



# **SPECIAL AUDIT COMMITTEE**

**2 JUNE 2017, 9.00AM**

**CORPORATE MEETING ROOM  
HEADQUARTERS, UHW**

**SPECIAL AUDIT COMMITTEE  
THURSDAY 1 JUNE 2017 – 9.00 AM  
CORPORATE MEETING ROOM, HEADQUARTERS, UHW**

**AGENDA**

<b>8.30am: Independent Members to meet with Welsh Audit Office</b>		
<b>PART 1: PRELIMINARIES – Meeting to Commence at 9.00am</b>		
1.1	Welcome and Introductions	<i>Verbal</i>
1.2	Apologies for Absence	<i>Verbal</i>
1.3	Declarations of Interest	<i>Verbal</i>
<b>PART 2: POLICIES AND COUNTERFRAUD</b>		
2.1	To receive the Counterfraud Annual Report for 2016/17	<i>Counterfraud Manager</i>
<b>PART 2: 2016/17 ACCOUNTS AND STATEMENTS</b>		
3.1	To receive a Report on the Annual Accounts of the UHB 2016/17	<i>Director of Finance</i>
3.2	To receive the Wales Audit Office ISA 260 Report	<i>Wales Audit Office</i>
3.3	To receive and consider the Head of Internal Audit Annual Report for 2016/17	<i>Head of Internal Audit</i>
3.4	To receive and consider the following for 2016/17: a. Letter of Representation b. Audit enquiries to management and those charged with governance c. Accountability Report (pending Wales Audit Office final audit)	<i>Director of Finance Director of Finance Director of Corporate Governance/ Director of Finance</i>
3.5	To receive and consider the Audit Committee Annual Report 2016/17 and recommendations to the Board	<i>Chair, Audit Committee</i>
<b>PART 3: FINAL CLOSURE AND FUTURE MEETINGS</b>		
4.1	Date, time and venue of the next meeting Audit Committee: <b>9.00am on Tuesday 26 September 2017, Corporate Meeting Room, Headquarters</b>	



**COUNTER FRAUD & CORRUPTION**

**ANNUAL REPORT 2016/17**

**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 Protect (formerly NHS Counter Fraud and Security Management Service - CFSMS) 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. The Health Board also appointed another LCFS, David Jones, in November 2003, who completed his training in October 2004 and received his Accreditation in December 2004. The third LCFS, Sarah Jones, who received her LCFS Accreditation in March 2006, was transferred to the Health Board from the former Business Service Centre (BSC) on 1<sup>st</sup> April 2010.
- 1.3 During 2014/15 and as part of an initial two (2) year agreement for the Health Board to provide a Counter Fraud Service to Cwm Taf University Health Board, two (2) new staff, Nigel Price (LCFS) and Emily Thompson (CF Admin Support) were appointed. Following the success of the arrangement and an ongoing programme of fraud awareness within Cwm Taf UHB, a further extension to the original agreement was signed for a further two (2) year period that is to due for renewal wef 31<sup>st</sup> March 2018.
- 1.4 During 2016/17, forty four (44) new investigations into possible fraudulent or corrupt activity have been instigated together with fifty four (54) cases brought forward from 2015/16. The majority of new cases have seen a consistent increase in the number of payroll related fraud issues, of which the main categories being "Salary Overpayments", "Prescription Alterations" and "Working whilst on Sick Leave".
- 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, individual cases have successfully been dealt with by criminal prosecution via Cardiff Magistrates Court with the total financial recovery, including investigation costs, of £12,338.02 being obtained.
- 1.7 A further six (6) cases are current files, which have or are 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 Other work carried out included a number of exercises following system weaknesses identified from some Internal Audit reports in addition to devising and then establishing a quarterly Counter Fraud Newsletter, which has been made available to all staff via the Health Board's Intranet. 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.

1.9 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**.

1.10 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 currently being carried out.

1.11 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 eight (38) in total, given to over 900 Health Board and GP staff in the various staff groups some of which are detailed below and a number of other presentations are now in the process of being arranged to take place in 2017/18:

Trauma and Orthopaedics - UHW  
 Corporate Inductions (x23)  
 St Barrucks Ward - Barry Hospital  
 Ty Gwyn School Nurses  
 Endoscopy - UHW  
 Dolphin Ward - UHW  
 Theatres - UHL  
 Acute Child Health - UHW

- 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.
- To ensure that greater fraud awareness can be measured in addition to the reported figures for "up take and completion of the All Wales E-Learning package were increased, the LCFS' agreed, with the Health Board's OD&T Department, for their attendance at planned Induction Training sessions which proved successful with some very positive feedback.
- As part of re-enforcing the arrangements of the joint working partnership, the LCFS' have also been able to share information in relation to an ongoing case and which involves neighboring Welsh NHS Bodies, Local Authorities, HMRC and DWP in addition to Trading Standards.

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

- Additional fraud awareness presentations to other various staff groups as outlined in the Health Boards' Counter Fraud Work-Plan 2017/18.
- Further training sessions at a local level to inform front line workers 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.
- Establishing a Counter Fraud website for the Health Board 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 Protect 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 Protect and develop a good working relationship to ensure that all information is available for presentations and/or publicity.
- 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 a steady and consistent flow in the number of cases being reported over the last fourteen (14) years and it is felt, therefore, that this only goes to show 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 few of 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. However, the remaining cases have, in turn, secured resignations and/or police cautions, together with the recovery of monies paid and investigation costs. The details of the successful prosecution cases have appeared in the National and Local press and also been disseminated to the managers involved and other staff via the quarterly Counter Fraud Newsletter and the Fraud Awareness presentations that have been 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 Protect, 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.

#### 4. Deter Fraud

- 4.1 LCFS' will provide reports on systems weaknesses in each case where fraud is established to:
- NHS Protect
  - NWSSP Internal Audit
  - Wales Audit Office (External Audit)

Examples where this has occurred are:

- Submission of new case notifications and intelligence information via NHS Protect 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 Protect and the Health Board's Finance Director.
- 4.3 An important area where there has been continued improvement to reduce the percentage of errors identified, following a change in working practices, surrounds the Post Payment Verification (PPV) Service. The Health Board receives this service from the NHS Wales Shared Services Partnership and following the setting up of a Primary Care Assessment Panel, in 2013/14, to review the "errors" that had been identified in claims already submitted by the various GP Practices and Ophthalmic Clinics, the LCFS, together with the PPV Manager and the Health Board's Head of Primary Care, have continued to arrange a series of visits with individual practices/clinics to advise them on the correct procedures that should be adopted. This liaison work is in addition to advising on possible outcomes for the practices should the percentage error rates not significantly reduce by the time that the next PPV visit took place.
- 4.4 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 Protect.

## 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 Protect 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 2016/17 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 Protect FIRST Case Management System. From January 2010, all NHS LCFS' have been required to electronically record all information regarding their investigations onto the NHS Protect FIRST Case Management System, which is held within a restricted area within the NHS Protect internet webpage.

### 6.2 Twenty (20) cases were formally referred to NHS CFS (Wales) in 2015/17 via the FIRST Case Management System and there were also twenty four (24) ongoing cases brought forward from 2015/16. Most referrals received are not necessarily and/or automatically reported on the NHS Protect 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 Protect, 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 Protect 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. This submission is then assessed, by NHS Protect, 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, being issued to all NHS bodies on an annual basis.

8.2 As part of the required submission, by NHS Protect, for the 2016/17 Self Risk Assessment, this process was agreed and then signed off, on 28<sup>th</sup> March 2017, by the Health Board's Finance Director.

## Appendix 1

**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)	<p>Each health body shall facilitate, and co-operate with NHS Protect's Quality and Compliance Department's work giving prompt access to staff, workplaces and relevant documentation</p>	<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 Protect, as part of a focused review and NHS Protect three (3) year review cycle.</p> <p>The Self Risk Assessment for 2016/17 was agreed and then signed off, on 28<sup>th</sup> March 2017, by the Health Board's Finance Director before submission to NHS Protect for review in accordance with the agreed process.</p>
2 (3)	<p>Endeavour to agree an SLA with NHS Counter Fraud Service (Wales).</p>	<p>The current SLA was signed in March 2010, but is still under review in order to incorporate changes that have since taken place within the NHS in Wales.</p>

3 (1)	<p>Nomination of a suitable officer to act as LCFS.</p> <p>Notify NHS Protect 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 appointed as a second accredited LCFS.</p> <p>Sarah Jones, the third LCFS, was transferred to the Health Board from the former Business Service Centre wef 1<sup>st</sup> April 2010.</p> <p>Nigel Price was appointed, in July 2014, as a fourth LCFS.</p> <p>Emily Thompson was appointed, in June 2014, as Admin Support to the Counter Fraud Team.</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 her of all cases as they are received, and keeps her 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 2017.</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>

4 (d)	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>The LCFS' have made thirty eight (38) separate Fraud Awareness Presentations to over 900 UHB staff and Contractors (e.g. GP's, Dentists, Opticians etc) in a variety of specialties.</p> <p>The LCFS' have also undertaken Pro-Active Exercises and 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)	Proactively seek and report opportunities for publicity to NHS Protect (includes instances for inclusion in presentations) involving action to prevent, detect, investigate, impose sanctions and seek redress	<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 have not been any cases which were cross-border and those referred to the Health Board during the previous financial years were managed as part of joint-working protocols following agreement with NHS CFS (Wales).</p> <p>There have been various alleged frauds which involved altered documentation for prescribed drugs with a further four (4) investigations carried out during 2016/17 in addition to those brought forward from 2015/16.</p>

	<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 Protect.</p>	<p>There were four (4) cases previously being investigated by NHS CFS (Wales) and which involved services provided by NHS Contractors (e.g. Dentists). However, two (2) of these cases have now been closed following agreement between the Health Board's Finance Director and NHS CFS (Wales) with a significant civil recovery having been made.</p> <p>The Health Board LCFS' have worked closely with the NHS CFS (Wales) team in relation to these cases.</p>
4 (g)	Refer cases to NHS Protect teams as appropriate	All cases appropriate to NHS CFS (Wales) have been referred.
4 (h)	Inform the appropriate NHS Protect 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 Protect 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 Protect 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 Protect 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.

## Appendix 2

## Further Information

## 1. Reporting lines

<b>Chief Executive (until 18<sup>th</sup> November 2016)</b>	Adam Cairns Chief Executive UHB Headquarters University Hospital of Wales, Heath Park Cardiff. CF14 4XW Email: <a href="mailto:Adam.Cairns@wales.nhs.uk">Adam.Cairns@wales.nhs.uk</a>
<b>Interim Chief Executive (from 19<sup>th</sup> November 2016)</b>	Sharon Hopkins (Interim Chief Executive) UHB Headquarters University Hospital of Wales, Heath Park Cardiff. CF14 4XW Email: <a href="mailto:Sharon.Hopkins@wales.nhs.uk">Sharon.Hopkins@wales.nhs.uk</a>
<b>Director of Finance</b>	Bob Chadwick Director of Finance UHB Headquarters University Hospital of Wales, Heath Park Cardiff. CF14 4XW 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 1 <sup>st</sup> Floor, Brecknock House University Hospital of Wales Heath Park Cardiff CF14 4XW Email: <a href="mailto:Craig.Greenstock@wales.nhs.uk">Craig.Greenstock@wales.nhs.uk</a>
<b>Local Counter Fraud Specialist</b>	David Jones Counter Fraud Department 1 <sup>st</sup> Floor, Brecknock House University Hospital of Wales Heath Park Cardiff CF14 4XW Email: <a href="mailto:Davidh.Jones@wales.nhs.uk">Davidh.Jones@wales.nhs.uk</a>
<b>Local Counter Fraud Specialist</b>	Sarah Jones Counter Fraud Department 1 <sup>st</sup> Floor, Brecknock House University Hospital of Wales Heath Park Cardiff CF14 4XW Email: <a href="mailto:Sarah.Jones@wales.nhs.uk">Sarah.Jones@wales.nhs.uk</a>

<b>Local Counter Fraud Specialist</b>	Nigel Price Counter Fraud Department 1 <sup>st</sup> Floor, Brecknock House University Hospital of Wales Heath Park Cardiff CF14 4XW Email: <a href="mailto:Nigel.Price@wales.nhs.uk">Nigel.Price@wales.nhs.uk</a>
<b>Counter Fraud Admin Assistant</b>	Emily Thompson Counter Fraud Department 1 <sup>st</sup> Floor, Brecknock House University Hospital of Wales Heath Park Cardiff CF14 4XW Email: <a href="mailto:Emily.Thompson@wales.nhs.uk">Emily.Thompson@wales.nhs.uk</a>

## 2. Mix of cases

*Number of cases in 2016/17, 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	12	3	9
Recruitment Issues (Criminal Convictions/Applications)	3	3	0
Timesheet Issues (False Claims, Altered Times etc)	26	17	9
Prescription related (Theft, Forged, Altered etc)	10	8	2
Patient Related (GOS3 Forms etc)	13	9	4
Cases referred to NHS CFS Wales)	4	2	2
Overpayment of Salary	10	8	2
Miscellaneous (E-Bay)	20	15	5
<b>Total</b>	<b>98</b>	<b>65</b>	<b>33</b>

