included within finance costs (note 7) from claims made under this legislation					2508.26	0	
Compensation paid to cover debt recovery costs under this legislation					0	0	
Total					2508.26	0	

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Bwrdd Iechyd Prifysgol  
Caerdydd a'r Fro  
Cardiff and Vale  
University Health Board

11.1 Property, plant and equipment										
	Buildings, excluding dwellings		Dwellings	Assets under construction & payments on account		Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000		£000	£000					£000
Cost or valuation at 1 April 2019	106,340	511,383	4,128	37,934	121,279	855	18,634	180		800,733
Indexation	(1,013)	2,287	82	0	0	0	0	0	0	1,356
Additions										
- purchased	0	8,095	0	33,240	15,172	504	2,975	0	59,986	
- donated	0	171	0	783	109	0	32	0	1,095	
- government granted	0	0	0	0	0	0	0	0	0	
Transfer from/into other NHS bodies	0	0	0	0	(509)	(170)	(35)	0	(714)	
Reclassifications	0	43,076	0	(43,076)	0	0	0	0	0	
Revaluations	0	233	0	0	0	0	0	0	233	
Reversal of impairments	(10)	7,275	0	0	0	0	0	0	7,265	
Impairments	0	(31,296)	0	0	0	0	0	0	(31,296)	
Reclassified as held for sale	0	0	0	0	0	0	0	0	0	
Disposals	0	0	0	0	(4,392)	(46)	(46)	(64)	(4,548)	
At 31 March 2020	105,317	541,222	4,210	28,881	131,659	1,143	21,560	116		834,108
Depreciation at 1 April 2019	0	31,171	208	0	78,639	829	13,802	180		124,829
Indexation	0	218	4	0	0	0	0	0		222
Transfer from/into other NHS bodies	0	0	0	0	(423)	(164)	(28)	0		(615)
Reclassifications	0	0	0	0	0	0	0	0		0
Revaluations	0	233	0	0	0	0	0	0		233
Reversal of impairments	0	(864)	0	0	0	0	0	0		(864)
Impairments	0	(3,206)	0	0	0	0	0	0		(3,206)
Reclassified as held for sale	0	0	0	0	0	0	0	0		0
Disposals	0	0	0	0	(3,947)	(46)	(46)	(64)		(4,103)
Provided during the year	0	17,843	106	0	10,197	6	1,810	0		29,962
At 31 March 2020	0	45,395	318	0	84,466	625	15,536	116		146,459
Net book value at 1 April 2019	106,340	480,212	3,920	37,934	42,640	26	4,832	0		675,904
Net book value at 31 March 2020	105,317	495,827	3,892	28,881	47,193	518	6,022	0		687,650
Net book value at 31 March 2020 comprises:										
Purchased	105,317	479,495	3,892	28,856	45,080	518	5,950	0		669,108
Donated	0	16,332	0	25	2,113	0	72	0		18,542
Government Granted	0	0	0	0	0	0	0	0		0
At 31 March 2020	105,317	495,827	3,892	28,881	47,193	518	6,022	0		687,650
Asset financing:										
Owned	104,732	476,915	2,866	28,881	47,101	518	6,022	0		667,035
Held on finance lease	0	1,330	0	0	92	0	0	0		1,422
On-SOFP PFI contracts	585	17,582	1,026	0	0	0	0	0		19,193
PFI residual interests	0	0	0	0	0	0	0	0		0
At 31 March 2020	105,317	495,827	3,892	28,881	47,193	518	6,022	0		687,650
The net book value of land, buildings and dwellings at 31 March 2020 comprises:										
Freehold										£000
Long Leasehold										584,513
Short Leasehold										16,912
										1,611
										605,036
The land and buildings were revalued by the Valuation Office Agency with an effective date of 1st April 2017. The valuation was prepared in accordance with the terms of the Royal Institute of Chartered Surveyors (RICS) Valuation Standards, 6th Edition. LHBs are required to apply the revaluation model set out in IAS 16 and value its capital assets to fair value. Fair value is defined by IAS 16 as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms length transaction. This has been undertaken on the assumption that the property is sold as part of the continuing enterprise in occupation.										
As a result of the RICS guidance issued in relation to the impact of Covid-19 the Valuation Office Agency reported material uncertainty in four of their seven valuation reports during 2019-20, the total value of the four affected valuations was £65,076m.										
Of the totals at 31st March 2020, £0 related to land valued at open market value and £0 related to buildings, installations and fittings valued at open market value.										
Figures for freehold land and buildings are given gross with separate accumulated depreciation.										
The LHB had to charge accelerated depreciation on the following: (1) Rookwood Hospital which has been earmarked for closure, £0.614m. (2) Two buildings at UHW site which have been earmarked for closure: Brecknock House £1.011m and Denbigh House £0.330m.										

11.1 Property, plant and equipment										
	Buildings, excluding dwellings		Dwellings	Assets under construction & payments on account		Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000		£000	£000					£000
Cost or valuation at 1 April 2018	103,055	496,155	4,087	20,641	120,476	870	18,666	180		764,130
Indexation	2,041	1,113	41	0	0	0	0	0		3,195
Additions										
- purchased	425	6,199	0	29,772	8,914	0	1,877	0	47,187	
- donated	0	191	0	200	206	0	22	0	619	
- government granted	0	0	0	0	0	0	0	0	0	
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	0	
Reclassifications	1,950	10,729	0	(12,679)	0	0	0	0	0	
Revaluations	0	1,019	0	0	0	0	0	0	1,019	
Reversal of impairments	20	3,848	0	0	0	0	0	0	3,868	
Impairments	(29)	(5,196)	0	0	0	0	0	0	(5,225)	
Reclassified as held for sale	(1,122)	(2,675)	0	0	0	0	0	0	(3,797)	
Disposals	0	0	0	0	(8,317)	(15)	(1,931)	0	(10,263)	
At 31 March 2019	106,340	511,383	4,128	37,934	121,279	855	18,634	180		800,733
Depreciation at 1 April 2018	0	14,358	103	0	77,714	824	13,527	180		106,706
Indexation	0	41	1	0	0	0	0	0		42
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0		0
Reclassifications	0	0	0	0	0	0	0	0		0
Revaluations	0	0	0	0	0	0	0	0		0
Reversal of impairments	0	97	0	0	0	0	0	0		97
Impairments	0	(1,577)	0	0	0	0	0	0		(1,577)
Reclassified as held for sale	0	(1,773)	0	0	0	0	0	0		(1,773)
Disposals	0	0	0	0	(6,294)	(15)	(1,931)	0		(10,240)
Provided during the year	0	20,025	104	0	9,219	20	2,206	0		31,574
At 31 March 2019	0	31,171	208	0	79,639	629	13,802	180		124,829
Net book value at 1 April 2018	103,055	481,797	3,984	20,641	42,762	46	5,139	0		657,424
Net book value at 31 March 2019	106,340	480,212	3,920	37,934	42,640	26	4,832	0		675,904
Net book value at 31 March 2019 comprises:										
Purchased	106,340	464,037	3,920	37,734	39,521	26	4,748	0		656,326
Donated	0	16,175	0	200	3,119	0	84	0		19,578
Government Granted	0	0	0	0	0	0	0	0		0
At 31 March 2019	106,340	480,212	3,920	37,934	42,640	26	4,832	0		675,904
Asset financing:										
Owned	105,748	460,996	2,882	37,934	42,456	26	4,832	0		654,874
Held on finance lease	0	1,402	0	0	184	0	0	0		1,586
On-SOFP PFI contracts	592	17,814	1,038	0	0	0	0	0		19,444
PFI residual interests	0	0	0	0	0	0	0	0		0
At 31 March 2019	106,340	480,212	3,920	37,934	42,640	26	4,832	0		675,904
The net book value of land, buildings and dwellings at 31 March 2019 comprises:										
Freehold										£000
Long Leasehold										569,626
Short Leasehold										20,846
										0
										590,472
The land and buildings were revalued by the Valuation Office Agency with an effective date of 1st April 2017. The valuation was prepared in accordance with the terms of the Royal Institute of Chartered Surveyors Valuation Standards, 6th Edition. LHBs are required to apply the revaluation model set out in IAS 16 and value its capital assets to fair value. Fair value is defined by IAS 16 as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. This has been undertaken on the assumption that the property is sold as part of the continuing enterprise in occupation.										
Figures for freehold land and buildings are given gross with separate accumulated depreciation.										
The LHB had to charge accelerated depreciation on the following: (1) Rookwood Hospital which has been earmarked for closure, £0.659m. (2) Two buildings at UHW which have been earmarked for closure: Brecknock House £1.846m and Denbigh House £0.748m. (3) Non specialised assets reclassified as Assets Held for Sale: Iorwerth Jones £1.158m and Lansdowne Hospital £0.479m.										



### Additional disclosures re Property, Plant and Equipment

#### i) Donated additions 2019/2020

Of the donated additions shown in Note 11.1, the Noah's Ark Charity funded £0.104m of equipment for the Children's Hospital. The LHB's Charitable Fund contributed £0.047m towards the purchase of equipment during the year. Other donors funded building and asset under construction costs worth £0.944m.

ii) Professional valuations are carried out by the District Valuer Service (which as the commercial arm of the Valuation Office Agency, is part of HMRC). The valuations are carried out in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Assembly and HM Treasury. The last full Valuation of the LHB's estate was carried out on 1st April 2017.

However, the LHB will periodically instruct the District Valuer to Carry out "Good Housekeeping Valuations" when assets resulting from major capital schemes are first brought into use. During the year the LHB carried out 7 such revaluations, the total effect of which were:

Impairments written off via the Statement of Comprehensive Net Expenditure (SoCNE) were (£28.092m), reversal of Impairments of £0.717m were credited to the SoCNE.

The significant schemes brought into use were:

UHW Neonatal scheme (£18.536m) was written off the carrying value via the SoCNE.