## 3. NHS Protect Website

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

## Appendix 3

## INDEX OF LCFS INVESTIGATIONS 2016/17

Ref. No	Directorate	Subject	Status
SP11.06	WCC	Working whilst on Sick Leave	Suspended Sentence, GMC Referral and POCA recovery ongoing - £57,300
SP13.22	Medicine	Working whilst on Sick Leave	Disc Hearing Pending subject's RTW
SP13.23	Medicine	Working whilst on Sick Leave	Arrest warrant issued - court non-attendance
SP14.19	Children & Women	Salary Overpayment (£7.4k)	Successful Prosecution, Court Fine and Repayment
SP14.31	Primary Care	False Dental Claims	Investigation by CFS (Wales) - Civil Recovery of £66,791
SP15.22	Medicine	False Job Reference	Successful Prosecution, Conditional Discharge and Costs Awarded
SP15.23	Primary Care	Patient Multi Registrations	Case Closed - Warning Letter
SP15.24	Primary Care	Patient Multi Registrations	Police Caution Issued
SP15.27	Primary Care	Patient Multi Registrations	Closed - Suspended Prison Sentence and Costs
SP15.28	Surgery	False ADH Claims	Case Closed Management Issue
SP15.29	Various	False UHW Car Park Tickets/Permits	Case Closed Management Issue
SP15.30	Primary Care	Altered Prescription	Case Closed
SP15.31	Primary Care	Altered Prescription	Case Closed - Warning Letter
SP15.34	Primary Care	Altered Prescription	Police Caution Issued
SP15.35	Primary Care	Nursing Homes Claims	Case Closed - CFS (Wales)
SP15.39	Primary Care	False and Deleted Prescriptions	Police Caution and Civil Recovery (£100)
SP16.01	Mental Health	False Time Record	Case Closed - No issue
SP16.02	Medicine	Overpayment of Salary	Civil Recovery (£2.6k)
SP16.03	Clinical Diagnostic and Therapeutics	Overpayment of Salary	Civil Recovery (£6.5k)
SP16.04	Primary Care	Multi Reg Patient	Moved out of Area
SP16.05	Medicine	Benefit in Kind (Boots)	Management Issue
SP16.06	Primary Care	False GOS Forms	Closed - Warning Letter
SP16.07	Primary Care	False GOS Forms	Closed - Warning Letter
SP16.08	Surgery	False "Fit Notes"	Management Issue
SP16.09	Surgery	False Sickness Absence	Management Issue
SP16.10	Children & Women	Overpayment of Salary	Civil Recovery (£1.6k)
SP16.11	Children & Women	Overpayment of Salary	Civil Recovery (£1.8k)
SP16.12	Primary Care	Multi Reg Patient	Case Closed
SP16.13	Patient Env	False Details to obtain Hospital Accommodation	Closed - Civil Recovery (£400)
SP16.14	Children & Women	False Sickness Absence	Management Issue
SP16.15	Primary Care	Altered Prescription	Closed - Warning letter
SP16.16	Medicine	False Test Results	Management Issue
SP16.17	Children & Women	Private use of NHS Resources	Case Closed
SP16.18	Clinical Diagnostic and Therapeutics	Unauthorised sale of NHS Equipment (Gumtree)	Case Closed
SP16.19	Dental	False Treatment Claims	Referred to NHS CFS ((Wales)
SP16.20	Dental	False Work Record	Closed - Management Issue
SP16.21	Surgery	False Timesheets	Management Issue
SP16.22	Surgery	False Sickness Record	Case Closed
SP16.23	Primary Care	Theft/Sale of Items on EBAY	Closed - Suspended Prison Sentence and Costs

SP16.24	Patient Env.	False Sickness Absence	Disciplinary Investigation
SP16.25	Patient Env.	False Sickness Absence	Management Issue
SP16.26	Patient Env.	Car Park Issues	Management Issue
SP16.27	Clinical Diagnostic and Therapeutics	False Sickness Absence	Resigned - Case Closed
SP16.28	Clinical Diagnostic and Therapeutics	False Study Application	Management Issue
SP16.29	Surgery	Overpayment of Salary (£1.9k)	Civil Recovery (£1.9k)
SP16.30	Medicine	False Application Form	Case Closed - Unable to pursue overseas enquiry
SP16.31	Surgery	Sale of NHS Equipment on E-Bay	Case Closed - Intel report submitted to UKBA and HMRC
SP16.32	Primary Care	Altered Prescriptions	Prosecution Case to CPS
SP16.33	Primary Care	Theft/Sale of Items on EBay	Closed - Suspended Sentence and Costs
SP16.34	Patient Env.	False Sickness Absence	Management Issue
SP16.35	Medicine	Working whilst on Sick Leave	Closed - No issue
SP16.36	Mental Health	Overpayment of salary	Civil Recovery (£5.8k)
SP16.37	Surgery	Overpayment of Salary	Civil Recovery (£8.7k)
SP16.38	Clinical Diagnostic and Therapeutics	Working whilst on Sick Leave	Advice given and salary deduction to be made
SP17.01	Medicine	False Information on Drugs Request - Private Company	Letter to advise of planned IUC has been issued
SP17.02	Primary Care	Altered Timesheets - OOH	Closed - No Issue
SP17.03	Primary Care	Prescription Fraud	No Fraud identified - Official invoice sent for £399.75
SP17.04	Dental	Overseas Patient Exemption	Closed - No issue
SP17.05	Primary Care	Prescription Fraud	Closed - Warning letter sent
SP17.06	Surgery	Timesheet Fraud - Theatres	Closed - Management Issue
SP17.07	Surgery	False Sickness Absence	Final Written Warning - To remain on file for 24 months
SP17.08	Mental Health	False Work Record	Closed - No issue
SP17.09	Primary Care	False Expense Claims	Closed - No Issue
SP17.10	Primary Care	False GOS3 Claim	Closed - Warning letter
SP17.11	Medicine	False Work History	Prosecution File to CPS
SP17.12	Primary Care	Timesheet/Annual Leave	Disciplinary Investigation
SP17.13	Primary Care	Overseas Patient - False Details	Joint enquiry with DWP
SP17.14	Medicine	Timesheets and False Qualifications	No issues - Case Closed.
SP17.15	Maternity	False Sickness Absence	No issues - Case Closed
SP17.16	Primary Care	Altered Prescription	No fraud found - Case Closed
SP17.17	Surgery	Working whilst on Sick Leave	No fraud found - Case Closed
SP17.18	Capital/Estates	False Sickness Absence	Subject Resigned - Pay suspended - Case Closed
SP17.19	Radiology	Salary Overpayment (£5.7k)	Ongoing enquiry with Payroll Services and Accts Payable
SP17.20	Dental	Working whilst on Sick Leave	Disciplinary Investigation ongoing - awaiting outcome.
SP17.21	Clinical Diagnostic and Therapeutics	Working whilst on Sick Leave	Dismissed 9 <sup>th</sup> December 2016 following Disciplinary Hearing - IUC to be arranged.
SP17.22	Primary Care	False Work Record	Closed - No Issue
SP17.23	Capital/Estates	Conflict of Interest - Supplier	Referred to NHS CFS (Wales) - Ongoing enquiry with previous NHS employer
SP17.24	Primary Care	False GOS3 Claim	Closed - Warning letter
SP17.25	Med Records	Altered Med Certificate	No issues - Case closed
SP17.26	Patient Exp.	Alleged Theft of Money	No fraud found - Case Closed

SP17.27	Executives	False Work Record	Ongoing enquiry with Line Manager and Workforce
SP17.28	Medicine	Timesheet & Locum Claims	Ongoing investigation - Bailed until June 2017
SP17.29	Surgery	Amended Car Park Permit	Advice given by Workforce - Case Closed
SP17.30	RMPCE	False Extra Duty Claims	IUC on 31.1.17 - Ongoing enquiries
SP17.31	Medicine	Private work in NHS Time	Disciplinary Investigation
SP17.32	Medicine	Overpayment of Salary	Ongoing enquiry with Line Manager and Workforce
SP17.33	Primary Care	Overseas Visitor - Non Payment for NHS Treatment	Request made for copies of relevant NHS Prescriptions
SP17.34	Medicine	Working whilst on Sick Leave	Enquiries made with Nurse Agency - No fraud found - Case Closed.
SP17.35	Clinical Diagnostic and Therapeutics	False Car Park Permit	Prosecution Case File to be submitted and Disciplinary Investigation
SP17.36	RMPCE	False Details on Job Plan	IUC to take place 27 <sup>th</sup> April 2017
SP17.37	RMPCE	Computer Misuse and Perverting the Course of Justice	Ongoing enquiries - Initial IUC on 29 <sup>th</sup> March 2017
SP17.38	Patient Exp.	Theft of Money and Abuse of Position - Y Gegin at UHW	Subject arrested on 17 <sup>th</sup> March 2017 - IUC and bailed until 15 <sup>th</sup> May 2017. Prosecution file is being compiled. Disciplinary Hearing on 12 <sup>th</sup> May 2017.
SP17.39	MHSOP	Working whilst on Sick Leave	Enquiries being made with Nurse Agency.
SP17.40	Medicine	Locum Agency Invoice	Initial enquiries being made.
SP17.41	Clinical Diagnostic and Therapeutics	Alleged False Identity Document - Asylum Seeker	Enquiries being made with Immigration Service.
SP17.42	Surgery	Working whilst on Sick Leave	Enquiries being made with 3 <sup>rd</sup> party employer.
SP17.43	Clinical Diagnostic and Therapeutics	Working whilst on Sick Leave	Enquiries being made via social media.
SP17.44	Surgery	Altered Car Park Ticket	Ongoing enquiry with Line Manager and Workforce

**Appendix 4****Summary of Risk against the Contract and Standards as at 31<sup>st</sup> March 2017**

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

AREA OF ACTIVITY	DAYS USED
STRATEGIC GOVERNANCE	34
INFORM AND INVOLVE	74
PREVENT AND DETER	37
HOLD TO ACCOUNT	295
TOTAL DAYS USED	440

COST OF ANTI-FRAUD, BRIBERY AND CORRUPTION WORK	
PROACTIVE COSTS	£ 28678
REACTIVE COSTS	£ 58345
TOTAL COSTS	£ 87023

### Declaration

I declare that the Anti-Fraud, Bribery and Corruption work carried out during the financial year 2016/17, within the Cardiff and Vale University Health Board, has been self reviewed against the NHS Protect 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 2017

<b>REPORT ON THE ANNUAL ACCOUNTS OF THE UHB 2016/17</b>	
<b>Name of Meeting :</b> Audit Committee	<b>Date of Meeting:</b> 1 <sup>st</sup> June 2017
<b>Executive Lead :</b> Executive Director of Finance	
<b>Author :</b> Deputy Director of Finance 029 2074 3555	
<b>Caring for People, Keeping People Well:</b> This report details performance against the 2016/17 financial plan which supports the UHB to deliver service priorities, maximise patient outcomes whilst maintaining the sustainability of services.	
<b>Financial impact:</b> The report sets out the financial position of the UHB at the year end. The UHB had a small underspend against its capital resource limit but had a significant deficit against its revenue resource limit. This will lead to the delivery of the statutory break even duty in respect of capital resources but breaching this duty in respect of revenue resources.	
<b>Quality, Safety, Patient Experience impact:</b> The financial plan aims to support the delivery of high quality and safe services.	
<b>Health and Care Standard Number 1</b>	
<b>CRAF Reference Number 6.7</b>	
<b>Equality Impact Assessment Completed:</b> Not Applicable	

#### ASSURANCE AND RECOMMENDATION

**ASSURANCE** is provided on the accuracy of the Accounts and statements due to:

- The programme of work and review that the Audit Committee has undertaken throughout 2016/17 and the process it followed to verify and sign off the accounts;
- The response given to the audit enquiries and the letter of representation that was sent to the Wales Audit Office.
- The work completed by the Wales Audit Office to state that the accounts give a true and fair view.

The Audit Committee is asked to:-

- **NOTE** the reported financial performance contained within the Annual Account 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 Letter of Representation, the audit enquiries to management and those charged with governance, the Annual Accountability Report and the ISA260 Report.
- **RECOMMEND** approval of the Letter of Representation, the audit enquiries to management and those charged with governance and the Annual Accountability Report so that, where required, they can be signed by the Chair, Chief Executive and Director of Finance.

## SITUATION

The Audit Committee has a key role in reviewing the accounts and associated documentation and making a recommendation to the Health Board for their approval. This report introduces the Annual Accounts which are included within the Annual Accountability Report and associated documents. It also sets out the key changes made to the draft accounts and outlines the financial performance of the UHB.

## BACKGROUND

In accordance with agreed timescales, the 2016/17 Draft Annual Accounts of the UHB were completed and forwarded to the Welsh Government and the Wales Audit Office on 28<sup>th</sup> April 2017. With regards to its role in providing advice to the Board, the Audit 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 Committee also has a key role in reviewing the Annual Accountability Report and the ISA260 report from the Wales Audit Office. The Annual Accountability Report contains the Final Accounts and the remuneration report which is the key financial statements. In reviewing the Annual Accountability Report, the Audit 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 statement of assurance provided by the Head of Internal Auditor as part of their Annual Report.

The Draft Accountability Report and Draft Annual Accounts and associated documents were reviewed in detail by the Audit Committee at its workshop held on 23<sup>rd</sup> May 2017.

## ASSESSMENT AND ASSURANCE

### CHANGES TO THE DRAFT ACCOUNTS AND REMUNERATION REPORT

There have been a small number of changes made to the figures in the financial statements. These do not however impact on the reported financial performance of the UHB. These are set out below:

- £5.997m non domestic rates rebate has been reclassified from premises costs in note 3.3 (expenditure on Hospital and Community Health Services) to 'Other Primary Health Care' expenditure in note 3.1 (Primary Healthcare Services)
- £2.223m reduction in the future obligations disclosure in note 27 relating to St. David's PFI.
- £1.710m increase in the value of consignment stock disclosed in note 25.
- £0.876m has been transferred from the Revaluation Reserve to the General Reserve.

There have also been a number of narrative and minor numerical adjustments in order to improve the clarity or accuracy of the financial statements.

There are no significant uncorrected misstatements in the accounts. The Wales Audit Office has however identified two less significant uncorrected misstatements in respect of items that should have been accounted for as prepayments, the value of which collectively was £0.019m. These are not material enough to warrant disclosure in the Letter of Representation.

## OVERVIEW OF FINANCIAL PERFORMANCE 2016/17

The National Health Service Finance Act 2014 has changed the revenue financial duties which the UHB had operated under in previous years. The Act which came into effect on April 1<sup>st</sup> 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 allotted 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

In line with the rest of NHS Wales, the UHB faced another year of significant financial challenge in 2016/17. The UHB submitted its three year Integrated Medium Term Plan (IMTP) for submission to the Welsh Government in July 2016, but the Welsh Government were not in a position to approve it. **Hence the UHB failed to meet its financial duty under section 175 (2A).**

Upon their request, the UHB submitted a one year operational plan to Welsh Government in September 2016 and whilst no formal mechanism exists for its approval, the UHB has been working to and reporting against this unapproved operational plan. This plan has a deficit of £22m and it became clear that the delivery of this was under significant risk as the financial forecast at month 8 was £35.5m. The UHB produced a Financial Improvement Plan with the aim of curtailing the deficit to £30.963m. This plan was successfully delivered and the financial improvement was some £1.720m better than planned with an outturn position of a £29.243m deficit against its Revenue Resource Limit.