CRI areas re services transferring from Rookwood Hospital (£4.936m) was written off the carrying value via the SoCNE.

In addition 5 minor schemes were brought into use and Impairments of (£4.620m) were written off the carrying value via the SoCNE, whilst a reversal of impairment of £0.717m was credited to the SoCNE.

iii) The useful economic life of LHB buildings has been determined on an asset by asset basis by the District Valuer. These lives are reviewed by the LHB on an annual basis to ascertain their appropriateness and are reviewed every five years by the District Valuer. Major new construction projects are allocated useful economic lives by the District Valuer when they are first brought into use, smaller alterations to existing structures are initially allocated a useful life of 30 years and alterations to mechanical and engineering assets are allocated 15 year lives. Equipment assets are allocated lives on an individual basis based on the professional judgement and past experience of clinicians, finance staff and other LHB professionals. Again the appropriateness of these lives is reviewed on an annual basis.

iv) During the year, there was a fire at one of the properties Held for Sale (Lansdowne Hospital), the property was revalued by the District Valuer and an impairment of (£0.350m) has been charged to the SoCNE, see Note 11.2 for further detail.

v) During the year the LHB has received Non Cash Allocation from the Welsh Government for impairment to assets charged to the SoCNE and this Allocation is included in our Revenue Resource Limit.



vi) As per Welsh Government guidance the LHB has applied an Indexation factor to its Land and Buildings for 2019/2020 for a handful of sites this has resulted in a reversal of a prior period Impairment charge and therefore £7.412m has been credited to the SoCNE.

vii) Transfers of Equipment within NHS Wales. On the 1st of April 2019 the LHB transferred the Community Dental service for the Cwm Taf area to Cwm Taf Morgannwg University Health Board. As Cwm Taf is inside the whole of government boundary this transaction is shown within the Transfers from/into other NHS Bodies line in Note 11.1.

viii) All fully depreciated assets still in use are being carried at nil net book value.

<b>11. Property, plant and equipment</b>						
<b>11.2 Non-current assets held for sale</b>	<b>Land</b>	<b>Buildings, including dwelling</b>	<b>Other property, plant and equipment</b>	<b>Intangible assets</b>	<b>Other assets</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance brought forward 1 April 2019</b>	1,086	820	0	0	0	<b>1,906</b>
Plus assets classified as held for sale in the year	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0
Less assets sold in the year	(1,086)	(470)	0	0	0	<b>(1,556)</b>
Add reversal of impairment of assets held for sale	0	0	0	0	0	0
Less impairment of assets held for sale	0	(350)	0	0	0	<b>(350)</b>
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	0
<b>Balance carried forward 31 March 2020</b>	0	0	0	0	0	<b>0</b>
<b>Balance brought forward 1 April 2018</b>	0	0	0	0	0	<b>0</b>
Plus assets classified as held for sale in the year	1,122	902	0	0	0	<b>2,024</b>
Revaluation	0	0	0	0	0	0
Less assets sold in the year	(36)	(82)	0	0	0	<b>(118)</b>
Add reversal of impairment of assets held for sale	0	0	0	0	0	0
Less impairment of assets held for sale	0	0	0	0	0	0
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	0
<b>Balance carried forward 31 March 2019</b>	1,086	820	0	0	0	<b>1,906</b>
<b>Assets sold in the period</b>						
The LHB sold three properties in 2019/2020, at a profit of £2.070m. The largest profit (£1.661m) was in respect of the sale of the Site of the Former Lansdowne Hospital.						
<b>Assets impaired during the year</b>						
As mentioned on page 40 during 2019/20, there was a fire at the Site of the Former Lansdowne Hospital, the District Valuer valued the property after the fire and an impairment of (£0.350m) is shown above.						

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12. Intangible non-current assets 2019-20							
	Software (purchased)	Software (internally generated)	Licences and trademarks	Patents	Development expenditure- internally generated	Carbon Reduction Commitments	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation at 1 April 2019</b>	6,934	0	112	0	500	196	7,742
Revaluation	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0
Additions- purchased	238	0	0	0	0	0	238
Additions- internally generated	0	0	0	0	0	0	0
Additions- donated	14	0	0	0	0	0	14
Additions- government granted	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	(166)	(166)
<b>Gross cost at 31 March 2020</b>	<b>7,186</b>	<b>0</b>	<b>112</b>	<b>0</b>	<b>500</b>	<b>30</b>	<b>7,828</b>
<b>Amortisation at 1 April 2019</b>	4,728	0	112	0	0	0	4,840
Revaluation	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0
Impairment	0	0	0	0	0	0	0
Provided during the year	762	0	0	0	93	0	855
Reclassified as held for sale	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0
<b>Amortisation at 31 March 2020</b>	<b>5,490</b>	<b>0</b>	<b>112</b>	<b>0</b>	<b>93</b>	<b>0</b>	<b>5,695</b>
<b>Net book value at 1 April 2019</b>	<b>2,206</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>500</b>	<b>196</b>	<b>2,902</b>
<b>Net book value at 31 March 2020</b>	<b>1,696</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>407</b>	<b>30</b>	<b>2,133</b>
<b>At 31 March 2020</b>							
Purchased	1,647	0	0	0	0	30	1,677
Donated	49	0	0	0	0	0	49
Government Granted	0	0	0	0	0	0	0
Internally generated	0	0	0	0	407	0	407
<b>Total at 31 March 2020</b>	<b>1,696</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>407</b>	<b>30</b>	<b>2,133</b>

12. Intangible non-current assets 2018-19							
	Software (purchased)	Software (internally generated)	Licences and trademarks	Patents	Development expenditure- internally generated	Carbon Reduction Commitments	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation at 1 April 2018</b>	5,854	0	112	0	74	365	6,405
Revaluation	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0
Additions- purchased	1,106	0	0	0	0	0	1,106
Additions- internally generated	0	0	0	0	426	0	426
Additions- donated	11	0	0	0	0	0	11
Additions- government granted	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0
Disposals	(37)	0	0	0	0	(169)	(206)
<b>Gross cost at 31 March 2019</b>	<b>6,934</b>	<b>0</b>	<b>112</b>	<b>0</b>	<b>500</b>	<b>196</b>	<b>7,742</b>
<b>Amortisation at 1 April 2018</b>	4,085	0	75	0	0	0	4,160
Revaluation	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0
Impairment	0	0	0	0	0	0	0
Provided during the year	680	0	37	0	0	0	717
Reclassified as held for sale	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0
Disposals	(37)	0	0	0	0	0	(37)
<b>Amortisation at 31 March 2019</b>	<b>4,728</b>	<b>0</b>	<b>112</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,840</b>
<b>Net book value at 1 April 2018</b>	<b>1,769</b>	<b>0</b>	<b>37</b>	<b>0</b>	<b>74</b>	<b>365</b>	<b>2,245</b>
<b>Net book value at 31 March 2019</b>	<b>2,206</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>500</b>	<b>196</b>	<b>2,902</b>
<b>At 31 March 2019</b>							
Purchased	2,118	0	0	0	0	196	2,314
Donated	88	0	0	0	0	0	88
Government Granted	0	0	0	0	0	0	0
Internally generated	0	0	0	0	500	0	500
<b>Total at 31 March 2019</b>	<b>2,206</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>500</b>	<b>196</b>	<b>2,902</b>

## Additional Disclosures re Intangible Assets

i) On initial recognition Intangible non-current assets are measured at cost. Following initial recognition, intangible assets are carried at fair value by reference to an active market, or, where no active market exists, at amortised replacement cost (modern equivalent asset basis), indexed for relevant price increases, as a proxy for fair value.

ii) The useful economic life of Intangible non-current assets are assigned on an individual basis based on the professional judgement and past experience of clinicians, finance staff and other LHB professionals. The appropriateness of these lives is reviewed on an annual basis.

iii) All fully depreciated assets still in use are being carried at nil net book value.

iv) The LHB's Charitable Fund contributed £0.014m to the purchase of intangible assets during the year.

13 . Impairments					
	2019-20		2018-19		
	Property, plant & equipment	Intangible assets	Property, plant & equipment	Intangible assets	
	£000	£000	£000	£000	
Impairments arising from :					
Loss or damage from normal operations	0	0	0	0	
Abandonment in the course of construction	0	0	0	0	
Over specification of assets (Gold Plating)	0	0	0	0	
Loss as a result of a catastrophe	0	0	0	0	
Unforeseen obsolescence	0	0	0	0	
Changes in market price	0	0	0	0	
Others (specify)	28,442	0	3,648	0	
Reversal of Impairments	(8,129)	0	(3,771)	0	
<b>Total of all impairments</b>	<b>20,313</b>	<b>0</b>	<b>(123)</b>	<b>0</b>	
Analysis of impairments charged to reserves in year :					
Charged to the Statement of Comprehensive Net Expenditure	20,313	0	(123)	0	
Charged to Revaluation Reserve	0	0	0	0	
	<b>20,313</b>	<b>0</b>	<b>(123)</b>	<b>0</b>	
Professional valuations are carried out by the District Valuer Service (which as the commercial arm of the Valuation Office Agency, is part of HMRC). The valuations are carried out in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Assembly and HM Treasury. The last full Valuation of the LHB's estate was carried out on 1st April 2017.					
However, the LHB will periodically instruct the District Valuer to Carry out "Good Housekeeping Valuations" when assets resulting from major capital schemes are first brought into use. During the year the LHB carried out 7 such revaluations, the total effect of which were:					
Impairments written off via the Statement of Comprehensive Net Expenditure (SoCNE) were (£28.092m), reversal of Impairments of £0.717m were credited to the SoCNE.					
The significant schemes brought into use were:					
UHW Neonatal scheme (£18.536m) was written off the carrying value via the SoCNE.					
CRI areas re services transferring from Rookwood Hospital (£4.936m) was written off the carrying value via the SoCNE.					
In addition 5 minor schemes were brought into use and Impairments of (£4.620m) were written off the carrying value via the SoCNE, whilst a reversal of impairment of £0.717m was credited to the SoCNE.					
During the year, there was a fire at one of the properties Held for Sale (Lansdowne Hospital), the property was revalued by the District Valuer and an impairment of (£0.350m) has been charged to the SoCNE, see Note 11.2 for further detail.					
As per Welsh Government guidance the LHB has applied an Indexation factor to its Land and Buildings for 2019/2020 for a handful of sites this has resulted in a reversal of a prior period Impairment charge and therefore £7.412m has been credited to the SoCNE.					

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14.1 Inventories				
			31 March	31 March
			2020	2019
			£000	£000
Drugs			5,477	4,809
Consumables			11,273	12,071
Energy			34	46
Work in progress			0	0
Other			0	0
<b>Total</b>			<b>16,784</b>	<b>16,926</b>
Of which held at realisable value			0	0
14.2 Inventories recognised in expenses				
			31 March	31 March
			2020	2019
			£000	£000
Inventories recognised as an expense in the period			2,845	2,795
Write-down of inventories (including losses)			43	62
Reversal of write-downs that reduced the expense			0	0
<b>Total</b>			<b>2,888</b>	<b>2,857</b>
Due to restrictions created by the Covid 19 pandemic it was not possible to count all inventory items held at the end of March 2020. In these cases estimates have been made as to the value held based on previous counts. The value of these holdings included within note 14.1 is £2,195,814.				

15. Trade and other Receivables					Reclassified
			31 March	31 March	
			2020	2019	
			£000	£000	
<b>Current</b>					
Welsh Government			1,608	3,390	
WHSSC / EASC			4,163	5,964	
Welsh Health Boards			4,088	3,463	
Welsh NHS Trusts			2,008	1,796	
Health Education and Improvement Wales (HEIW)			195	653	
Non - Welsh Trusts			2,814	2,508	
Other NHS			145	131	
Welsh Risk Pool Claim reimbursement				133,521	
NHS Wales Secondary Health Sector			125,515	0	
NHS Wales Primary Sector FLS Reimbursement			0	0	
NHS Wales Redress			466	0	
Other			0	0	
Local Authorities			2,956	9,595	
Capital debtors - Tangible			0	0	
Capital debtors - Intangible			0	0	
Other debtors			19,566	18,524	
Provision for irrecoverable debts			(7,409)	(8,172)	
Pension Prepayments NHS Pensions			0	0	
Other prepayments			5,490	5,614	
Other accrued income			0	0	
<b>Sub total</b>			<b>161,605</b>	<b>176,987</b>	
<b>Non-current</b>					
Welsh Government			0	0	
WHSSC / EASC			0	0	
Welsh Health Boards			0	0	
Welsh NHS Trusts			0	0	
Health Education and Improvement Wales (HEIW)			0	0	
Non - Welsh Trusts			0	0	
Other NHS			0	0	
Welsh Risk Pool Claim reimbursement;				19,582	
NHS Wales Secondary Health Sector			14,311	0	
NHS Wales Primary Sector FLS Reimbursement			0	0	
NHS Wales Redress			0	0	
Other			0	0	
Local Authorities			0	0	
Capital debtors - Tangible			0	0	
Capital debtors - Intangible			0	0	
Other debtors			3,535	2,760	
Provision for irrecoverable debts			(1,172)	(910)	
Pension Prepayments NHS Pensions			0	0	
Other prepayments			1,105	0	
Other accrued income			0	0	
<b>Sub total</b>			<b>17,779</b>	<b>21,432</b>	
<b>Total</b>			<b>179,384</b>	<b>198,419</b>	

In line with the WAO 19/20 revised guidance, amounts owing to the Pool (Cardiff CC Creditor) and amounts owing from the Pool (Cardiff CC

Debtor) at year-end have been included net (£7231k). The 18/19 comparative has not been restated (£6851K).

15. Trade and other Receivables (continued)				31 March	31 March
Receivables past their due date but not impaired				2020	2019
				£000	£000
By up to three months				17,849	12,474
By three to six months				899	1,092
By more than six months				4,386	4,447
				23,134	18,013
Reflective of the fact that IFRS 9 requires bodies to account for the expected credit loss on all outstanding invoices (not just the non-NHS ones) the UHB from 2018-19 includes its NHS Credit note provision within the figure for irrecoverable debts in note 15 and has also included outstanding NHS invoices within the above disclosure on receivables not impaired.					
Expected Credit Losses (ECL) / Provision for impairment of receivables					
Balance at 31 March 2019					(7,012)
Adjustment for Implementation of IFRS 9					(1,259)
Balance at 1 April 2019				(9,082)	(8,271)
Transfer to other NHS Wales body				0	0
Amount written off during the year				341	63
Amount recovered during the year				0	0
(Increase) / decrease in receivables impaired				160	(874)
Bad debts recovered during year				0	0
Balance at 31 March 2020				(8,581)	(9,082)
In determining whether a debt is impaired consideration is given to the age of the debt and the results of actions taken to recover the debt, including reference to credit agencies.					
Receivables VAT					
Trade receivables				0	0
Other				2,135	1,921
Total				2,135	1,921

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18. Trade and other payables		Reclassified
Current	31 March 2020	31 March 2019
	£000	£000
Welsh Government	10	64
WHSSC / EASC	1,203	1,121
Welsh Health Boards	5,564	5,549
Welsh NHS Trusts	7,723	2,982
Health Education and Improvement Wales (HEIW)	7	7
Other NHS	16,280	15,508
Taxation and social security payable / refunds	5,664	5,663
Refunds of taxation by HMRC	0	0
VAT payable to HMRC	0	0
Other taxes payable to HMRC	0	0
NI contributions payable to HMRC	7,684	7,010
Non-NHS payables - Revenue	39,477	24,983
Local Authorities	14,315	20,935
Capital payables- Tangible	17,073	11,744
Capital payables- Intangible	0	0
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases, HP contracts	301	299
Imputed finance lease element of on SoFP PFI contracts	283	225
Pensions: staff	0	0
Non NHS Accruals	52,160	57,394
Deferred Income:		
Deferred Income brought forward	1,664	1,059
Deferred Income Additions	463	829
Transfer to / from current/non current deferred income	0	0
Released to SoCNE	(750)	(224)
Other creditors	12,581	18,710
PFI assets –deferred credits	22	16
Payments on account	1,048	815
<b>Sub Total</b>	<b>182,792</b>	<b>174,685</b>
<b>Non-current</b>		
Welsh Government	0	0
WHSSC / EASC	0	0
Welsh Health Boards	0	0
Welsh NHS Trusts	0	0
Health Education and Improvement Wales (HEIW)	0	0
Other NHS	0	0
Taxation and social security payable / refunds	0	0
Refunds of taxation by HMRC	0	0
VAT payable to HMRC	0	0
Other taxes payable to HMRC	0	0
NI contributions payable to HMRC	0	0
Non-NHS payables - Revenue	0	0
Local Authorities	0	0
Capital payables- Tangible	0	0
Capital payables- Intangible	0	0
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases, HP contracts	0	301
Imputed finance lease element of on SoFP PFI contracts	8,425	8,708
Pensions: staff	0	0
Non NHS Accruals	0	0
Deferred Income :		
Deferred Income brought forward	0	0
Deferred Income Additions	0	0
Transfer to / from current/non current deferred income	0	0
Released to SoCNE	0	0
Other creditors	0	0
PFI assets –deferred credits	0	86
Payments on account	0	0
<b>Sub Total</b>	<b>8,489</b>	<b>9,095</b>
<b>Total</b>	<b>191,281</b>	<b>183,780</b>
It is intended to pay all invoices within the 30 day period directed by the Welsh Government.		
In line with the WAO 19/20 revised guidance, amounts owing to the Pool (Cardiff CC Creditor) and amounts owing from the Pool (Cardiff CC Debtor) at year-end have been included net (£7231k). The 18/19 comparative has not been restated (£6851K).		



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## 18. Trade and other payables (continued).

Amounts falling due more than one year are expected to be settled as follows:	31 March 2020	31 March 2019
	£000	£000
Between one and two years	413	602
Between two and five years	1,552	1,344
In five years or more	6,524	7,149
Sub-total	8,489	9,095

## 19. Other financial liabilities

Financial liabilities	Current		Non-current	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	£000	£000	£000	£000
Financial Guarantees:				
At amortised cost	0	0	0	0
At fair value through SoCNE	0	0	0	0
Derivatives at fair value through SoCNE	0	0	0	0
Other:				
At amortised cost	0	0	0	0
At fair value through SoCNE	0	0	0	0
Total	0	0	0	0