The UHB had a deficit of £21.364m in 2014/15 and a surplus of £0.068m in 2015/16. This means that over the three year period the aggregated deficit is £50.539m. **Thus the UHB has failed to meet its financial duty under section 175 (1).**

### Performance against its Capital Resource Limit

The UHB effectively managed its considerable capital programme during the year to deliver a small surplus of £0.078m against its Capital resource Allocation of £42.104m.



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru  
Auditor General for Wales

3.2

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

Audit year: 2016-17

Date issued: May 2017

Document reference: 360A2017

This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000.

The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at [infoofficer@audit.wales](mailto:infoofficer@audit.wales).

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

The team who delivered the work comprised John Herniman, Mark Jones, David Burridge, John Llewellyn and other members of the audit team.

# Contents

The Auditor General intends to issue an unqualified audit opinion on the financial statements being true and fair, and properly prepared; and he intends to issue a qualified audit opinion and substantive report on regularity.

There are also some other issues to report to you prior to the approval of the financial statements.

## Summary report

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# Summary report

## Introduction

- 1 The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of Cardiff and Vale University Local Health Board (the Health Board) at 31 March 2017 and its income and expenditure for the year then ended.
- 2 We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.
- 3 The quantitative levels at which we judge such misstatements to be material for the Health Board are £13 million for all areas of the financial statements. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and reporting sensitivity. Areas of the financial statements that we judge to be material by nature include, for example, the remuneration report and the related party disclosures.
- 4 International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. This report sets out for consideration the matters arising from the audit of the financial statements of Health Board, for 2016-17, that require reporting under ISA 260.

## Status of the audit

- 5 We received the draft financial statements for the year ended 31 March 2017 on 28 April 2017, in line with the Welsh Government's agreed deadline, and have now substantially completed our work.
- 6 We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with the Director of Finance.

## Proposed audit report

- 7 Once you have provided us with a Letter of Representation based on that set out in [Appendix 1](#), it is the Auditor General's current intention to:
  - issue an unqualified audit opinion on the 2016-17 financial statements, with regard to them being true, fair and properly prepared; and
  - issue a qualified opinion on regularity because the Health Board has breached its revenue resource-limit by spending £50.5 million over for the three-year period 2014-15 to 2016-17, which therefore constitutes irregular expenditure.

- 8 The proposed audit certificate and report are set out in [Appendix 2](#). The Auditor General will be issuing a substantive report (as opposed to a 'nil' report) that explains the financial duties applicable for 2016-17, and the breach of the revenue resource-limit.

## Significant issues arising from the audit

### Uncorrected misstatements

- 9 There are no significant uncorrected misstatements identified in the financial statements. Where our audit identified misstatements, the Health Board's management has corrected them in the audited statements that are being presented today for approval and signing.
- 10 While there are no significant uncorrected misstatements, we do draw your attention to less significant misstatements that are uncorrected. We report them to you as they are relevant to our audit of subsequent financial years and our consideration of the Health Board's performance against its rolling three-year resource limit.
- 11 For 2016-17 there are two less significant misstatements, being:
- the overstatement of other creditors (and expenditure) by £15,305 due to a supplier invoice for the period 1 October 2016 to 31 July 2017 not being partly accounted for as a prepayment (for the element relating to 2017-18); and
  - the overstatement of other creditors (and expenditure) by £4,035 due to a supplier invoice for the period 1 March 2017 to 28 February 2018 not being partly accounted for as a prepayment (for the element relating to 2017-18).
- 12 We undertook additional audit testing in respect of these two misstatements, which found no evidence that these errors were widespread and potentially material.

### Corrected misstatements

- 13 There are 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. They are set out with brief explanations in [Appendix 3](#).

### Other significant issues arising from the audit

- 14 During the course of the audit we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. There has been one significant (ongoing) issue that arose during last year's 2015-16 audit, which does not affect the audit opinion to be placed on the financial statements. Our conclusions are as follows:

- **We have no concerns about the qualitative aspects of your accounting practices and financial reporting.** Generally, we found the information provided to be relevant, reliable, comparable, material and easy to understand. We concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear. We do however draw your attention to Note 7 to the financial statements, which covers the public sector payment performance. The Note discloses that the Health Board did not meet the Welsh Government Public Sector Payment Policy (PSP) target of paying 95% of creditors within 30 days of delivery. By number, the Health Board paid 59.7% of its NHS creditors, and 94% of its non-NHS creditors, within the 30 days' target.

As was the case last year, this payment performance is potentially misstated due to the way the Health Board reports invoices in dispute. All invoices which have been in dispute are considered as paid within 30 days, regardless of whether they are or not. As such, the payment performance statistics disclosed in the financial statements could be misstated.
- **We did not encounter any significant difficulties during the audit.** We received information in a timely and helpful manner and were not restricted in our work. We met the Health Board's finance team regularly during May to provide an update on our audit issues, review progress, and agree actions. For 2016-17 we continued to develop our audit approach and carried out early audit testing of in-year transactions wherever possible. The Health Board's finance team prepared a detailed closedown plan for 2016-17 which incorporated our audit requirements. This approach helped the preparation and audit of the financial statements and both parties' delivery within the tight clearance timetable. We will continue to work closely with the Health Board to review the process and experiences this year to identify any areas where we can further develop and refine the procedures and to ensure any lessons are identified and, in due course, are addressed for 2017-18.
- **There has been one significant matter that arose during last year's audit of the 2015-16 financial statements, on which we are due to report soon.** This matter relates to the governance and procurement of one of the Health Board's consultancy contracts.
- **There are no other matters significant to the oversight of the financial reporting process that we need to report to you.**
- **We did not identify material weaknesses in your internal controls.** Appendix 4 sets out a number of audit observations and recommendations, with the Health Boards' management responses.
- **There are no other matters specifically required by auditing standards to be communicated to those charged with governance.**

## Recommendations arising from our 2016-17 financial audit work

- 15 The recommendations arising from our financial audit work are set out in [Appendix 4](#). Management has responded to the recommendations with their agreed actions, which we will follow-up during next year's audit. Where any actions are outstanding, we will continue to monitor progress and report it to you in next year's report.

## Independence and objectivity

- 16 As part of the final stages of our audit we are required to provide you with further representations concerning our independence.
- 17 We can confirm that we have complied with ethical standards and in our professional judgment we are independent and our objectivity is not compromised. There are no known relationships between the Wales Audit Office and the Health Board that we consider to bear on our objectivity and independence.

# Appendix 1

## Final Letter of Representation

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

1 June 2017

## Representations regarding the 2016-17 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 for the year ended 31 March 2017 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 Cardiff and Vale University Local Health Board will continue in operation.
- Ensuring the regularity of any expenditure and other transactions incurred (it is important to note that the Health Board has breached of its revenue resource-limit for the three-year period 2014-15 to 2016-17).

- The design, implementation and maintenance of internal control to prevent and detect error.

### Information provided

We have provided you with:

- Full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
  - additional information that you have requested from us for the purpose of the audit; and
  - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects Cardiff and Vale University Local 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 effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

### Representations by the Board

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

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Board on 1 June 2017.

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.

**Sharon Hopkins**  
**Chief Executive**  
**1 June 2017**

**Maria Battle**  
**Chair**  
**1 June 2017**

## Appendix 2

### Proposed audit certificate and report of the Auditor General to the National Assembly for Wales

#### **The Certificate of the Auditor General for Wales to the National Assembly for Wales**

I certify that I have audited the financial statements of Cardiff and Vale University Local Health Board for the year ended 31 March 2017 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. 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). I have also audited the information in the Remuneration Report that is described as having been audited.

#### **Respective responsibilities of Directors, the Chief Executive and the Auditor**

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.

My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors.

#### **Scope of the audit of financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Cardiff and Vale Local Health Board's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors and Chief Executive; and the overall presentation of the financial statements.

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

In addition, I read all the financial and non-financial information in the Foreword and Accountability Report with the financial statements 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.

**Opinion on financial statements**

In my opinion the financial statements:

- give a true and fair view of the state of affairs of Cardiff and Vale University Local Health Board at 31 March 2017 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 on Regularity**

Cardiff and Vale University Local Health Board has breached its revenue resource limit by spending £50.5 million over the £2,504 million that it was authorised to spend in the three-year period 2014-15 to 2016-17. This spend constitutes irregular expenditure. Further detail is set out in the attached Report.

**Qualified Opinion on Regularity**

In my opinion, except for the irregular expenditure of £50.5 million explained in the paragraph above, in all material respects the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

**Opinion on other matters**

In my opinion:

- the remuneration report has been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by Welsh Ministers; and
- the information contained in the Foreword and Accountability Report is consistent with the financial statements.

**Matters on which I report by exception**

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

- the Annual Governance Statement does not reflect compliance with HM Treasury's and Welsh Ministers' guidance;
- 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.

Please see my Report attached.

Huw Vaughan Thomas  
Auditor General for Wales  
7 June 2017

24 Cathedral Road  
Cardiff  
CF11 9LJ

## Report of the Auditor General to the National Assembly for Wales

### Introduction

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

For 2016-17 Cardiff and Vale University Local Health Board (the LHB) failed to meet both the first and second 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 first three-year period under this duty is 2014-15 to 2016-17, and so it is measured this year for the first time.

As shown in Note 2.1 to the Financial Statements the LHB did not manage its revenue expenditure within its resource allocation over this three-year period, exceeding its cumulative revenue-resource limit of £2,504 million by £50.5 million.

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.

### Failure of the second financial duty

The **second financial duty** requires LHBs to prepare and have approved by the Welsh Ministers a rolling three-year integrated medium term plan. This duty is an essential foundation to the delivery of sustainable quality health services. An LHB will be deemed to have met this duty for 2016-17 if it submitted a 2016-17 to 2018-19 plan approved by its Board to the Welsh Ministers, who then approved it by the 30th June 2016.

As shown in Note 2.3 to the Financial Statements, the LHB has not met its second financial duty to have an approved three-year integrated medium term plan in place for the period 2016-17 to 2018-19.

**Huw Vaughan Thomas**  
**Auditor General for Wales**

**7 June 2017**

## Appendix 3

### Summary of corrections made to the draft financial statements which should be drawn to the attention of the Board

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 1: summary of corrections made to the draft financial statements

Value of correction	Nature of correction	Reason for correction
£5.997 million	A non-domestic-rates rebate that the Health Board had received in respect of GP practices, was reclassified from 'Premises Costs' in Note 3.3 (Expenditure on Hospital and Community Health Services) to 'Other Primary Health Care' expenditure in Note 3.1 (Primary Healthcare Services).	The rebate was transferred to the primary-care costs because the Health Board's original payments were made to GPs to fund their business rates.
£2.223 million	Reduction in the future obligations disclosed in Note 27 relating to the St David's private finance initiative.	The future obligations were overstated due to an error in the application of the discount factor.
£1.710 million	Increase in the value of consignment stock disclosed in Note 25 'Third Party Assets'.	Theatre stock was understated because irrecoverable VAT had not been included in its disclosed value.
£0.876 million	Transfer from the Revaluation Reserve to the General Fund in the Statement of Comprehensive Income and Expenditure.	To ensure that the General Fund reflects only the value of depreciation under historic-cost accounting and to transfer the balance held within the revaluation reserve for any assets disposed of in year, as required by the Manual for Accounts.
N/A	There have been a number of narrative and minor numerical adjustments	To improve the clarity or accuracy of the financial statements.

## Appendix 4

### Recommendations arising from our 2016-17 financial audit work

We set out all the recommendations arising from our audit with management's response to them. We will follow up these next year and include any outstanding issues in next year's audit report.

#### Exhibit 2: Matter arising 1

<b>Matter arising 1 – provision for continuing healthcare costs</b>	
<b>Findings</b>	Note 18 to the financial statements discloses that over 204 'phase 3' continuing healthcare claims have been received by the Health Board, for which the assessment process remains incomplete (last year we reported that there were over 240 such cases).  The Powys Teaching Health Board continues to review these cases on behalf of all NHS Wales organisations, but its progress is slow. The claims may result in significant additional costs to the Health Board, and we have a growing concern that many cases are still not reviewed sufficiently to allow an assessment of possible and probable costs.
<b>Priority</b>	High
<b>Recommendation</b>	The Health Board should seek to establish the underlying reasons for the ongoing delay, and work closely with Powys Teaching Health Board to identify the actions necessary to enable the reviews to be completed and concluded.
<b>Benefits of implementing the recommendation</b>	More accurate information and a better understanding of the financial position.
<b>Accepted in full by management</b>	Yes
<b>Management response</b>	In line with other Health Boards facing the same issue, the UHB will work closely with Powys LHB to ensure cases are progressed in 2017/18 so that an assessment of possible and probable costs can be established.
<b>Implementation date</b>	March 2018

## Exhibit 3: Matter arising 2

<b>Matter arising 2 – record keeping of plant and equipment assets</b>	
<b>Findings</b>	<p>Last year we reported instances where officers had not used the Health Board's unique asset-register-identification labels, as required. The finance team issues departments with asset labels for asset additions, which must be attached to the relevant asset.</p> <p>This year we inspected the existence of 14 plant-and-equipment assets (selected from the asset register). We found that:</p> <ul style="list-style-type: none"> <li>• six assets had been labelled correctly, as required by the process in place;</li> <li>• seven assets had not been labelled; and</li> <li>• the IT department advised us that the asset being tested did not exist, as it had been disposed of during 2016-17 without being notified to finance as required.</li> </ul> <p>We found the recording of IT equipment to be particularly weak (three of the 14 assets tested were IT equipment). One of the assets had been disposed but not notified, as reported above. With regard to the other two IT assets, in the absence of the identification labels we found that no other relevant information had been recorded in the asset register, such as serial numbers. We were therefore unable to verify their existence.</p>
<b>Priority</b>	High
<b>Recommendation</b>	The Health Board should review its process for the recording and control of plant and equipment assets, which should include a review of the instructions to departments and of the adequacy of the monitoring arrangements over departmental compliance.
<b>Benefits of implementing the recommendation</b>	A satisfactory audit trail that supports the annual financial statements; and improved safeguarding and control of assets.
<b>Accepted in full by management</b>	Yes