10. Provisions	Reclassified								
	At 1 April 2019	Structured settlement cases transferred to Risk Pool	Transfer of provisions to creditors	Transfer between current and non-current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2020
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Current									
Initial negligence>	0								0
Secondary care	115,016	(22,741)	101	2,500	35,822	(24,972)	(3,196)	0	102,530
Primary care	0	0	0	0	0	0	0	0	0
Redress Secondary care	78	0	0	0	452	(211)	(46)	0	273
Redress Primary care	0	0	0	0	0	0	0	0	0
Personal injury	580	0	0	55	2,512	(766)	(286)	11	2,106
Il other losses and special payments	0	0	0	0	293	(293)	0	0	0
Reference legal fees and other administration	1,856	0	0	254	1,163	(930)	(517)		1,826
Provisions relating to former directors	0			0	0	0	0	0	0
Provisions relating to other staff	186			106	70	(184)	0	4	182
Restructuring	0			0	0	0	0	0	0
Other	11,371		(287)	(13)	1,604	(2,332)	(3,680)		6,663
Total	129,087	(22,741)	(186)	2,902	41,916	(29,688)	(7,725)	15	113,580
Non Current									
Initial negligence>	0								0
Secondary care	18,894	0	0	(2,500)	589	(590)	(2,778)	0	13,615
Primary care	0	0	0	0	0	0	0	0	0
Redress Secondary care	0	0	0	0	0	0	0	0	0
Redress Primary care	0	0	0	0	0	0	0	0	0
Personal injury	3,677	0	0	(55)	0	0	0	0	3,622
Il other losses and special payments	0	0	0	0	0	0	0	0	0
Reference legal fees and other administration	477	0	0	(254)	88	(22)	(5)		284
Provisions relating to former directors	0			0	0	0	0	0	0
Provisions relating to other staff	1,101			(106)	0	0	0	0	995
Restructuring	0			0	0	0	0	0	0
Other	713		0	13	85	0	0		811
Total	24,862	0	0	(2,902)	762	(612)	(2,783)	0	19,327
OTL									
Initial negligence>	0								0
Secondary care	133,910	(22,741)	101	0	36,411	(25,562)	(5,974)	0	116,145
Primary care	0	0	0	0	0	0	0	0	0
Redress Secondary care	78	0	0	0	452	(211)	(46)	0	273
Redress Primary care	0	0	0	0	0	0	0	0	0
Personal injury	4,267	0	0	0	2,512	(766)	(286)	11	5,728
Il other losses and special payments	0	0	0	0	293	(293)	0	0	0
Reference legal fees and other administration	2,333	0	0	0	1,251	(952)	(522)		2,110
Provisions relating to former directors	0			0	0	0	0	0	0
Provisions relating to other staff	1,287			0	70	(184)	0	4	1,177
Restructuring	0			0	0	0	0	0	0
Other	12,084		(287)	0	1,689	(2,332)	(3,680)		7,474
Total	153,949	(22,741)	(186)	0	42,678	(30,300)	(10,508)	15	132,907
Expected timing of cash flows:									
					In year	Between	Thereafter		Total
					to 31 March 2021	1 April 2021			
					31 March 2025				£000
Initial negligence>					0				0
Secondary care					102,530	13,615	0		116,145
Primary care					0	0	0		0
Redress Secondary care					273	0	0		273
Redress Primary care					0	0	0		0
Personal injury					2,106	833	2,789		5,728
Il other losses and special payments					0	0	0		0
Reference legal fees and other administration					1,826	284	0		2,110
Provisions relating to former directors					0	0	0		0
Provisions relating to other staff					182	739	256		1,177
Restructuring					0	0	0		0
Other					6,663	680	131		7,474
Total					113,580	16,151	3,176		132,907

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## Note 20. 2019/2020 (continued)

The expected timing of cashflows in respect of provisions arising from clinical negligence or personal injury claims (together with the associated defence costs) are based on legal opinion obtained by the LHB. The nature of litigation however means that these could be subject to change.

Amounts due in respect of pensions are profiled based on the regime which the NHS Pensions agency currently uses to recover payments in respect of such amounts. This could be subject to change in the future.

The LHB is able to recover amounts paid out in respect of clinical negligence or personal injury claims (subject to an excess per case of £25k) from the Welsh Risk Pool. An amount of £140.291m has been shown within note 15 (Trade and Other receivables) in respect of such expected reimbursements.

### Other Provisions include:

Continuing Healthcare IRP & Ombudsman claims £0.544m  
Potential Payments to staff in respect of time off in lieu £0.307m  
Employment Tribunal Litigation Cases £0.938m  
Carbon Reduction Commitments £0.024m  
Holiday Pay on Voluntary Overtime £1.143m  
Other provisions considered commercially sensitive £4.518m

## Continuing Healthcare Cost uncertainties

Liabilities for continuing healthcare costs continue to be a significant financial issue for the LHB. Following various annual deadlines for the submission of new claims, effected since 31<sup>st</sup> July 2014, which increased the number of claims registered each financial year, a rolling deadline now applies which allows new claims to go back one year from date of application.

Cardiff and Vale University Health Board is responsible for post 1<sup>st</sup> April 2003 costs and the financial statements include the following amounts relating to those uncertain continuing healthcare costs:

Note [20] sets out the £0.544m provision made for probable continuing care costs relating to 21 claims received;

Note [21.1] sets out the £1.674m contingent liability for possible continuing care costs relating to 21 claims received;

The UHB is providing £0.211m in respect of 10 Phase 3 claims received between 1<sup>st</sup> May 2014 and 31<sup>st</sup> July 2014.

The UHB is providing £0.081m in respect of 2 Phase 5 claims received between 1<sup>st</sup> November 2015 and 31<sup>st</sup> October 2016.

The UHB is providing £0.205m in respect of 5 Phase 6 claims received between 1<sup>st</sup> November 2016 and 31<sup>st</sup> October 2017.

The UHB is providing £0.047m in respect of 4 Phase 7 claims received between 1<sup>st</sup> April 2018 and 31<sup>st</sup> March 2019.

For Phase 7 (2019/2020) claims received between 1<sup>st</sup> April 2019 and 31<sup>st</sup> March 2020, due to the low number of claims completed the UHB does not currently have sufficient information available regarding the likelihood of claim success to calculate a provision for this Phase.

10. Provisions (continued)									
	At 1 April 2018	Structured settlement cases transferred to Risk Pool	Transfer of provisions to creditors	Transfer between current and non-current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2019
<b>current</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
linical negligence-	0	0	0	0	0	0	0	0	0
Secondary care	106,655	(27,171)	(2,110)	46,939	29,052	(19,182)	(19,167)	0	115,016
Primary care	0	0	0	0	0	0	0	0	0
Redress Secondary care	226	0	0	0	279	(275)	(152)	0	78
Redress Primary care	0	0	0	0	0	0	0	0	0
ersonal injury	814	0	0	215	437	(758)	(169)	41	580
li other losses and special payments	0	0	0	0	440	(440)	0	0	0
efence legal fees and other administration	2,383	0	0	544	912	(1,098)	(885)		1,866
ensions relating to former directors	0			0	0	0	0	0	0
ensions relating to other staff	189			71	115	(190)	0	1	186
estructuring	0			0	0	0	0	0	0
ther	10,245		(444)	221	6,231	(2,840)	(2,042)		11,371
<b>otal</b>	<b>120,512</b>	<b>(27,171)</b>	<b>(2,554)</b>	<b>47,990</b>	<b>37,466</b>	<b>(24,783)</b>	<b>(22,415)</b>	<b>42</b>	<b>129,087</b>
<b>on Current</b>									
linical negligence-	0	0	0	0	0	0	0	0	0
Secondary care	53,717	0	0	(46,939)	12,410	(262)	(32)	0	18,894
Primary care	0	0	0	0	0	0	0	0	0
Redress Secondary care	0	0	0	0	0	0	0	0	0
Redress Primary care	0	0	0	0	0	0	0	0	0
ersonal injury	3,884	0	0	(215)	8	0	0	0	3,677
li other losses and special payments	0	0	0	0	0	0	0	0	0
efence legal fees and other administration	764	0	0	(544)	347	(88)	(2)		477
ensions relating to former directors	0			0	0	0	0	0	0
ensions relating to other staff	1,172			(71)	0	0	0	0	1,101
estructuring	0			0	0	0	0	0	0
ther	934		0	(221)	0	0	0		713
<b>otal</b>	<b>60,471</b>	<b>0</b>	<b>0</b>	<b>(47,990)</b>	<b>12,765</b>	<b>(350)</b>	<b>(34)</b>	<b>0</b>	<b>24,862</b>
<b>OTAL</b>									
linical negligence-	0	0	0	0	0	0	0	0	0
Secondary care	160,372	(27,171)	(2,110)	0	41,462	(19,444)	(19,199)	0	133,910
Primary care	0	0	0	0	0	0	0	0	0
Redress Secondary care	226	0	0	0	279	(275)	(152)	0	78
Redress Primary care	0	0	0	0	0	0	0	0	0
ersonal injury	4,698	0	0	0	445	(758)	(169)	41	4,257
li other losses and special payments	0	0	0	0	440	(440)	0	0	0
efence legal fees and other administration	3,147	0	0	0	1,259	(1,186)	(887)		2,333
ensions relating to former directors	0			0	0	0	0	0	0
ensions relating to other staff	1,361			0	115	(190)	0	1	1,287
estructuring	0			0	0	0	0	0	0
ther	11,179		(444)	0	6,231	(2,840)	(2,042)		12,084
<b>otal</b>	<b>180,983</b>	<b>(27,171)</b>	<b>(2,554)</b>	<b>0</b>	<b>50,231</b>	<b>(25,133)</b>	<b>(22,449)</b>	<b>42</b>	<b>153,949</b>
The Clinical Negligence provision includes £0.078m in respect of 13 potential claims under The Welsh Government "Putting Things Right" Redress Scheme. In addition 36 claims were settled during the year under this scheme to the value of £0.335m.									

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## Note 20. 2018/2019 (continued)

The expected timing of cashflows in respect of provisions arising from clinical negligence or personal injury claims (together with the associated defence costs) are based on legal opinion obtained by the LHB. The nature of litigation however means that these could be subject to change.

Amounts due in respect of pensions are profiled based on the regime which the NHS Pensions agency currently uses to recover payments in respect of such amounts. This could be subject to change in the future. The LHB is able to recover amounts paid out in respect of clinical negligence or personal injury claims (subject to an excess per case of £25k) from the Welsh Risk Pool. An amount of £153.103m has been shown within note 15 (Trade and Other receivables) in respect of such expected reimbursements.

### Other Provisions include:

Continuing Healthcare IRP & Ombudsman claims £2.503m  
Potential Payments to staff in respect of time off in lieu £0.350m  
Employment Tribunal Litigation Cases £1.050m  
Carbon Reduction Commitments £0.190m  
Holiday Pay on Voluntary Overtime £0.910m  
Other provisions considered commercially sensitive £7.081m

### Continuing Healthcare Cost uncertainties

Liabilities for continuing healthcare costs continue to be a significant financial issue for the LHB. Following various annual deadlines for the submission of new claims, effected since 31<sup>st</sup> July 2014, which increased

the number of claims registered each financial year, a rolling deadline now applies which allows new claims to go back one year from date of application.

Cardiff and Vale University Health Board is responsible for post 1<sup>st</sup> April 2003 costs and the financial statements include the following amounts relating to those uncertain continuing healthcare costs:

Note [20] sets out the £2.503m provision made for probable continuing care costs relating to 97 claims received;

Note [21.1] sets out the £7.869m contingent liability for possible continuing care costs relating to 97 claims received;

The UHB is providing £0.037m in respect of 2 Phase 2 claims received between 16<sup>th</sup> August 2010 and 30<sup>th</sup> April 2014.

The UHB is providing £1.500m in respect of 75 Phase 3 claims received between 1<sup>st</sup> May 2014 and 31<sup>st</sup> July 2014.

The UHB is providing £0.225m in respect of 6 Phase 5 claims received between 1<sup>st</sup> November 2015 and 31<sup>st</sup> October 2016.

The UHB is providing £0.741m in respect of 14 Phase 6 claims received between 1<sup>st</sup> November 2016 and 31<sup>st</sup> October 2017.

For Phase 7 (2018/19) claims received between 1<sup>st</sup> April 2018 and 31<sup>st</sup> March 2019, due to the low number of claims completed the LHB does not currently have sufficient information available regarding the likelihood of claim success to calculate a provision for this Phase.



<b>21. Contingencies</b>									
<b>21.1 Contingent liabilities</b>								Reclassified	
						2019-20	2018-19		
						£'000	£'000		
Provisions have not been made in these accounts for the following amounts :									
Legal claims for alleged medical or employer negligence:-							0		
Secondary care						192,191	152,590		
Primary care						0	0		
Redress Secondary care						0	0		
Redress Primary care						0	0		
Doubtful debts						0	0		
Equal Pay costs						0	0		
Defence costs						1,160	1,075		
Continuing Health Care costs						1,674	7,869		
Other						0	0		
Total value of disputed claims						195,025	161,534		
Amounts (recovered) in the event of claims being successful						(190,533)	(150,989)		
<b>Net contingent liability</b>						<b>4,492</b>	<b>10,545</b>		

Other litigation claims could arise in the future due to known incidents. The expenditure which may arise from such claims cannot be determined and no provision has been made for them. Liability for Permanent Injury Benefit under the NHS Injury Benefit Scheme lies with the employer. Individual claims to the NHS Pensions Agency could arise due to known incidents. The amounts disclosed as contingent liabilities in relation to potential clinical negligence or personal injury claims against the UHB arise where legal opinion as to the possibility of the claims success has deemed this to be possible, rather than remote, and no provision has already been made for such items within note 20. The UHB is assuming that all such costs would be reimbursed by the Welsh Risk Pool (subject to a £25k excess per claim). The net contingent liability contains £2.006m re clinical negligence and £0.812m re personal injury.

### Continuing Healthcare Cost uncertainties

Liabilities for continuing healthcare costs continue to be a significant financial issue for the UHB. Various annual deadlines for the submission of new claims, effected since 31<sup>st</sup> July 2014, have increased the number of claims registered each financial year.

Cardiff and Vale University Health Board is responsible for post 1<sup>st</sup> April 2003 costs and the financial statements include the following amounts relating to those uncertain continuing healthcare costs:

Note 20 sets out the £0.544m provision made for probable continuing care costs relating to 21 claims received;

Note 21.1 sets out the £1.674m contingent liability for possible continuing care costs relating to 21 claims received;

The UHB is providing £0.211m in respect of 10 Phase 3 claims received between 1<sup>st</sup> May 2014 and 31<sup>st</sup> July 2014.

The UHB is providing £0.081m in respect of 2 Phase 5 claims received between 1<sup>st</sup> November 2015 and 31<sup>st</sup> October 2016.

The UHB is providing £0.205m in respect of 5 Phase 6 claims received between 1<sup>st</sup> November 2016 and 31<sup>st</sup> October 2017.

The UHB is providing £0.047m in respect of 4 Phase 7 claims received between 1<sup>st</sup> April 2018 and 31<sup>st</sup> March 2019.

For Phase 7 (2019/2020) claims received between 1<sup>st</sup> April 2019 and 31<sup>st</sup> March 2020, due to the low number of claims completed the UHB does not currently have sufficient information available regarding the likelihood of claim success to calculate a provision for this Phase.





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#### **Pensions tax annual allowance – Scheme Pays arrangements 2019/20**

In accordance with a Ministerial Direction issued on 18 December 2019, the Welsh Government have taken action to support circumstances where pensions tax rules are impacting upon clinical staff who want to work additional hours, and have determined that:

Clinical staff who are members of the NHS Pension Scheme and who, as a result of work undertaken in the 2019-20 tax year, face a tax charge on the growth of their NHS pension benefits, may opt to have this charge paid by the NHS Pension Scheme, with their pension reduced on retirement;

Cardiff & Vale UHB will then pay them a corresponding amount on retirement, ensuring that they are fully compensated for the effect of the deduction.

This scheme will be fully funded by the Welsh Government with no net cost to Cardiff & Vale UHB.

Clinical staff have until 31 July 2021 to opt for this scheme and the ability to make changes up to 31 July 2024.

Using information provided by the Government Actuaries Department and the NHS Business Services Authority, a national 'average discounted value per nomination' (calculated at £3,345) could be used by NHS bodies to estimate a local provision by multiplying it by the number of staff expected to take up the offer.

At the date of approval of these accounts, there was no evidence of take-up of the scheme by our clinical staff in 2019-20 and no information was available to enable a reasonable assessment of future take up to be made. As no reliable estimate can therefore be made to support the creation of a provision at 31 March 2020, the existence of an unquantified contingent liability is instead disclosed.



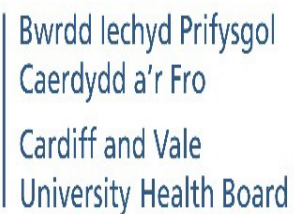
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21.2 Remote Contingent liabilities	2019-20	2018-19
	£'000	£'000
Please disclose the values of the following categories of remote contingent liabilities :		
Guarantees	0	0
Indemnities	50	0
Letters of Comfort	0	0
<b>Total</b>	<b>50</b>	<b>0</b>
The figure shown above under Indemnities relates to Clinical Negligence & Personal Injury claims against the UHB, where our legal advisors informed us that the claimants chance of success is remote		
21.3 Contingent assets	2019-20	2018-19
	£'000	£'000
	0	0
	0	0
	0	0
<b>Total</b>	<b>0</b>	<b>0</b>
22. Capital commitments		
Contracted capital commitments at 31 March	2019-20	2018-19
	£'000	£'000
Property, plant and equipment	15,537	30,479
Intangible assets	0	0
<b>Total</b>	<b>15,537</b>	<b>30,479</b>
The in year decrease in commitments disclosed is largely due to the progress made in respect of the construction of our major capital schemes.		

23. Losses and special payments					
Losses and special payments are charged to the Statement of Comprehensive Net Expenditure in accordance with IFRS but are recorded in the losses and special payments register when payment is made. Therefore this note is prepared on a cash basis.					
Gross loss to the Exchequer					
Number of cases and associated amounts paid out or written-off during the financial year					
				Amounts paid out during period to 31 March 2020	
				Number	£
Clinical negligence				138	27,780,872
Personal injury				74	765,603
All other losses and special payments				328	3,567,571
Total				540	32,114,046
Analysis of cases which exceed £300,000 and all other cases					
				Amounts paid out in year	Cumulative amount
Cases where cumulative amount exceeds £300,000		Number	Case type	£	£
	00RWMMN0008		Clinical Negligence	3,656,000	3,981,000
	09RWMMN0026		Clinical Negligence	150,000	1,520,000
	10RWMMN0013		Clinical Negligence	265,000	4,731,250
	13RWMMN0047		Clinical Negligence	648,558	1,137,529
	14RWMMN0001		Clinical Negligence	45,000	1,175,000
	14RWMMN0016		Clinical Negligence	70,000	1,620,000
	15RWMMN0010		Clinical Negligence	1,443,500	1,493,500
	15RWMMN0020		Clinical Negligence	1,425,000	1,575,000
	15RWMMN0113		Clinical Negligence	350,000	395,000
	15RWMMN0127		Clinical Negligence	120,000	395,000
	16RWMMN0007		Clinical Negligence	1,645,000	1,695,000
	16RWMMN0025		Clinical Negligence	645,445	682,708
	16RWMMN0050		Clinical Negligence	195,000	659,654
	16RWMMN0084		Clinical Negligence	6,516,918	7,916,918
	16RWMMN0134		Clinical Negligence	495,000	495,000
	17RWMMN0030		Clinical Negligence	57,214	669,714
	17RWMMN0052		Clinical Negligence	274,787	475,000
	17RWMMN0097		Clinical Negligence	317,500	317,500
	17RWMMN0118		Clinical Negligence	1,945,000	2,485,000
	17RWMMN0166		Clinical Negligence	1,142,238	1,142,238
	18RWMMN0067		Clinical Negligence	1,386,375	1,386,375
	20RWMGN0001		General Litigation	416,016	416,016
	20RWMFP0010		Fruitless Payment	315,446	315,446
	20RWMDF0012		Damage to Property	1,931,056	1,931,056
Sub-total				25,456,053	38,610,904
All other cases				6,657,993	10,641,359
Total cases				32,114,046	49,252,263