<b>Matter arising 2 – record keeping of plant and equipment assets</b>	
<b>Management response</b>	<p>The UHB recognises the need to ensure appropriate controls over the probity of property plant &amp; equipment. For all items of equipment purchased the relevant department is issued with a bar code &amp; instructed to place it on the asset in question. As our procedures allude to, some items of equipment are not suitable for labelling as they repeatedly go through sterilisation processes &amp; in other cases labels will be lost over time as a result of use and cleaning. Hence, for non-IT assets, additional information (such as serial numbers &amp; clinical engineering numbers) is included on the asset register to help us identify individual assets. Your testing has confirmed this and is consistent with the findings of our internal audit department earlier in the year, where out of a sample of 90 assets tested 87% could be physically verified and the remaining 13% were agreed to notification of disposal forms.</p> <p>Because of the nature of IM&amp;T, asset barcoding is more challenging and as IT systems can involve multiple bits then, given the limited information that can be entered onto the asset register, it is difficult to capture all the relevant serial numbers. Nevertheless, we recognise that there is a weakness here and a meeting will be arranged with the Head Of IM&amp;T as soon as possible to build in improvements to our processes going forward.</p>
<b>Implementation date</b>	30 September 2017

## Exhibit 4: Matter arising 3

<b>Matter arising 3 – accruals for goods and services received not yet invoiced</b>	
<b>Findings</b>	<p>We reported last year that purchase order accruals are automatically generated from the Health Board's Oracle and Hospital Pharmacy systems. They are generated to ensure that the cost of goods and services received, but not yet invoiced by suppliers, is reflected in the correct accounting period.</p> <p>However, many of the purchase orders are now old and are likely to be invalid. Last year we estimated that around £1.74 million of these accruals were more than a year old.</p>

<b>Matter arising 3 – accruals for goods and services received not yet invoiced</b>	
	<p>We established that in response to last year's recommendation, the Health Board has strengthened its review of the accruals and in doing so had cancelled many of them. However, we established that despite this work by the Health Board, there is still:</p> <ul style="list-style-type: none"> <li>• some £1.476 million of the accruals for goods and services received prior to 31 March 2016 (ie. over year old); of which <ul style="list-style-type: none"> <li>– some £0.413 million relates to periods prior to 31 March 2015 (ie more than two years old).</li> </ul> </li> </ul>
<b>Priority</b>	Medium
<b>Recommendation</b>	The Health Board should make further improvements to its examination of the purchase order accruals, with particular focus on the aged accruals that are likely to be invalid.
<b>Benefits of implementing the recommendation</b>	Identifying and reversing invalid accruals will improve the accuracy of the accounts.
<b>Accepted in full by management</b>	Yes
<b>Management response</b>	The Health Board will strengthen existing arrangements to progress the recommendations in 2017/18 with the aim, where appropriate, of significantly reducing the value of accruals over 12 months old.
<b>Implementation date</b>	March 2018

## Exhibit 5: Matter arising 4

<b>Matter arising 4 – quality of the draft Annual Governance Statement</b>	
<b>Findings</b>	<p>Last year we reported our concerns about the quality of the draft Annual Governance Statement (AGS) submitted for our audit, which required numerous amendments.</p> <p>This year we have found that while the Health Board has sought to improve the preparation of the AGS, the preparation process commenced quite late and as a result incomplete versions of the AGS were submitted for audit.</p> <p>More recently the preparation of the AGS has been valuably aided by the input and oversight of the new Head of Governance.</p>
<b>Priority</b>	Medium

<b>Matter arising 4 – quality of the draft Annual Governance Statement</b>	
<b>Recommendation</b>	The Health Board should bring forward its preparation of the AGS, with the aim of the Audit Committee considering a complete draft of the AGS at its April meeting each year.
<b>Benefits of implementing the recommendation</b>	Improved quality of draft reports submitted to the Welsh Government and to us for our audit.
<b>Accepted in full by management</b>	Yes
<b>Management response</b>	<p>During 2016/17 we have been unable to replace the Head of Governance due to a secondment which has caused additional pressures. However, the UHB has improved in capacity since the new appointment of the Head of Corporate Governance in March 2017.</p> <p>A more robust approach to the preparation of the Annual Governance Statement and the overall Accountability Report will be adopted in 2017/18. This will include the Audit Committee considering a complete draft of the AGS in its April meeting and work on drafting the AGS will be prepared throughout the year.</p>
<b>Implementation date</b>	With immediate effect - June 2017.

## Exhibit 6: Matter arising 5

<b>Matter arising 5 – reports generated from the Oracle ledger</b>	
<b>Findings</b>	As reported last year, the automated accounts-payable system feeder is continuing to produce spurious entries in the ledger, which greatly inflate both debit and credit postings.
<b>Priority</b>	Medium
<b>Recommendation</b>	The Health Board should continue to work with NWSSP to establish the reasons for the spurious entries and rectify the issue so that such entries do not continue.
<b>Benefits of implementing the recommendation</b>	More accurate reporting.
<b>Accepted in full by management</b>	Yes
<b>Management response</b>	Whilst this is not within the gift of the Health Board to resolve, it will continue to work with both its NWSSP provider and external ledger maintenance partner to determine why this anomaly is occurring and to amend processes accordingly so that this problem is rectified.
<b>Implementation date</b>	March 2018

## Exhibit 7: Matter arising 6

<b>Matter arising 6 – related party disclosures</b>	
<b>Findings</b>	<p>Related party returns are required annually from each member of the Board, in order to inform the disclosures within 'Note 24 Related Party Transactions'.</p> <p>For 2016-17 the Health Board has been unable to obtain a return from its former Chief Executive, who left the Health Board on 18 November 2016.</p> <p>In the absence of a return the Health Board has used the Chief Executive's previous year's return to support this year's disclosures. The previous year's return could of course be out of date and inaccurate in terms of 2016-17.</p> <p>The audited Note 24 discloses that the Health Board has been unable to obtain a related party return from the Chief Executive.</p>
<b>Priority</b>	Medium
<b>Recommendation</b>	The Health Board should ensure that when Board members are due to leave the Health Board, they should be required to provide the finance team with their related party return (ie. prior to their departure).
<b>Benefits of implementing the recommendation</b>	More accurate reporting of related party disclosures.
<b>Accepted in full by management</b>	Yes
<b>Management response</b>	Robust arrangements will be put in place, as an integral part of exit/termination processes, for Board members to sign an up-dated disclosure prior to them leaving the organisation.
<b>Implementation date</b>	June 2017

**3.2**

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

# **HEAD OF INTERNAL AUDIT OPINION & ANNUAL REPORT 2016/17**

**May 2017**

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

HEAD OF INTERNAL AUDIT OPINION & ANNUAL REPORT 2016/17  
Cardiff and Vale University Health Board

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3.3

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<b>Report status:</b>	Final
<b>Draft report issued:</b>	3 May 2017
<b>Final report issued:</b>	May 2017
<b>Author:</b>	Head of Internal Audit
<b>Executive:</b>	Directors of Finance and Director of Corporate Governance
<b>Audit Committee:</b>	23 <sup>rd</sup> May & 1 <sup>st</sup> June

## 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 year 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 Committee. Regular audit progress reports have been submitted to the Audit Committee during the year.

Our Quality Assurance and Improvement programme has confirmed audit work undertaken 'generally conforms' to the requirements of the Public Sector Internal Audit Standards for 2016/17.

## 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 assurance domains:

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

However, there were a number of individual audits where the significance of the matters identified in those areas where there are improvements to be made in governance, risk management and control resulted in those reports being giving limited assurance.

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

## 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.

## 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. The same framework has been applied for subsequent years and has been used in 2016/17. However, in previous years we have weighted three of the domains so that a Limited or No assurance overall rating for any of those domains would mean that the Health Board could not achieve higher than a Limited Assurance rating overall. In discussion with key stakeholders we have removed this weighting to reflect the risks and challenges faced by Health Boards/Trusts across each of the eight domains.

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**.

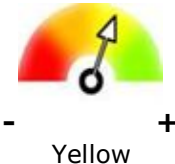
The individual conclusions arising from detailed audits undertaken during the year have been summarised by the eight assurance domains that were used to frame the internal audit plan at its outset. The aggregation of audit results by these domains gives a better picture of assurance to the Board and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

 <p>-                      + Yellow</p>	<p>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 low to moderate impact on residual risk exposure until resolved.</p>
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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* or *no-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 each of the eight assurance domains, around which the plan is structured.

Whilst the overall opinion and the opinion for each domain were given reasonable assurance, there were however, a number of individual audits that received Limited assurance.

The audit work undertaken during 2016/17 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 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 reviews of Assurance of Key Risks and Claims Reimbursement identified good practice and were given substantial assurance, with the review of Policy Management and Health and Care Standards being given reasonable assurance. The UHB's assessment against the Governance, Leadership and Accountability Standard has also been revived for reasonableness.

### **Strategic Planning, Performance Management & Reporting**

The audit of Patient Access identified good practice with substantial assurance being given. Whilst the overall UHB IMTP was not approved in 16/17 the audit covering progress made with two work streams contained in the IMTP was allocated reasonable assurance.

The audit of Public Health targets gave reasonable assurance with some areas of good practice noted with high level plans, although some areas for improvements were identified at clinical board level. Continuing Health Care (CHC) was given Limited assurance with several areas for improvement identified.

### **Financial Governance and Management**

The audit of the main financial systems was given substantial assurance although improvements were identified as being required on some aspects of the Debtors system, Oracle access monitoring and the approval hierarchy.

Control weaknesses were identified in the waiting list initiative payment audit which had limited assurance.

Furthermore, two of the additional audits looking at additional payments and payments to staff relating to private patient work identified significant weakness in the authorisation and review process.

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

The Quality & Safety Governance Audits carried out in each of the Clinical Boards resulted in three Clinical Boards being given substantial assurance and five Clinical Boards given reasonable assurance. Some further improvements were identified around recording and documenting actions and escalation and in the risk management processes.

The audit of the Annual Quality Statement was given substantial assurance. Good progress was identified in the Follow Up audit of Clinical Audit with the rating increasing since the previous review to reasonable assurance.

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

The review of Information Governance within the CD&T Clinical Board was given substantial assurance, and within the Mental Health Clinical Board reasonable assurance. The audit of the IT system within T&O received reasonable assurance, although some weaknesses were identified.

The IT system audit within Neurosciences received limited assurance with weakness identified with system security, business continuity and the overall governance of the system.

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

The reviews of Radiology Treat in Turn and Community Resource Team identified good practice and were both given substantial assurance. The reviews of Mental Health CHC & Out of Areas placements, Dental Medicines Management, Dental Medical Devices Management were all given reasonable assurance. In addition the Estates follow up and Theatres stock follow up audits both received reasonable assurance. However the review of PCIC Community Stock identified a number of areas of control weakness and received limited assurance.

### **Workforce Management**

The follow up audits of both Staff Leavers Management and Medical Locums (Medacs) both identified good progress with the rating increasing in each case to reasonable assurance.

The workforce related audits in the Clinical Boards, covering staff management and study leave also each received reasonable assurance, although specific areas for improvement were identified in each case.

### Capital & Estates Management

The audits of Sustainability Reporting, Carbon Reduction Commitment and the Primary Care Estate were given Reasonable Assurance.

#### 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 2016/17 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 required to be published by 30 June 2017. 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 2015/16 Annual Report and Quality Statement, together with the preliminary results of any audit work already undertaken in relation to the 2016/17 Annual Report and Quality Statement.

## 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.

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 2017/18 and future years.

## 2.6 Statement of Conformance

The Welsh Government determined that the Public Sector Internal Audit Standards (PSIAS) would apply across 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 under the International Standard on Auditing 610.

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. However, please note that the standards require Internal Audit to be assessed externally (called an External Quality assessment – EQA) at least once every five years. Our review is in progress and we will report the results to the Audit Committee when the review is completed. Until the EQA is concluded we are required to report to you that we have not yet had one.

Our conformance statement for 2016/17 is based upon both the results of our internal Quality Assurance and Improvement Programme (QAIP) for 2015/16 (reported in October 2016 to the Velindre Audit Committee for NHS Wales Shared Services Partnership) and the results of our QAIP 2016/17 which will be reported formally later in 2017. Our statement is also informed by the results of the work completed by Wales Audit Office. 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 are included in the 2015/16 QAIP report and these will be updated in the 2016/17 QAIP when it is reported. There are no significant matters arising to date that need to be reported in this document.

Please note that during an upgrade of our audit software in June 2016 there was a corruption to both the live and back up files that meant we were unable to retrieve some audit data. The data that was corrupted related mainly to 2015/16 work as we had timed the upgrade to occur at the conclusion of last year's audit programmes. Nevertheless, some data relating to 2016/17 audit work that had just started was corrupted and so in a few instances we did have to re-perform audit work to ensure we had the evidence to support our conclusions and findings. Key Stakeholders were informed of the issue at the time. NWSSP undertook an investigation into the cause of the corruption and as result we have amended our back up and disaster recovery procedures to minimise the risk of any further data corruption. I can confirm that there are no issues arising from the data corruption that impact on my ability to give an opinion on 2016/17.

## 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.

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

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 NHS Trust, a number of audits were undertaken which are relevant to the Health Board/Trust. These audits of the financial systems operated by NWSSP, processing transactions on behalf of the Health Board/Trust, derived the following opinion ratings:

- Primary Care Services – General Medical Services (Substantial )
- Primary Care Services – General Pharmacy Services (Substantial )
- Primary Care Services – General Dental Services (Substantial)
- Procurement - Accounts Payable Supplier Maintenance Follow-up (Reasonable)
- Procurement – Accounts Payable ( reasonable draft report)
- Procurement – Central Sourcing (Reasonable)
- Employment Services – Payroll (reasonable draft report)
- Specialist Estates Services – Designed for Life: Building for Wales 1 – Mechanical & Electrical Sub-contractors (Substantial)

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

In addition, as part of the internal audit programme at Cwm Taf 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 Specialist Services Committee**

- Risk management (Reasonable)
- Cancer Programme Review (Reasonable)
- Renal Programme Review (Reasonable)
- Information Governance (Reasonable)
- Health Care Standards (Reasonable )
- Financial Systems (Substantial)

**Emergency Ambulance Services Committee**

- Med-Serve project review (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 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 NHS Trust Head of Internal Audit Opinion and Annual Report; the WHSSC and EASC audits are detailed in the Cwm Taf UHB Head of Internal Audit Opinion and Annual Report.