<b>24. Finance leases</b>				
<b>24.1 Finance leases obligations (as lessee)</b>				
As at 31st March 2019 the LHB currently has one finance lease agreement in place for the lease of a building. This lease agreement is due to expire in 2020/21. The LHB also had one finance lease agreement in place for the lease of equipment which is due to expire in 2020/21. The present value of the minimum lease payments have been arrived at by applying the treasury discount rate (1.27%) as it has not been possible to determine the discount rate implicit in the lease agreement.				
<b>Amounts payable under finance leases:</b>				
<b>Land</b>	<b>31 March</b>	<b>31 March</b>		
	<b>2020</b>	<b>2019</b>		
	<b>£000</b>	<b>£000</b>		
<b>Minimum lease payments</b>				
Within one year	0	0		
Between one and five years	0	0		
After five years	0	0		
Less finance charges allocated to future periods	0	0		
Minimum lease payments	0	0		
Included in:				
Current borrowings	0	0		
Non-current borrowings	0	0		
	0	0		
<b>Present value of minimum lease payments</b>				
Within one year	0	0		
Between one and five years	0	0		
After five years	0	0		
Present value of minimum lease payments	0	0		
Included in:				
Current borrowings	0	0		
Non-current borrowings	0	0		
	0	0		

<b>24.1 Finance leases obligations (as lessee) continue</b>				
<b>Amounts payable under finance leases:</b>				
<b>Buildings</b>	<b>31 March</b>	<b>31 March</b>		
	<b>2020</b>	<b>2019</b>		
	<b>£000</b>	<b>£000</b>		
<b>Minimum lease payments</b>				
Within one year	210	210		
Between one and five years	0	210		
After five years	0	0		
Less finance charges allocated to future periods	(2)	(5)		
Minimum lease payments	208	415		
Included in:				
Current borrowings	208	207		
Non-current borrowings	0	208		
	208	415		
<b>Present value of minimum lease payments</b>				
Within one year	206	200		
Between one and five years	0	194		
After five years	0	0		
Present value of minimum lease payments	206	394		
Included in:				
Current borrowings	0	0		
Non-current borrowings	0	0		
	0	0		
<b>Other</b>	<b>31 March</b>	<b>31 March</b>		
	<b>2020</b>	<b>2019</b>		
	<b>£000</b>	<b>£000</b>		
<b>Minimum lease payments</b>				
Within one year	94	94		
Between one and five years	0	94		
After five years	0	0		
Less finance charges allocated to future periods	(1)	(2)		
Minimum lease payments	93	186		
Included in:				
Current borrowings	93	93		
Non-current borrowings	0	93		
	93	186		
<b>Present value of minimum lease payments</b>				
Within one year	92	89		
Between one and five years	0	87		
After five years	0	0		
Present value of minimum lease payments	92	176		
Included in:				
Current borrowings	0	0		
Non-current borrowings	0	0		
	0	0		

[illegible]



<b>25.3 Charges to expenditure</b>				2019-20	2018-19
				£000	£000
Service charges for On Statement of Financial Position PFI contracts (excl interest costs)				2,279	2,201
Total expense for Off Statement of Financial Position PFI contracts				0	0
The total charged in the year to expenditure in respect of PFI contracts				2,279	2,201
The LHB is committed to the following annual charges					
				31 March 2020	31 March 2019
<b>PFI scheme expiry date:</b>				£000	£000
Not later than one year				2,347	2,207
Later than one year, not later than five years				9,147	8,588
Later than five years				13,269	14,805
<b>Total</b>				<b>24,763</b>	<b>25,600</b>
The estimated annual payments in future years will vary from those which the LHB is committed to make during the next year by the impact of movement in the Retail Prices Index.					
<b>25.4 Number of PFI contracts</b>					
				<b>Number of on SoFP PFI contracts</b>	<b>Number of off SoFP PFI contracts</b>
Number of PFI contracts				1	0
Number of PFI contracts which individually have a total commitment > £500m				0	0
				<b>On / Off-statement of financial position</b>	
<b>PFI Contract</b>					
Number of PFI contracts which individually have a total commitment > £500m				0	
<b>PFI Contract</b>					
St David's Hospital				On	
<b>25.5 The LHB has one Public Private Partnerships</b>					
In addition to the St David's PFI Scheme set out previously in Note 25.2, the LHB had one other Public Private Partnerships (PPP) Schemes during 2019/20 as set out below:					
<b>Llandough Hospital Staff Accommodation</b>					
On 26th October 1999, the former University Hospital and Llandough NHS Trust entered into an agreement with Charter Housing for the design, construction, fit out and the subsequent operation of its staff accommodation at Llandough Hospital. The contract period is 25 years; however Charter Housing have since undergone a restructure which has seen a transfer of its interest in the contract to Fairlake Properties Limited. This transfer was completed during 2007/8.					

#### 25.5 The LHB had 1 Public Private Partnerships during the year (Continued)

In return for the provision of the new serviced accommodation, the Trust transferred a parcel of surplus land to Charter on which seven of its existing properties resided. These properties were subsequently demolished and the land sold off by Charter. The accommodation is located on the remaining land, which had previously housed three additional properties. This is granted to Charter under a 99 year head lease for a peppercorn rent. Charter then leases the properties back to the LHB in return for an annual unitary payment of £0.048m. The LHB then leases the property back to Charter under a 27 year sub-underlease. The value of the property transferred to Charter in 1999/2000 was £0.763m.

The scheme has been assessed as being "on-statement of financial position" under IFRIC 12 and therefore the building is currently valued at £1.038m and the land at £0.586m on the LHB's statement of financial position (note 11).

On initial recognition of the asset a deferred income creditor balance was recognised in the LHB's accounts at a value of £0.454m. In line with Department of Health Guidance this creditor is being released to the SoCNE annually over the 25 year life of the contract. The amount that has been credited to operating expenses in 2019/20 was £0.018m.

## 26. Financial risk management

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. The LHB is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which these standards mainly apply. The LHB has limited powers to invest and financial assets and liabilities are generated by day-to-day operational activities rather



than being held to change the risks facing the LHB in undertaking its activities.

### Currency risk

The LHB is principally a domestic organisation with the great majority of transactions, assets and liabilities being in the UK and Sterling based. The LHB has no overseas operations. The LHB therefore has low exposure to currency rate fluctuations.

### Interest rate risk

LHBs are not permitted to borrow. The LHB therefore has low exposure to interest rate fluctuations.

### Credit risk

Because the majority of the LHB's funding derives from funds voted by the Welsh Government the LHB has low exposure to credit risk.

### Liquidity risk

The LHB is required to operate within cash limits set by the Welsh Government for the financial year and draws down funds from the Welsh Government as the requirement arises. The LHB is not, therefore, exposed to significant liquidity risks.

<b>27. Movements in working capital</b>		
	<b>2019-20</b>	2018-19
	<b>£000</b>	<b>£000</b>
(Increase)/decrease in inventories	142	(1,229)
(Increase)/decrease in trade and other receivables - non-current	3,653	36,037
(Increase)/decrease in trade and other receivables - current	15,382	(10,798)
Increase/(decrease) in trade and other payables - non-current	(584)	(540)
Increase/(decrease) in trade and other payables - current	8,103	(5,504)
<b>Total</b>	<b>26,696</b>	17,966
Adjustment for accrual movements in fixed assets - creditors	(5,329)	5,351
Adjustment for accrual movements in fixed assets - debtors	0	0
Other adjustments	524	(780)
	<b>21,891</b>	22,537
<b>28. Other cash flow adjustments</b>		
	<b>2019-20</b>	2018-19
	<b>£000</b>	<b>£000</b>
Depreciation	29,962	31,574
Amortisation	855	717
(Gains)/Loss on Disposal	(2,175)	9
Impairments and reversals	20,313	(123)
Release of PFI deferred credits	(18)	(101)
Donated assets received credited to revenue but non-cash	(1,107)	(631)
Government Grant assets received credited to revenue but non-cash	0	0
Non-cash movements in provisions	9,258	(1,901)
Other movements	27,078	0
<b>Total</b>	<b>84,166</b>	29,544
Other movements relate to Staff Employer Pensions Contributions - Notional Element (Note 34.1)		

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## 29. Events after the Reporting Period

The COVID-19 pandemic has presented a number of challenges for the Health Board, which are represented in the following disclosures within the financial statements. Included within Note 3.3 - Expenditure on Hospital and Community Health Services are costs of £1.057m associated with the COVID-19 pandemic during the latter part of March 2020. These costs have been covered by a resource allocation from Welsh Government and there is therefore no impact on the performance against the resource limits reported in Note 2. The UHB also received £1.786m additional capital funding to cover COVID related additions to cover both tangible and intangible capital additions during 2019-20.

The pandemic also restricted the UHB's ability to carry out yearend stock counts. Where this was the case, estimates have been made as to the value held based on previous counts. The value of these holdings included within note 14.1 is £2,195,814.

Most of the Health Board's Covid-related costs have occurred since April 2020 and they will therefore be reported in next year's 2020-21 financial statements.

The 2019-20 Annual Governance Statement at pages 15 to 17 explains how the Health Board has adapted its governance arrangements in order to strengthen its handling of the pandemic.

The need to plan and respond to the COVID-19 pandemic has had a significant impact on the organisation, wider NHS and society as a whole.

It has required a dynamic response which has presented a number of opportunities in addition to the risks. The need to respond and recover from the pandemic will be with the organisation and wider society throughout 2020/21 and beyond. The organisation's Governance Framework will need to consider and respond to this need.





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### 30. Related Party Transactions

The Welsh Government is regarded as a related party. During the year the LHB have had a significant number of material transactions with the Welsh Government and with other entities for which the Welsh Government is regarded as the parent body, namely				
Related Party	Expenditure to related party £000	Income from related party £000	Amounts owed to related party £000	Amounts due from related party £000
Welsh Government	105	1,046,408	10	1,608
Swansea Bay University Health Board	6,405	5,793	1,872	685
Aneurin Bevan University Health Board	3,597	34,217	1,594	794
Betsi Cadwaladr University Health Board	604	706	175	107
Cwm Taf Morgannwg University Health Board	17,311	30,597	1,556	1,669
Hywel Dda University Health Board	532	6,240	342	255
Powys Teaching Health Board	162	2,304	24	578
Wales Ambulance NHS Trust	4,523	33	543	2
Velindre NHS Trust	34,826	5,349	5,696	1,372
Welsh Health Specialised Services Committee	128,886	240,390	1,203	4,163
Public Health Wales Trust	6,881	5,166	1,485	634
Health Education and Improvement Wales	7	20,793	7	195
	<b>203,839</b>	<b>1,397,996</b>	<b>14,507</b>	<b>12,062</b>
During the period, other than the individuals set out below, there were no other material related party transactions involving other board members or key senior management staff.				
Mrs Maria Battle was Chair of the Cardiff and Vale University Health Board until 5th August 2019. During that time, she was also an Executive Director of <b>Social Care Wales</b> .				
Charles Janczewski was vice Chair of the Cardiff and Vale Health Board from 6th August 2019. He is also Chair of Governance Board for Health & Wellbeing Academy at <b>Swansea University</b> .				
Mrs Eileen Brandeth is an independent member of Cardiff and Vale University Health Board. She is also Director of Information and Technology at <b>Cardiff University</b> .				
Sara Moseley is an independent member of Cardiff and Vale University Health Board. She is also Executive Director of <b>Mind</b> .				
Len Richards is Chief Executive of the Cardiff and Vale University Health Board. He is also advisor to the Life Sciences Hub Wales Board ( <b>Welsh Government</b> ), and an independent Member of <b>Cardiff University</b> .				
Prof Gary Baxter is an independent member of Cardiff and Vale University Health Board. He is also Pro Vice-Chancellor, College of Biomedical Life Sciences, <b>Cardiff University</b> and a member of Life Sciences Hub Wales Board ( <b>Welsh Government</b> ).				
Mrs Abigail Harris is the Executive Director of Strategic Planning for Cardiff & Vale University Health Board. She is also an independent member of <b>Social Care Wales</b> .				
Fiona Kinghorn is Director of Public Health for Cardiff and Vale University Health Board. Her Husband is Director of Public Protection in <b>Rhondda Cynon Taf County Borough Council</b> .				
Susan Elsmore is an Independent Member of Cardiff and Vale University Health Board and cabinet member for Social Care Health & Wellbeing for the <b>City of Cardiff Council</b> .				
Lance Carver is an Associate Member of Cardiff and Vale University Health Board and the Director of Social Services in the <b>Vale of Glamorgan Council</b> .				
Hanuk Akmal is Chair of the Cardiff and Vale Health Charity Charitable Funds Committee and an Independent Member of Cardiff and Vale University Health Board. He is also a member of Glas Cymru Holdings ( <b>Welsh Water</b> ) and the Chair of Internship and Business Valleys Taskforce <b>Welsh Government</b> .				
Michael Imperato is an independent member of Cardiff & Vale University Health Board. He is also an equity partner in <b>Watkins &amp; Gunn Solicitors</b> .				
Jonathan Gray became Director of Transformation and Informatics for Cardiff and Vale University Health Board from 2nd December 2019. He is also Clinical Director for the Life Sciences HUB ( <b>Welsh Government</b> ).				
Rhian Thomas became an independent member of Cardiff and Vale University Health Board from 1st February 2020.. She is also a member of Glas Cymru Holdings ( <b>Welsh Water</b> ).				

30. Related Party Transactions (Continued)				
The material transactions involving the related parties were as follows unless shown in the table re NHS Bodies above:				
	Expenditure to related party £'000	Income from related party £'000	Amounts owed to related party £'000	Amounts due from related party £'000
Cardiff & Vale Health Charity	7	1,439		511
Cardiff University	5,853	7,926	1,579	3,095
City of Cardiff Council	49,025	37,553	17,838	9,792
Vale of Glamorgan Council	8,608	1,252	3,707	358
MIND	254			
Cardiff Mind Ltd	146		6	
Mind Cymru	11		11	
Watkins & Gunn Solicitors	65			
Swansea University	197	132	114	-7
RCT Borough Council	93	20		20
Social Care Wales		6		
Welsh Water	1,426	30	271	
Total £'000s	65,685	48,358	23,526	13,769
We bring to your attention that during 2019/20 two invoices to Cardiff Council were written-off to the value of £640.00. The Write-Offs were due to normal operational issues and were not influenced by related parties named above.				
The LHB has close links with Cardiff University which includes the sharing of staff as well as sharing accommodation at the University Hospital of Wales Site.				
The LHB is a member of the Welsh Risk Pool for Clinical Negligence and Personal Injury Claims. During 2019/20 The LHB has received settlements of £21.569m in respect of claims made. In addition as at March 31st the LHB had a debtor balance of £140.291m in respect of amounts due from the Welsh Risk Pool.				
The corporate body is a registered charity and as Corporate Trustees, the LHB Board were responsible for the management of charitable fund expenditure in the period connected with Cardiff and Vale University Health Board.				
The LHB has been made aware that the wife of John Antoniazzi ( Independent Member - Estates) is Chief Executive of the National Assembly Wales.				
During the period, other than the individuals set out below, there were no other material related party transactions involving other board members or key senior management staff.				





### 31. Third Party Assets

The LHB held £192,291 cash at bank and in hand at 31 March 2020 (31 March 2019, £202,070) which relates to monies held by the LHB on behalf of patients. This has been excluded from the cash and cash equivalents figure reported in the Accounts. None of this Cash was held in Patients' Investment Accounts in either 2019-20 or 2018-19. In addition the LHB had located on its premises a significant quantity of consignment stock. This stock remains the property of the supplier until it is used. The value of consignment stock at March 2020 was £11,080,726 (£11,779,421 31st March 2019).

### 32. Pooled Budgets

The Health Board has entered into a pooled budget arrangement with Cardiff and Vale of Glamorgan Local Authorities, as permissible under section 33 of the NHS (Wales) Act 2006 for the operation of a Joint Equipment Store (JES). The purpose of the JES is the provision and delivery of common equipment and consumables to patients who are resident in the localities of the partners to the pooled budget. The pooled budget arrangement became operational from 1st January 2012.

The pool is hosted by Cardiff Council, who are the lead body and act as principal for this scheme. The financial operation of the pool is governed by a pooled budget agreement between Cardiff Council, Vale of Glamorgan Council and the Health Board. Currently the Health Board will make payments to Cardiff Council on receipt of an invoice in line with the agreed contributions to the pooled budget as set out in the agreement.

Expenditure incurred will be subject to regular review by the partners to the agreement. Any expenditure incurred by Cardiff Council above the agreed contributions in respect of NHS equipment and consumables will be invoiced separately. As the funding for the UHB's contribution to the pooled budget has not yet been topsliced and is being provided via invoicing, then no adjustment in respect of the income and expenditure arising from the activities of the pooled budget is required in these accounts. In addition as the UHB's proportion of the assets and liabilities held by the pool are not material in relation to the UHB, they have therefore not been consolidated within these financial statements. The JES service had an agreed budget for the 2019-20 of £1.821m of which Cardiff & Vale UHB's contribution was £1.258m. In addition Cardiff and Vale made an agreed contribution of £0.041m towards the cost of two drivers/installers.

Overall the Pooled Budget was overspent by £0.194m in the year. The Health element of the overspend was £0.035m and Cardiff & Vale has accounted for this in its annual accounts for the year ended 31/3/20. During the year the UHB received £11.803m of revenue income and a capital allocation of £3.630m from the Welsh Government integrated care fund. The Regional Partnership Board (RPB) leads on the planning and use of the funding to ensure delivery and to maximise outcomes for the use of this resource. The delivery mechanism provides assurance that the objectives for the use of this fund are met as outlined in the Welsh Government guidance. The planning and delivery of the programmes has the involvement of the social services, housing and third independent sector. The RPB has established a programme Board to monitor measurable performance outcomes and financial returns. A results based



accountability (outcome) methodology is used for this purpose. The expenditure for the year was £11.803m and the capital expenditure was £3.630m, which is in line with funding allocated.

In addition, the UHB received £3.035m of revenue income from the Welsh Government's Transformation fund. The planning and delivery of the programme is led by the Regional Partnership Board and has the involvement of local authorities and third sector as set out in the submission to Welsh Government. The expenditure for the year was in line with the funding allocated.

Also during 2019-20 Welsh Government passed funding for Integrated Family Support Services directly to Cardiff Council. From this allocation, £79,444 was passed to Cardiff & Vale UHB. This allocation has funded 2 Band 7 integrated Support workers with a Nursing background, one for the period 25/05/19 to 31/03/20 and one for the period 17/06/19 to 31/03/20, as part of the local delivery mechanism to support families. The team is operationally managed by the Local Authority with the UHB providing professional supervision.

Part 9 of the Social Services and Well-being (SSWWA) (Wales) Act 2014 requires Local Authorities and the Health Board for each region to establish and maintain pooled funds in relation to the exercise of care home accommodation functions. A pooled budget arrangement has been agreed between Cardiff and Vale Local Authorities and Cardiff and Vale University Health Board in relation to the provision of care home accommodation for older people. The arrangement came into effect on 1<sup>st</sup> April 2018 for a period of 12 months renewable on an ongoing

basis. Cardiff Council is acting as host authority during this period. Whilst there is one pooled budget in place, the processes for commissioning and payment for services has remained with the three organisations, with each partner continuing to be responsible for their own budget and expenditure. The accountability for the functions of the statutory bodies remains with each individual organisation, in accordance with the Part 9 Guidance under SSWWA 2014. The transactions into the pool for 2019/20 were £29,064,199.

### 33. Operating Segments

IFRS 8 requires bodies to report information about each of its operating segments.

The LHB has formed the view that the activities of its divisions are sufficiently similar for the results of their operations not to have to be disclosed separately. In reaching this decision we are satisfied that the following criteria are met:

- (1) Aggregation still allows users to evaluate the business and its operating environment.
- (2) Divisions have similar economic characteristics.
- (3) The Divisions are similar re all of the following:
  - (1) The nature of the services provided.
  - (2) The Divisions operate fundamentally similar processes.
  - (3) The end customers to the processes (the patients) fall into broadly similar categories.
  - (4) They share a common regulatory environment.