**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 2017/18 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 2016/17. The key performance indicators are summarised in the **Appendix C**. The outcomes for each of the performance indicators were either green or amber.

Post audit questionnaires are issued following the finalisation of all audit assignments. Where respondents have made specific comments these have been reviewed by the Head of Internal Audit for any necessary action.

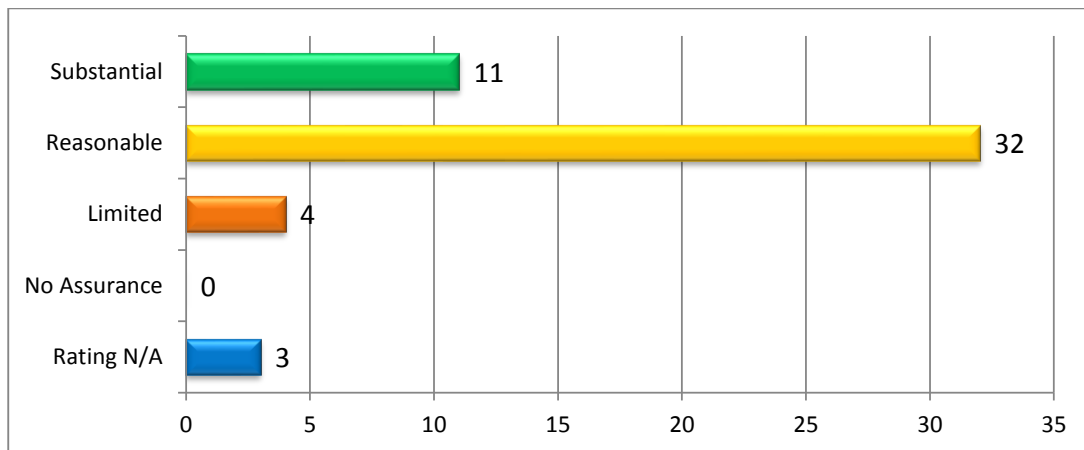
## 5. RISK BASED AUDIT ASSIGNMENTS

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

### 5.2 Substantial Assurance



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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
Claims Reimbursement	<p>The areas that the review sought to provide assurance on were:</p> <ul style="list-style-type: none"> <li>• Appropriate and accurate completion and authorisation of Appendix U Cost Schedules by the Claims Manager.</li> <li>• Appendix S Checklists are completed by the Claims Managers and signed by the Chief Executive and Nurse Director; and forwarded to the Welsh Risk Pool.</li> <li>• All claims submitted are accurately entered onto the DATIX Risk Management Database.</li> </ul>
Quality & Safety Governance - PCIC	The purpose of the review is to provide assurance to the Audit Committee that adequate arrangements are in place within Clinical Boards for Quality & Safety Governance.
Quality & Safety Governance - CD&T	The purpose of the review is to provide assurance to the Audit Committee that adequate arrangements are in place within Clinical Boards for Quality & Safety Governance.
Quality & Safety Governance - C&W	The purpose of the review is to provide assurance to the Audit Committee that adequate arrangements are in place within Clinical Boards for Quality & Safety Governance.
Annual Quality Statement	<p>The objective of the review was to assist Cardiff UHB with accuracy checking, including the triangulation of data and evidence, before the publication of the Annual Quality Statement.</p> <p>The scope will be limited to assisting to ensure that the Annual Quality Statement is accurate, complete and consistent with information reported to the Board over the period.</p>

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Review Title	Objective
Risk Assurance	The purpose of the review is to assess the adequacy of arrangements for the provision of Board assurance that key risks are appropriately managed.
Core Financial Systems	The overall objective of the review was to evaluate and determine the adequacy of the systems and controls in place for the management of the General Ledger, Accounts Receivable, Asset Register and Cash Management in order to provide reasonable assurance to the UHB Audit Committee that risks material to the achievement of systems objectives are managed appropriately.
Radiology Treat in Turn	The purpose of the review is to provide assurance that patients in Radiology are treated in turn.
CD&T Information Governance	The main areas that the review will seek to provide assurance on are: <ul style="list-style-type: none"> <li>• There is an appropriate IG lead within the Clinical Board, supported by leads within Directorates;</li> <li>• An appropriate process exists for the identification and management of IG risks;</li> <li>• The Clinical Board is aware of its information assets;</li> <li>• Records are stored appropriately and securely.</li> </ul>
Patient Access	The purpose of the review was to provide assurance that patients are provided with reasonable offers for appointments and that any subsequent patient clock adjustments are appropriate.

Review Title	Objective
Community Resource Teams	The purpose of the review was to provide assurance that demand and referrals to the CRTs were managed and that patients were properly treated and discharged.

### 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
Policy Management	The objective of the audit is to evaluate and determine the adequacy of the systems and controls in place for the management of policies, in order to provide reasonable assurance to the University Health Board Audit Committee that risks material to the achievement of system objectives are managed appropriately
H&C Standards (mid-year)	The purpose of the review was to establish if the UHB has adequate procedures in place to ensure that the standards are effectively utilised to improve clinical quality and patient experience and that appropriate self-assessment against the Standards is undertaken.
Quality & Safety Governance - Dental	The purpose of the review is to provide assurance to the Audit Committee that adequate arrangements are in place within Clinical Boards for Quality & Safety Governance.
Quality & Safety Governance - Medicine	The purpose of the review is to provide assurance to the Audit Committee that adequate arrangements are in place within Clinical Boards for Quality & Safety Governance.

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Review Title	Objective
Quality & Safety Governance - Surgery	The purpose of the review is to provide assurance to the Audit Committee that adequate arrangements are in place within Clinical Boards for Quality & Safety Governance.
Quality & Safety Governance - Medicine	The purpose of the review is to provide assurance to the Audit Committee that adequate arrangements are in place within Clinical Boards for Quality & Safety Governance.
Quality & Safety Governance - Specialist	The purpose of the review is to provide assurance to the Audit Committee that adequate arrangements are in place within Clinical Boards for Quality & Safety Governance.
Public Health Targets	The scope of the review is to ensure that the UHB is aware of its public health targets relating to obesity, has developed plans to meet targets and that the plans and Obesity Pathway are being implemented successfully and monitored appropriately.
Clinical Audit Follow up	This follow up review of Clinical Audit has been completed in line with the 2016/17 Internal Audit Plan. The review seeks to provide the Health Board with assurance that agreed actions from the previous review of Clinical Audit issued in November 2015 implemented appropriately.
Safeguarding Children	The scope of the review was to ensure that the UHB and staff are aware of their responsibilities under the Protection of Children Act and have appropriate structures in place to ensure compliance and good multi agency working.
T&O IT system	The purpose of the review is to provide assurance that data held within Bluespier is accurate, secure from unauthorised access and loss and that the system is used fully.

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Review Title	Objective
IMTP (work streams)	The scope of the review was to ensure that the IMTP work streams are being delivered as planned and these are monitored appropriately.
Estates Follow up	The review seeks to provide the Health Board with assurance that agreed actions from the previous review of the Estate Department issued in December 2015, had been implemented appropriately.
Operational Services	The purpose of the review is to provide assurance to the Audit Committee that rotas are effectively managed and staff time is accurately recorded.
C&W Staffing	The purpose of the review is to provide assurance that procedures are applied consistently across wards and across staff groups. So that rotas are appropriately developed to ensure skill mix and hours worked and that the management of staff leave is appropriate
Dental Medical Devices	The scope of the review was to ensure that there are appropriate systems and processes in place for the management of medical devices so that all devices are appropriately maintained and calibrated and that users are fully trained in their use.
Surgery Medical Staff Study Leave	The purpose of the review was to provide assurance that study leave taken by Medical Staff complied with BMA guidance, was of value to the doctor and the UHB and was accounted for appropriately.
Dental – Medicines Management	The scope of the review is to ensure that there are appropriate systems and processes in place for the monitoring of the use of medicines, for reducing expenditure and ensuring appropriate use of medicines.

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Review Title	Objective
Mental Health CHC & OOA placements	The purpose of the review is to provide assurance that there are appropriate systems and processes in place for the assessment of CHC patients along with the commissioning of placements and approval of these, together with the commissioning of placements in out of area (non NHS facilities) to ensure the safety of, and quality of care provided to, vulnerable individuals.
Staff Leavers Management Follow up	The purpose of the follow up review is to provide assurance that previously agreed management actions have been implemented ensuring that management are clear on their responsibilities to ensure leavers are properly recorded and removed from all UHB systems and processes.
Medical Locums Follow up	The review sought to provide the Health Board with assurance that agreed actions from the previous review of Medacs Medical Locums have been implemented appropriately.
Environmental Sustainability reporting	The overall objective of the review is to assess the adequacy of management arrangements for the production of the Sustainability Report within the Annual Report.
Carbon reduction Commitment	The overall objective of the review was to assess compliance with CRC requirements and guidance.
Primary Care Estate	The review sought to gain assurance that appropriate arrangements are established to monitor and manage the requirements of the primary care estate

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Review Title	Objective
Mental Health Information Governance	<p>The main areas that the review will seek to provide assurance on are:</p> <ul style="list-style-type: none"> <li>• There is an appropriate IG lead within the Clinical Board, supported by leads within Directorates;</li> <li>• An appropriate process exists for the identification and management of IG risks;</li> <li>• The Clinical Board is aware of its information assets;</li> <li>• Records are stored appropriately and securely.</li> </ul>
Specialist CB Medical Staff Study Leave	<p>The purpose of the review was to provide assurance that study leave taken by Medical Staff complied with BMA guidance was of value to the doctor and the UHB and was accounted for appropriately.</p>
Theatres Stock Control Follow up	<p>To follow up on previous audit report to ensure agreed actions have been implemented.</p>
Medicine CB - Specialising	<p>The scope of the review was to ensure that there are appropriate systems and processes are in place for the management specialising so that risk assessments are undertaken and care given accordingly and subject to on-going monitoring.</p>
Rookwood Capital Scheme	<p>The scope of the audit included:</p> <ul style="list-style-type: none"> <li>• Governance Arrangements</li> <li>• Approvals</li> <li>• Business Case Development</li> <li>• Contract Awards/Contract Documentation</li> <li>• Client Brief and Design Development</li> <li>• Change Management</li> </ul>

Review Title	Objective
Health and Care Standards (year-end review)	The purpose of the review was to establish if the UHB has adequate procedures in place to ensure that the standards are effectively utilised to improve clinical quality and patient experience and that appropriate process are in place to assess performance against the standards.
Records Mgt Follow up draft	The review sought to provide the Health Board with assurance that agreed actions from the previous review of Records Management have been implemented appropriately.

#### 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	Objective
PCIC Community Stock	The scope of the review is to ensure that an appropriate amount of stock is held securely, with stock movements appropriately authorised and tracked.
Neurosciences - Patient Care IT system	The purpose of the review is to provide assurance that data held within the PatientCare IT system is accurate, secure from unauthorised access and loss and that the system is used fully.
Continuing Healthcare	The scope of the review was to ensure that there are appropriate systems and processes are in place for the assessment of CHC patients along with the commissioning and approval of placements and the on-going monitoring of these.

Review Title	Objective
Waiting List Initiative	The scope of the review was to ensure that Waiting List Initiative Payments (WLIs) are appropriately managed, authorised and justified and that payments are in line with guidance.

### 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.

### 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
Data Quality	The objective of the audit was to evaluate and determine the adequacy of data quality between PARIS and PMS, in order to provide reasonable assurance to the Health Board Audit Committee that risks material to the achievement of system objectives are managed appropriately.

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Review Title	Objective
CD&T Additional Payments	Following the increased costs associated with additional Neuroradiology sessions, Internal Audit have reviewed the claims submitted for payment during the period April 2016 to July 2016 as requested by the Clinical Board.
Specialist Services (Draft)	The review of the payments made with Specialist Services for private work has been agreed as an additional internal audit.

Additionally, the following audits were deferred for reasons outlined below. The reason for deferment is outlined for each audit together with any impact on the Head of Internal Audit Opinion.

Review Title	Objective
DOLS follow up	UHB requested that review was deferred to ensure progress could be made. Wouldn't have had impact on domain opinion.
BCP Follow up	UHB requested that review was deferred to ensure progress could be made. Wouldn't have had impact on domain opinion.
Cost Improvement Plans	UHB requested that review was deferred as external work being undertaken. Wouldn't have had impact on domain opinion.