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The LHB did operate as a home to one hosted body during the period, The Wales External Quality Assessment Service (WEQAS). During 2019/20 these accounts contain income of £3.721m and expenditure of £2.856m in respect of WEQAS. The UHB does not consider the amounts involved to be sufficiently material to be reported as a separate segment.

<b>34. Other Information</b>			
<b>34.1. 6.3% Staff Employer Pension Contributions - Notional Element</b>			
The value of notional transactions is based on estimated costs for the twelve month period 1 April 2019 to 31 March 2020. This has been calculated from actual Welsh Government expenditure for the 6.3% staff employer pension contributions between April 2019 and February 2020 alongside Health Board/Trust/SHA data for March 2020. Transactions include notional expenditure in relation to the 6.3% paid to NHS BSA by Welsh Government and notional funding to cover that expenditure as follows			
<b>Statement of Comprehensive Net Expenditure for the year ended 31 March 2020</b>			<b>£'000</b>
Expenditure on Primary Healthcare Services	2019-20	577	
Expenditure on Hospital and Community Health Services	2019-20	26,501	
<b>Statement of Changes in Taxpayers' Equity For the year ended 31 March 2020</b>			
Net operating cost for the year	Balance at 31 March 2020	27,078	
Notional Welsh Government Funding	Balance at 31 March 2020	27,078	
<b>Statement of Cash Flows for year ended 31 March 2020</b>			
Net operating cost for the financial year	2019-20	27,078	
Other cash flow adjustments	2019-20	(27,078)	
<b>2.1 Revenue Resource Performance</b>			
Revenue Resource Allocation	2019-20	27,078	
<b>3. Analysis of gross operating costs</b>			
<b>3.1 Expenditure on Primary Healthcare Services</b>			
General Medical Services	2019-20	-	
<b>3.3 Expenditure on Hospital and Community Health Services</b>			
Directors' costs	2019-20	52	
Staff costs	2019-20	27,026	
<b>9.1 Employee costs</b>			
<b>Permanent Staff</b>			
Employer contributions to NHS Pension Scheme	2019-20	27,078	
Charged to capital	2019-20	-	
Charged to revenue	2019-20	27,078	
<b>18. Trade and other payables</b>			
<b>Current</b>			
Pensions: staff	Balance at 31 March 2020	-	
<b>28. Other cash flow adjustments</b>			
Other movements	2019-20	27,078	

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### 34. Other Information

#### 34.2) IFRS 15

Work was undertaken by the TAG IFRS sub group, consistent with the 'portfolio' approach allowed by the standard. Each income line in the notes from a previous year's annual accounts (either 2016/17 or 2017/18) was considered to determine how it would be affected by the implementation of IFRS 15. It was determined that the following types of consideration received from customers for goods and services (hereon referred to as income) fell outside the scope of the standard, as the body providing the income does not contract with the body to receive any direct goods or services in return for the income flow.

- Charitable Income and other contributions to Expenditure.
- Receipt of Donated Assets.
- WG Funding without direct performance obligation (e.g. SIFT/SIFT®/Junior Doctors & PDGME Funding).

Income that fell wholly or partially within the scope of the standard included:

- Welsh LHB & WHSCC LTA Income;
- Non Welsh Commissioner Income;
- NHS Trust Income;
- Foundation Trust Income;
- Other WG Income;
- Local Authority Income;
- ICR Income ;
- Training & Education income ;

- Accommodation & Catering income

It was identified that the only material income flows likely to require adjustment for compliance with IFRS15 was that for patient care provided under Long Term Agreements (LTAs). The adjustment being, for episodes of patient care which had started but not concluded (FCEs), as at period end, e.g. 31 March.

When calculating the income generated from these episodes, it was determined that it was appropriate to use length of stay as the best proxy for the attributable Work In Progress (WIP) value. In theory, as soon as an episode is opened, income is due. Under the terms and conditions of the contract this will only ever be realised on episode closure so the average length of stay would be the accepted normal proxy for the work in progress value.

For Cardiff & Vale University Health Board, the following methodology was applied to assess the value of the unaccounted WIP re Welsh In-patients:

1. For 2016/17, income for inpatient activity recorded on an FCE basis was £83m (total income from LTAs, including WHSCC and Welsh Health Boards, was £246m).
2. This related to circa 19,000 FCEs, with an estimated average unit cost of £4,400.
3. Most contracts still work on 25% marginal rates, however there are some cost per case contract (e.g. Orthopaedics or Thoracic Surgery). Therefore to ensure a prudent assessment of exposure, a 35% marginal rate has been determined for this calculation.



4. As such, £1,500 per FCE is the derived estimate for a WIP calculation.
5. Using available Business Intelligence/ Costing Information, the total open episodes at year-end and the average length of stay (ALoS) were identified.
6. This provided assumptions of a 6 day ALoS (with 50% completed) and circa 300 FCEs attributable to contracts at year-end, which lead to an adjustment calculation to align revenue recognised to the requirements of the standard :  
 $\text{£1,500} / 6 \text{ days} \times 3 \text{ days} \times 300 \text{ FCEs} = 225\text{K}$
7. Because the number of non welsh inpatients which were undischarged at 31/3/17 was much smaller this was looked at on a case by case basis and in doing so it was established that the WIP in relation to these patients equated to 23 patient days and a cost of £20k.

**A summary of the Impact Assessment carried out by Cardiff & Vale University Health Board is shown below:**

Total Income Recorded in 2016/17 Annual Accounts £366.303m  
Total Income looked at during the IFRS 15 Impact Assessment £303.229m  
Total Income Looked at Considered to be outside the Scope of IFRS 15 £42.794m  
Total Income Looked at Considered to be inside the Scope of IFRS 15 £260.435m  
Total Income Looked at Considered to be inside the Scope of IFRS 15 and potentially requiring adjustment for incomplete service provision episodes £252.186m

**Total Estimated Adjustment Required Under IFRS 15 £0.245m**

The UHB has applied the same methodology to its activity data for 2018/19, this has produced a very similar result (an estimated adjustment of £0.226m). Hence due to the immaterial nature and in line with the agreed NHS Wales position, no such adjustment has been made to these accounts.

**34.3) IFRS 16 Disclosure**

HM Treasury agreed with the Financial Reporting Advisory Board (FRAB), to defer the implementation of IFRS 16 Leases until 1 April 2021, because of the circumstances caused by Covid-19. To ease the pressure on NHS Wales Finance Departments the IFRS 16 detailed impact statement has been removed by the Welsh Government Health and Social Services Group, Finance Department.

We expect the introduction of IFRS16 will not have a significant impact and this will be worked through for disclosure in our 2020-21 financial statements.

**34.4) Cardiff Medicentre**

On its formation on 1st October 2009 the UHB inherited an interest in a joint venture which had been entered into by one of its predecessor organisations (South Glamorgan Health Authority) in 1992. Our original partners in this venture are Cardiff Council, Cardiff University and the Welsh Government. The purpose of the venture was to provide dedicated business incubation facilities for start-up and spin-out companies operating in the medical healthcare and life sciences. On 1st

April 2016 Welsh Government and Cardiff Council withdrew from the joint venture and sold their shares in it to Cardiff University.

The UHB does not make any direct financial contribution into the venture and ordinarily does not ordinarily directly benefit financially from its operations. Given the immaterial amount involved, no adjustment has been made to these accounts to reflect the UHB's share of the joint venture. For illustrative purposes, had the UHB fully applied IFRS 11 "Joint Arrangements", then based on the last available published accounts of the Medicentre and applying the UHB's 11% share would mean that the UHB would show an investment in a joint venture (as defined by IAS 28 Investments in Associates and Joint Ventures) of £0.413m.

**THE NATIONAL HEALTH SERVICE IN WALES ACCOUNTS DIRECTION  
GIVEN BY WELSH MINISTERS IN ACCORDANCE WITH SCHEDULE 9  
SECTION 178 PARA 3(1) OF THE NATIONAL HEALTH SERVICE (WALES)  
ACT 2006 (C.42) AND WITH THE APPROVAL OF TREASURY**

**LOCAL HEALTH BOARDS**

1. Welsh Ministers direct that an account shall be prepared for the financial year ended 31 March 2011 and subsequent financial years in respect of the Local Health Boards (LHB)<sup>1</sup>, in the form specified in paragraphs [2] to [7] below.

**BASIS OF PREPARATION**

2. The account of the LHB shall comply with:

(a) the accounting guidance of the Government Financial Reporting Manual (FRM), which is in force for the financial year in which the accounts are being prepared, and has been applied by the Welsh Government and detailed in the NHS Wales LHB Manual for Accounts;

(b) any other specific guidance or disclosures required by the Welsh Government.

**FORM AND CONTENT**

3. The account of the LHB for the year ended 31 March 2011 and subsequent years shall comprise a statement of comprehensive net

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expenditure, a statement of financial position, a statement of cash flows and a statement of changes in taxpayers' equity as long as these statements are required by the FReM and applied by the Welsh Assembly Government, including such notes as are necessary to ensure a proper understanding of the accounts.

4. For the financial year ended 31 March 2011 and subsequent years, the account of the LHB shall give a true and fair view of the state of affairs as at the end of the financial year and the operating costs, changes in taxpayers' equity and cash flows during the year.

5. The account shall be signed and dated by the Chief Executive of the LHB.

#### MISCELLANEOUS

6. The direction shall be reproduced as an appendix to the published accounts.

7. The notes to the accounts shall, inter alia, include details of the accounting policies adopted.

Signed by the authority of Welsh Ministers

Signed: Chris Hurst

Dated:

1. Please see regulation 3 of the 2009 No.1559 (W.154); NATIONAL HEALTH SERVICE, WALES; The Local Health Boards (Transfer of Staff, Property, Rights and Liabilities) (Wales) Order 2009