## **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 2016/17 plan.

**James Johns**

**Head of Internal Audit**

**Audit and Assurance Services**

**NHS Wales Shared Services Partnership**

**May 2017**

<b>ATTRIBUTE STANDARDS:</b>	
<b>1000 Purpose, authority and responsibility</b>	Internal Audit arrangements are derived from the Health Board Standing orders and Financial Instructions. These arrangements are embodied in the Internal Audit Charter adopted by the Audit Committee in May 2016.
<b>1100 Independence and objectivity</b>	Appropriate structures and reporting arrangements 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. 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 under ISA 610 and a service improvement plan is in place. An EQA is being delivered in 2017.
<b>PERFORMANCE STANDARDS:</b>	
<b>2000 Managing the internal audit activity</b>	The Internal Audit activity is managed through the 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

	<p>Audit Committee.</p> <p>Policies and procedures which guide the Internal Audit activity are codified in an Audit Quality Manual. There is structured liaison with WAO, HIW and LCFS.</p>
<b>2100 Nature of work</b>	<p>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.</p>
<b>2200 Engagement planning</b>	<p>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.</p>
<b>23000 Performing the engagement</b>	<p>The Audit Quality Manual guides the performance of each audit assignment and report is quality reviewed before issue.</p>
<b>2400 Communicating results</b>	<p>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.</p> <p>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.</p>
<b>2500 Monitoring progress</b>	<p>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.</p>
<b>2600 Communicating the acceptance of risks</b>	<p>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.</p>

### AUDIT RESULTS GROUPED BY ASSURANCE DOMAIN

Assurance domain	Audits	Overall rating	Not rated	No assurance	Limited assurance	Reasonable assurance	Substantial assurance
Clinical Governance, Quality and Safety	11					<ul style="list-style-type: none"> <li>● Dental CB Q&amp;S</li> <li>● Medicine CB Q&amp;S</li> <li>● Mental Health Q&amp;S</li> <li>● Specialist CB Q&amp;S</li> <li>● Surgery CB Q&amp;S</li> <li>● Safeguarding Children</li> <li>● Clinical Audit follow up</li> </ul>	<ul style="list-style-type: none"> <li>● PCIC CB</li> <li>● CD&amp;T CB</li> <li>● C&amp;W CB</li> <li>● AQS</li> </ul>
Corporate Governance, Risk and Regulatory Compliance	5					<ul style="list-style-type: none"> <li>● Policy Management</li> <li>● H&amp;C standards (midyear)</li> <li>● H&amp;C standards</li> </ul>	<ul style="list-style-type: none"> <li>● Assurance Key Risks</li> <li>● Claims</li> </ul>
Financial Governance and Management	4		<ul style="list-style-type: none"> <li>● CDT Additional payments</li> <li>● <i>Specialist CB- PP payments draft</i></li> </ul>		<ul style="list-style-type: none"> <li>● Waiting List Initiative</li> </ul>		<ul style="list-style-type: none"> <li>● Financial Systems</li> </ul>
Strategic Planning, Performance Management and Reporting	4				<ul style="list-style-type: none"> <li>● Continuing Health Care (CHC)</li> </ul>	<ul style="list-style-type: none"> <li>● Public Health Targets</li> <li>● IMTP (work streams)</li> </ul>	<ul style="list-style-type: none"> <li>● Patient Access</li> </ul>

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Appendix B

Audit Results Grouped by Assurance Domain

3.3

Assurance domain	Audit count	Overall rating	Not rated	No assurance	Limited assurance	Reasonable assurance	Substantial assurance
Information Governance and Security	6		● Data Quality		● IT System – Neuroscience	● IT System T&O ● MH Info Gov. ● Records Mgt. Follow up	● CD&T Information Governance
Operational Service and Functional Management	10				● PCIC Community Stock	● Operational Services ● Estates Follow up ● Dental CB – Medical Device Mgt. ● Dental meds Mgt. ● MH CHC & OOA ● Theatre Stores Follow up ● Medicine CB Specialising	● Radiology Treat In Turn ● CRTs draft
Workforce Management	6					● Leavers follow up ● Medical Locums Follow up ● Surgery Medical Staff Study ● Children & Women CB – Staffing ● Specialist Staff Study ● <i>Medicine Medical Staff draft</i>	

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Audit Results Grouped by Assurance Domain

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Assurance domain	Audit count	Overall rating	Not rated	No assurance	Limited assurance	Reasonable assurance	Substantial assurance
Capital and Estates Management	4					<ul style="list-style-type: none"> <li>● Sustainability Reporting</li> <li>● Primary Care Estate</li> <li>● Carbon Reduction</li> <li>● <i>Rookwood Scheme</i></li> </ul>	

**Key to symbols:**

● Audit undertaken within the annual Internal Audit plan

*Italics* Reports not yet finalised but have been issued in draft

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Appendix C  
Performance Indicators

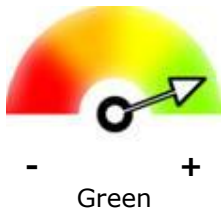
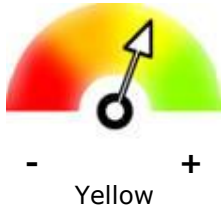
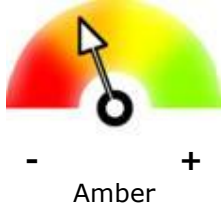
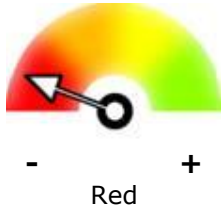
3.3

### **PERFORMANCE INDICATORS**

<b>Indicator Reported to NWSSP Audit Committee</b>	<b>Status</b>	<b>Actual</b>	<b>Target</b>	<b>Red</b>	<b>Amber</b>	<b>Green</b>
Operational Audit Plan agreed for 2016/17	<b>G</b>	April 2016	By 30 June	Not agreed	Draft plan	Final plan
Total assignments reported against adjusted plan for 2016/17	<b>G</b>	96%	100%	v>20%	10%<v<20%	v<10%
Report turnaround: time from fieldwork completion to draft reporting [10 working days]	<b>A</b>	76%	80%	v>20%	10%<v<20%	v<10%
Report turnaround: time taken for management response to draft report [15 working days]	<b>A</b>	61%	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>	92%	80%	v>20%	10%<v<20%	v<10%

Key: v = percentage variance from target performance

## 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.

HEAD OF INTERNAL AUDIT OPINION & ANNUAL REPORT  
Cardiff and Vale University Health Board

Appendix E  
Overall Opinion Criteria

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

3.3

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.

In the event that, pursuant to a request which the client has received under the Freedom of Information Act 2000, it is required to disclose any information contained in this report, it will notify the Head of Internal Audit promptly and consult with the Head of Internal Audit and Board Secretary prior to disclosing such report.

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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                             Cardiff  
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**Ysbyty Athrofaol Cymru**  
**University Hospital of Wales**  
**UHB Headquarters**  
 Heath Park  
 Cardiff, CF14 4XW

Parc Y Mynydd Bychan  
 Caerdydd, CF14 4XW

3.4

Eich cyf/Your ref:  
 Ein cyf/Our ref:  
 Welsh Health Telephone Network:  
 Direct Line/Llinell uniongychol: 02920745683

## Letter of Representation

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

1 June 2017

### Representations regarding the 2016-17 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 for the year ended 31 March 2017 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 Cardiff and Vale University Local Health Board will continue in operation.
- Ensuring the regularity of any expenditure and other transactions incurred (it is important to note that the Health Board has breached of its revenue resource-limit for the three-year period 2014-15 to 2016-17).

- The design, implementation and maintenance of internal control to prevent and detect error.

### Information provided

We have provided you with:

- Full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
  - additional information that you have requested from us for the purpose of the audit; and
  - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects Cardiff and Vale University Local 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 effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

### **Representations by the Board**

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

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Board on 1 June 2017.

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.

**Sharon Hopkins**  
**Chief Executive**  
**1 June 2017**

**Maria Battle**  
**Chair**  
**1 June 2017**



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

Wales Audit Office / Swyddfa Archwilio Cymru

3.4

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Mr Bob Chadwick  
Director of Finance  
Cardiff and Vale University Local Health Board  
Headquarters  
University Hospital of Wales  
Heath Park  
CARDIFF  
CF14 4XW

**Reference:** CVUHB/MJ/NG

**Date:** 7 March 2017

Dear Bob

## Cardiff and Vale University Local Health Board 2016/17 - Audit enquiries to those charged with governance and management

In my 2017 Audit Plan I indicate that I am responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. I also set out the respective responsibilities of auditors, management and those charged with governance.

This letter formally seeks documented consideration and understanding on a number of governance areas that impact on my audit of your financial statements. These considerations are relevant to both the management of the Cardiff and Vale University Local Health Board (the UHB) and 'those charged with governance' (the Board).

I have set out below the areas of governance on which I am seeking views.

1. Management processes in relation to:
  - undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud;
  - identifying and responding to risks of fraud in the organisation;
  - communication to employees of views on business practice and ethical behaviour; and
  - communication to those charged with governance the processes for identifying and responding to fraud.
1. Management's awareness of any actual or alleged instances of fraud.
2. How management gain assurance that all relevant laws and regulations have been complied with.
3. Whether there is any potential litigation or claims that would affect the financial statements.
4. Management's processes to identify any misstatements in significant judgment areas, such as accounting estimates, which could represent a risk of material misstatement due to fraud.

Page 1 of 17 - Cardiff and Vale University Local Health Board 2016/17 - Audit enquiries to those charged with governance and management - please contact us in Welsh or English / cysylltwch â ni'n Gymraeg neu'n Saesneg.

5. Management's processes to consider significant areas of judgment, such as accounting estimates, that consider identify, authorise, approve, account for and disclose related party transactions and relationships.

The information you provide will inform our understanding of the UHB and its business processes and support our work in providing an audit opinion on your 2016-17 financial statements.

I would be grateful if you could complete the attached table in **Appendix 1**. For information purposes this table also includes the responses provided in 2015-16. Although we have included last year's responses for your information, we would ask that you give full and renewed consideration to the arrangements in place for this financial year.

Your responses should be formally considered and communicated to us on behalf of both management and those charged with governance by 30 April 2017. In the meantime, if you have queries, please contact Mark Jones on 07748 181679 or by e-mail at [mark.jones@audit.wales](mailto:mark.jones@audit.wales)

Yours sincerely

John Herniman  
Engagement Director  
cc Chris Lewis, Deputy Director of Finance

## Appendix 1

### International Standard for Auditing (UK and Ireland) 240 – The auditor’s responsibilities relating to fraud in an audit of financial statements

#### Background

Under the ISA, the primary responsibility for preventing and detecting fraud rests with both management and ‘those charged with governance’, which for the Commission is the Audit Committee. This includes fraud that could impact on the accuracy of the annual accounts. The ISA requires us, as external auditors, to obtain an understanding of how the Board exercises oversight of management’s processes for identifying and responding to the risks of fraud and the internal controls established to mitigate them.

What is ‘fraud’ in the context of the ISA?

The ISA views fraud as either:

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

#### What are we required to do?

We have to obtain evidence of how management and those charged with governance are discharging their responsibilities if we are to properly discharge our responsibilities under ISA240. We are therefore making requests from both management and the Audit Committee:

Enquiries of management		
Question	2016-17 Response	2015-16 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. 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 is minimal as management are not aware of any 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. Internal Audit 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.

Enquiries of management		
Question	2016-17 Response	2015-16 Response
2. What are management's processes to identify any misstatements in significant judgment areas, such as accounting estimates, which could a risk of material misstatement due to fraud?	Major financial judgements and estimates are prepared and reviewed by senior finance staff and shared with the Audit Committee and Wales Audit Office for further review and scrutiny. In addition a detailed analytical analysis of income and expenditure is carried out to identify and explain any significant movements between financial years and this is also reviewed.	[WAO comment: please note that we did not ask this question last year.]
3. How can management assure the Board that it has not been inappropriately influenced by external pressures?	The Board has a good understanding of its statutory financial duties and accountabilities. Finance is a Board level responsibility and the Board is fully appraised of the financial position at every Board meeting and it receives Financial Reports that are consistent with the WG monitoring returns. Finance is considered alongside other performance metrics and is reported in an open, honest and consistent manner. This includes an assessment of Financial risk and the year-end forecast position. The Board has also set up a Finance Committee that meets monthly to have in-depth reviews of the in-year financial position, its forecast year end position and progress against financial targets.	The Board has a good understanding of its statutory financial duties and accountabilities. Finance is a Board level responsibility and the Board is fully appraised of the financial position at every Board meeting and it receives Financial Reports that are consistent with the WG monitoring returns. The Board has also had in-depth financial sessions to consider the financial plan as part of its development programme. Finance is considered alongside other performance metrics and is reported in an open, honest and consistent manner. This includes an assessment of Financial risk and the year-end forecast position.

Enquiries of management		
Question	2016-17 Response	2015-16 Response
4. Are management aware of any organisational pressure to meet revenue and capital budgets or other financial constraints?	The UHB did not have its three year IMTP approved in 2016/17. The organisation was then requested to submit a one year operational plan which it has done. The formation and sign off of these plans follows a rigorous scrutiny process, both internally and externally, where they are reviewed by both the Board and Welsh Government. The organisational accountabilities for meeting financial and non-financial targets are clear and the Executive Team have performance meetings with Welsh Government where this is discussed. In addition, the Chief Executive Officer and Chair have regular meeting with Welsh Government Chief Officers and Cabinet Secretary where performance is discussed and challenged. Finance is considered alongside other key tier 1 performance targets.	The organisation has clear financial duties and plans to deliver these as set out in the three year IMTP. The agreement of these plans follows a rigorous scrutiny process, both internally and externally, where both the Board and Welsh Government need to sign these off. The organisational accountabilities for meeting financial and non-financial targets are clear and the Executive Team have performance meetings with Welsh Government where this is discussed. In addition, the Chief Executive Officer and Chair have regular meeting with Welsh Government Chief Officers and Ministers where performance is discussed and challenged. The Health Board had its IMTP approved in August 2015 despite it not having a balanced financial plan. The Health Board has worked with the Welsh Government all year to work towards financial sustainability. Financial balance is considered alongside other key tier 1 targets.

Enquiries of management		
Question	2016-17 Response	2015-16 Response
5. 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 and monitor 'errors' with claims that have been submitted to Primary Care Services by the individual GP Practices and/or 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.	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 counter fraud programme which checks for such items as overpayments of salaries. 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 and monitor 'errors' with claims that have been submitted to Primary Care Services by the individual GP Practices and/or 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

Enquiries of management		
Question	2016-17 Response	2015-16 Response
6. How has management communicated expectations of ethical governance and standards of conduct and behaviour to all relevant parties, and when?	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. This has been re-enforced throughout the year by the Assistant Medical Director – Workforce and the Clinical Boards, 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. The Review of Board and Committee working would also have acted as a reminder of the governance responsibilities of the Board. In addition, the Standards of Behaviours Framework policy has been circulated and also raised at the Health Systems	All staff have access to the Standards of Behaviours Framework Policy via the Intra and Internet plus this is included in recruitment and at induction. Consultant Medical and Dental Staff are reminded of the need to declare interests etc, when completing their job plans. This has been re-enforced throughout the year by the Assistant Medical Director – Workforce and the Clinical Boards, 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. The Review of the Board and Committee working, would also have acted as a reminder of the governance responsibilities of the Board. In addition, the Standards of Behaviours Framework policy has been circulated and also raised at the Health Systems

Enquiries of management		
Question	2016-17 Response	2015-16 Response
6. (cont'd ..) How has management communicated expectations of ethical governance and standards of conduct and behaviour to all relevant parties, and when?	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 staff.	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 staff.
7. What arrangements are in place to report about fraud to those charged with governance?	The Audit Committee agree a Counter Fraud Work Plan at the start of the year and 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 NHS Protect and which measures the Health Board's level of counter fraud work against a set of agreed National Standards for NHS Bodies in relation to fraud, bribery and corruption.	As part of the agreed Annual Counter Fraud Work-Plan, the Audit Committee receive regular Counter Fraud progress reports at all of their normal business meetings, an annual 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 NHS Protect and which measures the Health Board's level of counter fraud work against a set of agreed National Standards for NHS Bodies in relation to fraud, bribery and corruption.

Enquiries of the Board		
Question	2016-17 Response	2015-16 Response
1. How does the Board, in its role as those charged with governance, exercise oversight of management's processes for identifying and responding to the risks of fraud within the UHB 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. 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 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 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 and the internal audit and counter fraud functions for which the Finance Director is the Executive lead. 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 matters and the minutes of both the public and private meetings of the Audit Committee are included in the meeting papers of the Board.
2. Has the Board knowledge of any actual, suspected or alleged fraud since 1 April 2015?	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.	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.
3. Has the Board any suspicion that fraud may be occurring within the organisation?	Yes, but only what is reported as actual or suspected fraud as per the counter fraud reports to the Audit Committee for which the minutes and any key areas of concern are reported back to the Board.	Yes, but only what is reported as actual or suspected fraud as per the counter fraud reports to the Audit Committee for which the minutes and any key areas of concern are reported back to the Board.

Enquiries of the Board		
Question	2016-17 Response	2015-16 Response
4. Is the Board satisfied that internal controls, including segregation of duties, exist and work effectively? If 'yes', please provide details. If 'no' what are the risk areas?	Yes, the Health Board is satisfied that key internal controls work effectively. The Health Board has adopted the NHS Wales model Standing orders and Standing Financial instructions. It also has in place a detailed scheme of delegation and Financial Control Procedures and Policies. The adequacy of Internal Controls is reviewed on behalf of the Board by the Audit Committee and this is supported by the work of the Internal Audit and Counter Fraud Teams. The Board also agrees the Annual Governance Statement which sets out its review and opinion of internal controls. The Internal Audit review of the Health Boards Financial Systems was rated as substantial assurance.	Yes, the Health Board is satisfied that key internal controls work effectively. The Health Board has adopted the NHS Wales model Standing orders and Standing Financial instructions. It also has a detailed scheme of delegation to support these. There are also a number of Financial Control Procedures and Policies in place and a schedule for review of these is reported to the Audit Committee. The adequacy of Internal Controls is reviewed on behalf of the Board by the Audit Committee and this is supported by the work of the Internal Audit and Counter Fraud Teams. The Board also agrees the Annual Governance Statement which sets out its review and opinion of internal controls. The Internal Audit review of the Health Boards Financial Systems was rated as substantial assurance.
5. How do you encourage staff to report their concerns about fraud and what concerns about fraud are staff expected to report?	The Counter Fraud department has a regular annual programme of raising fraud awareness within the Health Board. Regular fraud awareness sessions are held with the various staff groups at which details on how and to who fraud is to be reported are outlined. In addition to this, a quarterly newsletter is produced that is available on the Health Board's Intranet website and all successful prosecutions' cases are also publicised to obtain the maximum deterrent.	As part of the ongoing programme of raising fraud awareness within the Health Board, regular fraud awareness sessions are held with the various staff groups at which details on how and to who fraud is to be reported are outlined. In addition to this, a quarterly newsletter is produced that is available on the Health Board's Intranet website and all successful prosecutions' cases are also publicised to obtain the maximum deterrent.

Enquiries of the Board		
Question	2016-17 Response	2015-16 Response
6. From a fraud and corruption perspective, what are considered by the Board to be high risk posts within the organisation and how are the risks relating to these posts identified, assessed and managed?	The highest risk functions are payroll, procurement, capital and estates, financial accounting and services, asset management and primary care contractor services. These areas are governed by Standing orders and Standing Financial instructions with supporting financial control procedures. Risks in these areas are covered within the internal audit, counter fraud and PPV work plans which are overseen by the Audit Committee on behalf of the Board.	The highest risk functions are payroll, procurement, capital and estates, financial accounting and services, asset management and primary care contractor services. These areas have governed by Standing orders and Standing Financial instructions with supporting financial control procedures. Risks in these areas are covered within the internal audit, counter fraud and PPV work plans which are overseen by the Audit Committee on behalf of the Board.
7. Is the Board aware of any related party relationships or transactions that could give rise to instances of fraud and how does the Audit Committee mitigate the risks associated with fraud related to related party relationships and transactions?	The Declarations of Interest Register is published and made available to the Board Secretary who is responsible for keeping the Chair appraised of any potential related party relationships or transactions that could give rise to fraud. There have been no known instances during the year.	The Declarations of Interest Register is published and made available to the Board Secretary who is responsible for keeping the Chair appraised of any potential related party relationships or transactions that could give rise to fraud. There have been no known instances during the year.
8. Is the Board aware of any entries made in the accounting records of the organisation that it believes or suspects are false or intentionally misleading?.	No. All major accounting judgements and estimates are reported to and discussed at the Audit Committee as part of the final accounts scrutiny process. These are thoroughly considered a separate workshop which concentrates on reviewing and scrutinising the draft annual accounts.	No. All major accounting judgements and estimates are reported to and discussed at the Audit Committee as part of the final accounts scrutiny process. These are thoroughly considered at the annual accounts workshop.

Enquiries of the Board		
Question	2016-17 Response	2015-16 Response
9. Is the Board aware of any organisational, or management pressure to meet revenue and capital budgets or other financial constraints?	<p>The UHB did not have its three year IMTP approved in 2016/17. The organisation was then requested to submit a one year operational plan which it has done. The formation and sign off of these plans follows a rigorous scrutiny process, both internally and externally, where they are reviewed by both the Board and Welsh Government.</p> <p>Organisational and Executive Director accountabilities for meeting financial and non-financial targets are clear and the Chief Executive Officer and Chair have regular meeting with Welsh Government Chief Officers and Cabinet Secretary where performance is discussed and challenged. Finance is considered alongside other key tier 1 performance targets.</p>	<p>The organisation has clear financial duties and plans to deliver these are set out in the three year IMTP. The agreement of these plans follows a rigorous scrutiny process both internally and externally where both the Board and Welsh Government need to sign these plans off.</p> <p>Organisational and Executive Director accountabilities for meeting financial and non-financial targets are clear and the Chief Executive Officer and Chair have regular meeting with Welsh Government Chief Officers and Ministers where performance is discussed and challenged. The Health Board had its IMTP approved in August 2015 despite it not having a balanced financial plan. The Health Board has worked with the Welsh Government all year to work towards financial sustainability. Financial balance is considered alongside other key tier 1 targets.</p>

### International Standard for Auditing (UK and Ireland) 250 – Consideration of laws and regulations in an audit of financial statements

#### Background

Under the ISA, in the UK and Ireland, the primary responsibility for ensuring that the entity's operations are conducted in accordance with laws and regulations and the responsibility for the prevention and detection of non-compliance rests with management and 'those charged with governance', which for the UHB is the Board. The ISA requires us, as external auditors, to obtain an understanding of how the Committee gains assurance that all relevant laws and regulations have been complied with.

#### What are we required to do?

We have to obtain evidence of how management and those charged with governance are discharging their responsibilities, if we are to properly discharge our responsibilities under ISA 250. We are therefore making requests from both management and the Board:

Enquiries of management		
Question	2016-17 Response	2015-16 Response
1. Is the Board aware of any non-compliance with relevant laws and regulations?	Yes. Discussed at appropriate Committees and where relevant linked to the Corporate Risk and Assurance Framework for the Health Board. Further training for Board members on legal requirements is also planned for a Board Development session in early 2017/18.	Discussed at appropriate Committees and where relevant linked to the Corporate Risk and Assurance Framework for the Health Board

Enquiries of management		
Question	2016-17 Response	2015-16 Response
<p>2. If there have been instances of non-compliance what are they, and what oversight has the Board had to ensure that action taken by management to address and gaps in control?</p>	<p>Instances of non-compliance are:</p> <ul style="list-style-type: none"> <li>• Fire Safety Enforcement Notices where a plan of action has been agreed with Whitchurch Hospital the Fire and Rescue Authority. This is monitored via the Health and Safety Committee.</li> <li>• Breaches in 2016/17 of Welsh Government procurement rules, where action has been taken to correct processes. This is monitored by the Audit Committee.</li> <li>• Information Governance Breaches which are monitored by the People Performance and Delivery Committee (supported by the Information Governance sub group) which agree improvements plans.</li> </ul> <p>Through the Committees this is then reported to the Board</p> <ul style="list-style-type: none"> <li>• Health and Safety Executive ( 1 breach C.O.S.H. regulations) Action Plan delivered and compliance notice removed 6 Feb 2017 and was monitored by the Health and Safety Committee.</li> </ul>	<p>Instances of non-compliance are:</p> <ul style="list-style-type: none"> <li>• Fire Safety Enforcement Notices where a plan of action has been agreed with Whitchurch Hospital the Fire and Rescue Authority. This is monitored via the Health and Safety Committee.</li> <li>• Breaches in 2016/17 of Welsh Government procurement rules, where action has been taken to correct processes. This is monitored by the Audit Committee.</li> <li>• Information Governance Breaches which are monitored by the People Performance and Delivery Committee (supported by the Information Governance sub group) which agree improvements plans.</li> </ul> <p>Through the Committees this is then reported to the Board</p> <ul style="list-style-type: none"> <li>• Health and Safety Executive ( 1 breach C.O.S.H. regulations) Action Plan delivered and compliance notice removed 6 Feb 2017 and was monitored by the Health and Safety Committee.</li> </ul>

## International Standard for Auditing (UK and Ireland) 550 – Related parties

### Background

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. For example:

- Related parties may operate through an extensive and complex range of relationships and structures, with a corresponding increase in the complexity of related party transactions.
- Information systems may be ineffective at identifying or summarising transactions and outstanding balances between an entity and its related parties.
- Related party transactions may not be conducted under normal market terms and conditions; for example, some related party transactions may be conducted with no exchange of consideration.

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?

Where the applicable financial reporting framework establishes requirements for related parties, the auditor has a responsibility 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. We are therefore making requests from both management and the Board:

Enquiries of management		
Question	2016-17 Response	2015-16 Response
1. What controls are in place to identify, authorise, approve, account for and disclose related party transactions and relationships?	<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 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>
2. Confirm that you have: <ul style="list-style-type: none"> <li>disclosed to the auditor the identity of the entity's related parties and all the related party relationships and transactions of which you are aware; and</li> <li>appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the framework.</li> </ul>	Yes	Yes

<b>Enquiries of the Board</b>		
<b>Question</b>	<b>2016-17 Response</b>	<b>2015-16 Response</b>
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 transaction sand relationships?	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.	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.

# Accountability Report 2016-17

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3.4

**CARING FOR PEOPLE  
KEEPING PEOPLE WELL**



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

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

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2016-17

# 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 were appointed to the UHB by the Minister for Health and Social Services via an open and competitive public appointment process.

Appendix 1 (page 49) sets out details of the Chair, Chief Executive, Executive Directors and Independent Members and confirms Board and Committee membership for 2016-17, 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 Governance/Assurance Framework (page 7), Board and Committee Activity (pages 8-12) and system of internal control (page 12).

The Remuneration Report contains changes to Board Membership in 2016-17 at page 31.

### 1.2 Statement for Public Sector Information Holders

This is contained at 7.3 (page 44) 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. This can be accessed via the following link:

<http://www.cardiffandvaleuhb.wales.nhs.uk/opendoc/144208>

### 1.4 Personal Data Related Incidents

Information on personal data related incidents where formal reports have been made to the Information Commissioner's Office is contained in the Annual Governance Statement at pages 15 and 16.

CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2016-17

## Part 2

# Statement of Accounting Officer's Responsibilities

The Welsh Ministers have directed that the Chief Executive should be the Accountable Officer to the LHB/NHS Trust.

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 the Welsh Government.

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.

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 judgments required for determining that they are fair, balanced and understandable.

**Signed by:**

**Sharon Hopkins**  
**Interim Chief Executive**

**Date:** 1<sup>st</sup> June 2017

3.4

CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2016-17

# Part 3

## Statement of Directors’

### Responsibilities in respect

### of the accounts

3.4

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 LHB/NHS Trust and of the income and expenditure of the LHB/NHS Trust 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 applicable 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 UHB and to enable them to ensure that the accounts comply with requirements outlined in the above mentioned direction by the Welsh Ministers.

**By Order of the Board**

**Signed:**

On behalf of the Chairman: .....Dated: 1<sup>st</sup> June 2017

Interim Chief Executive: .....Dated: 1<sup>st</sup> June 2017

Director of Finance: .....Dated: 1<sup>st</sup> June 2017

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2016-17

# Part 4

## Annual Governance Statement

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CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2016-17

**4.1 Scope of Responsibility**

The Board is accountable for Governance, Risk Management and Internal Control. As Accountable Officer and Interim 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 achievements 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 duties are carried out in accordance with the responsibilities assigned by the Accountable Officer of NHS Wales.

This 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 2016-17. It also sets out the governance arrangements to ensure probity, and that strategic and delivery plans are in place, risks mitigated and assured and we have the 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 482,000 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 responsibility for every part of the local health system and has defined its mission as:

*“Caring for people, keeping people well”*



## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2016-17

**4.2 Our Governance/Assurance Framework**

The UHB has been constituted to comply with the Local Health Board (Constitution, Membership and Procedures) (Wales) Regulations 2009.

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 objectives and plans.

The Board is supported by the Director of Corporate Governance who provides advice on Corporate Governance.

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

- Setting the overall strategic direction of the UHB within Welsh Government policies and priorities.
- 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.
- Appointing, appraising and remunerating Executives.

The Board has approved Standing Orders for the regulation of proceedings and business. They are designed to translate the statutory requirements set out in the Local Health Board (Constitution, Membership and Procedures) (Wales) Regulations 2009 into day to day operating practice. Together with the adoption of a scheme of matters reserved for the Board, a detailed scheme of delegation to officers and earned autonomy framework and Standing Financial Instructions, they provide the regulatory framework for the business conduct of the UHB and define "its ways of working".

The Standing Orders and Standing Financial Instructions were updated and approved by the Board in March 2014. Further amendments were approved by the Audit Committee in April and the Board in May 2015, reflecting the establishment of the Emergency Ambulance Services Committee and the Welsh Health Specialist Services Committee. In January 2017, the Board approved a variation to Standing Orders and the Scheme of Delegation in order to manage remaining disciplinary cases that fell under WHC 90(22).

These documents are supported by a suite of corporate policies and, together with the Standards of Behaviour Framework, make up the UHB's Governance Framework. In January 2015 a review of these arrangements commenced to support the further development of the UHB's 10 year Strategy 'Shaping our Future Wellbeing'.

CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2016-17

**4.3 The Board and its Committees**

The UHB Board consists of 24 members including Chair, Vice Chair and Chief Executive. The UHB has 11 Independent Members, all of whom are appointed by the Cabinet Secretary for Health, Social Services and Sport and 4 Associate Members.

The Board provides leadership and direction to the organisation and is responsible for governance, scrutiny and public accountability, ensuring that its work is open and transparent by holding its meetings in public.

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.

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, provide their minutes to each Board meeting that contribute to its assessment of assurance and provide scrutiny against the delivery of objectives.

Copies of the papers and minutes are available from the Director of Corporate Governance and are also on the UHB’s website. The website also contains a summary of each Committee’s responsibilities and Terms of Reference. All action required by the Board and Committees are included on an Action Log and at each meeting progress is monitored, these Action Logs are also published on the UHB’s website.

All Committees annually review their Terms of Reference and Work Plans to support the Board’s business.

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.

Appendix 1 (page 49) sets out details of the Chair, Chief Executive, Executive Directors and Independent Members and confirms Board and Committee membership for 2016-17, meetings attended during the tenure of the individual and any Champion Roles performed.

**Board and Committee meetings held during 2016-17 – all were quorate**

Board/Committee	Dates of Meetings in 2016-17											
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Board		26/05/16	02/06/16	28/07/16		29/09/16		24/11/16		26/01/17		30/03/17
Audit	12/04/16	06/05/16	02/06/16			20/09/16		15/11/16			28/02/17	
Charitable Funds			14/06/16			27/09/16			20/12/16			21/03/17
Health and Safety	26/04/16			19/07/16			11/10/16			24/01/17		
Mental Health and Capacity		10/05/16			09/08/16			29/11/16				
People, Planning and Performance		03/05/16		12/07/16		06/09/16		08/11/16		10/01/17		07/03/17
Quality, Safety and Experience	19/04/16		28/06/16			13/09/16	18/10/16		13/12/16		21/02/16	
Remuneration and Terms of Service			21/06/16			06/09/16 14/09/16	27/10/16	02/11/16 24/11/16	06/12/16		07/02/17	23/03/17
Interim Finance Committee								29/11/16	21/12/16	13/01/17	14/02/17	14/03/17



## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2016-17

**Items Considered by the Board in 2016-17 included:**

- Patient Experience Stories and Patient Safety Quality and Experience Reports
- Financial Performance
- Integrated Medium Term Plan
- Targeted Intervention
- Corporate Risk and Assurance Framework
- Annual Reports received from Wales Audit Office, Healthcare Inspectorate Wales, Head of Internal Audit and the Audit Committee
- UHW/UHL Parking Solutions and Traffic Management
- Annual Accountability Report, Annual Quality Statement and Financial Annual Accounts (2015-16)

During 2016-17, key aspects of Board business and issues delegated to the Audit Committee for consideration and advice, including action taken was as follows:

- Approval of the Internal and External Audit Plans for the year
- Receiving Internal and External Audit Reports and monitoring progress against Audit Action Plans
- Agreeing the annual counter fraud plan and monitoring counter fraud activities
- Review of the register of gifts and hospitality
- Signing off the Health Board Annual Accounts
- Monitoring of Governance Arrangements across the organisation including hosted bodies
- Monitoring of the Corporate Risk and Assurance Framework

The Audit Committee's Annual Report provides the Board with a summary of matters considered during the year.

The Annual Quality Statement for 2016-17 will be published in July 2017 and will include a summary of the work undertaken during the year by the Quality, Safety and Experience Committee.

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>

**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<sup>rd</sup> June 1996 by Declaration of Trust and following reorganisations of health services, was amended by Supplementary Deed on 12<sup>th</sup> July 2001 and 2<sup>nd</sup> 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 registration also encompasses Cardiff and Vale NHS Trust (Expendable Funds) Common Investment Fund. This combines the funds of the Charity into one pool for investment purposes.

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

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2016-17

- 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 to evaluate the adequacy of procedures and controls, to ensure compliance and to provide reasonable assurance over:

- Achievement of management objectives for the systems
- Economic and efficient use of resources
- Compliance with policies and procedures
- Safeguarding of assets.

The Internal Audit reports are presented to both the Charitable Funds Committee and the Audit Committee, and this is a key measure in mitigating control risk. Investment risk is mitigated by agreeing an Investment Policy with the nominated Investment Managers which includes ethical consideration.

The strategy of the Corporate Trustee is to apply charitable funds within a reasonable time of receipt, ideally within one to two years, unless there are specific requirements attached to income. Historically, the level of expenditure has been generally approximated to the level of income, with greater than required reserves held to manage any fluctuations.

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

#### Stakeholder Reference Group

The Stakeholder Reference Group's (SRG) 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 reaching and presenting a cohesive and balanced stakeholder perspective to inform the UHB's 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 proposals prior to formal consultation
- Feedback on the impact of the UHB's operations on the communities it serves.

Significant issues upon which the Stakeholder Reference Group has been engaged during 2016-17 are:

- Annual Quality Statement for 2016-17 – the Group contributed to its layout to ensure the document is more user friendly.
- Shaping Our Future Wellbeing – the Group has been engaged from the outset with the In Our Community Programme and endorsed the principle of homes first and the methodology to identify the best location for wellbeing hubs and centres.
- Consultations on Wellbeing Assessments – significant engagement and numerous comments provided by the Group.

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2016-17

- BIG Transformation Programme – the group was pleased with BIG 2 perfect locality specification which centres around joint working and having services specific to the needs of the local population. The Group emphasised the need for good outcome measures and a robust evaluation process.

**Local Partnership Forum**

The Local Partnership Forum meets in support of the Board and delivers the main forum within the UHB where the Executive Directors and Trade Union/Professional Organisation Representatives can work together to improve health services for the people of Cardiff and the Vale of Glamorgan and for others accessing services provided by the UHB. It is the forum where key stakeholders engage with each other to inform, debate and seek to agree local priorities on workforce and health service issues. The purpose of the Local Partnership Forum, as set out in the Terms of Reference, falls into four overarching themes:

- Communicate
- Consider
- Consult and Negotiate
- Appraise

Significant issues upon which the Local Partnership Forum has been engaged during 2016-17 are:

- Staff engagement – staff engagement levels are proven to have a material impact on key hospital outcomes. All Clinical Boards presented their engagement score and action plans to the Forum.
- Integrated Medium Term Plans – planning and engagement milestones for the development of the Integrated Medium Term Plans were shared. Forum members were also invited to attend

an engagement event with Clinical Boards and other stakeholder groups in February 2017.

- Values into Action – this is a 4 step programme to articulate and implement expected values and behaviours. The 4 steps are engage, co-create, cascade and sustain. The UHB is currently well into phase 3, with almost 3,000 inputs from staff and patients received.
- BIG Transformation Programme – the Forum’s help and support was sought in driving forward this programme. Regular updates were provided to the Forum as part of the Chief Executive’s report.
- Emergency Services – regular updates regarding progress with the 46 recommendations were received and the Forum given the opportunity to raise any further concerns.

**Healthcare Professionals’ Forum**

The Healthcare Professionals’ Forum’s role is to provide a balanced, multidisciplinary view of professional issues to advise the Board on local strategy and delivery.

The purpose of the Forum is to facilitate engagement and debate amongst a wide range of clinical interests within the UHB’s area of activity, with the aim of reaching and presenting a cohesive and balanced perspective to inform the UHB’s decision making.

During 2016-2017 the Healthcare Professionals’ Forum held two joint meetings with the Stakeholder Reference Group.

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2016-17

Significant issues upon which the Healthcare Professionals' Forum has been engaged during 2016-17 are:

- Integrated Medium Term Plans – the Forum received progress reports and its members also attended the engagement event with Clinical Boards and other stakeholder groups in February 2017 to enable it to consider how clinical and service board operational plans are contributing to the UHB delivery objectives and outcomes.
- Freedom to Speak Up Safely – the launch of a new service ensuring staff are aware of the avenue to go down if they have any concerns in relation to patient care, patient safety or fraud.
- Traffic Management Scheme – the proposals to address traffic on the UHW site.

Minutes of the Advisory Groups are available via the following link:

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

The Advisory Groups have provided a valuable sounding board in developing our Integrated Medium Term Plan and service change proposals across South Wales.

#### 4.4 System of Internal Control

The system of internal control is based on an ongoing process designed to identify the risk profile of the UHB. This includes an assessment and prioritisation of those risks which have the potential to impact on the achievement of our policies, aims and objectives, the evaluation of the

likelihood of those risks being realised, the impact should they be realised, and the action required to manage them efficiently, effectively and economically.

The system of internal control has been in place for the year ended 31 March 2017 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

##### Corporate Risk and Assurance Framework (CRAF)

The Board has a Risk Management Policy and supporting Risk Assessment and Risk Register Procedure that explains to staff its approach to risk management. Each Clinical Board and Corporate Department has responsibility for maintaining a comprehensive risk register with the lead Executive Director responsible for highlighting and assessing the most significant risks for inclusion in the CRAF. 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.

The Board routinely reviews the CRAF and assurance is provided by updates from each of the UHB Committees having critically reviewed their assigned risks. In this respect 'risk appetite' is monitored and reviewed at each of these meetings. In addition, the Board's appetite for risk is reflected in the Integrated Medium Term Plan which sets out the Board's priorities and focus for the next three years.

CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2016-17

In 2016, Internal Audit completed a review of the UHB’s risk management arrangements and this resulted in a Substantial Assurance Report.

The Board Development Day on 27<sup>th</sup> April 2017 was devoted to risk management and was also attended by Clinical Boards, Corporate Departments and representatives from the Cardiff and Vale of Glamorgan Community Health Council. Defining our risk appetite was an integral part of the day, and the renewal of our Risk Policy and Procedure will provide an opportunity to further strengthen our risk management strategy – proposals will be presented to the May 2017 Board.

The UHB regularly publishes its updated CRAF including an assessment of strategic risks and how these are being managed. The most recently published CRAF can be found via the following link:

<http://www.cardiffandvaleuhb.wales.nhs.uk/sitesplus/documents/1143/CRAF%20030417%20for%20publication1.pdf>

A summary of the key risks identified during 2016-17 and actions taken to mitigate follows. The Stakeholder Reference Group was briefed throughout the year on the management and mitigation of the highest risks.

Principal Risks	Risk Score	Summary of Controls
<b>FINANCE</b> Failure to deliver financial balance and savings programmes	25	<ul style="list-style-type: none"> <li>- Budgets and savings targets delegated to budget holders</li> <li>- Clinical Board Financial and savings plans peer reviewed and tested by senior finance team and Finance Director</li> <li>- Monthly monitoring on financial performance and savings plans</li> <li>- Focus of attention at HSMB, Management Executive meeting and the Big Room</li> <li>- Performance Management Framework / Clinical Board regular meetings</li> </ul>
<b>ESTATES AND FACILITIES</b> Meet statutory compliance in respect of estates maintenance	25	<ul style="list-style-type: none"> <li>- Estates and statutory compliance audit process</li> <li>- Prioritisation of maintenance requests</li> <li>- Establishment of dedicated compliance team</li> <li>- External audit of statutory compliance</li> <li>- Asset collation being progressed</li> <li>- Contract in place to service main plant</li> <li>- Progressing tender for all medical gas compliance</li> <li>- New contract to start a phased approach to emergency lighting has commenced</li> </ul>
<b>OPERATIONAL AND CLINICAL EXCELLENCE</b> Bone Marrow Transplantation - unacceptable waiting times leading to the potential relapse or death	25	<ul style="list-style-type: none"> <li>- Multi-Disciplinary Team discussion prior to being placed on waiting list</li> <li>- Internal meetings and discussions to monitor waiting list</li> <li>- Regular contact with Finance Department and WHSSC regarding funding for services - business case has been submitted and regular forecasts</li> <li>- Some extra posts agreed</li> <li>- Capital Planning seeking alternative locations for Haematology facility</li> </ul>
<b>ESTATES AND FACILITIES</b> Vehicle congestion and traffic management on the UHW site leading to: a) patients missing appointments/staff arriving late leading to service disruption b) Emergency service vehicles unable to flow freely on the site c) Potential contact with pedestrians and/or cyclists d) Contact/collision with other vehicles e) Increased environmental impact	20	<ul style="list-style-type: none"> <li>- Temporary traffic flow management and traffic lights to assist with vehicle flows at the busiest times</li> <li>- Indigo manage the traffic on site and security staff are also occasionally utilised</li> <li>- UHB has a Sustainable Travel Policy and Procedures to encourage site users to utilise alternative transport arrangements</li> <li>- Cross-hatched road markings and yellow lines to keep traffic moving and to resist blocking key areas</li> <li>- Independent traffic survey completed</li> </ul>

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**Emergency Preparedness**

The UHB has in place a Major Incident Plan that takes full account of the requirements of the Welsh Government Guidance to NHS Wales and all associated guidance.

Risk assessments have been completed in accordance with emergency preparedness, and as required by the Civil Contingencies Act 2004, to ensure that we can respond to an emergency, continue to support emergency partners and continue to provide emergency services to the public as is reasonably practical in the event of an emergency.

These requirements are met through the implementation of the Major Incident Plan and/or Business Continuity Plan which enable the organisation to respond effectively in emergency situations and continue to deliver services. Identified leads for the key roles required to support the UHB in the delivery of this work are in place. These include Executive level lead for civil contingency/emergency planning arrangements and separate Executive level business continuity leads.

Business continuity arrangements for maintaining critical services are reviewed regularly and were last considered and adopted by the Executive Board in April 2015, with an Internal Audit Review in May 2016. The Major Incident Plan was updated and approved at a private meeting of the Board in March 2017. Contact lists contained in the Plan are routinely reviewed every 3 months. The plan was validated via live activation on 18<sup>th</sup> November 2015 and the bi-annual activation test was completed in September 2016.

Resilient activation systems, action cards and suitably trained and equipped staff to provide for a 24 hour major incident response are all in place with faster streamlined activation systems in collaboration with Welsh Ambulance Services Trust currently under discussion. UHB staff

have participated in a number of UHB specific, and multi-agency table-top and live/simulated training exercises during 2016-17. Additional training opportunities and the co-ordination of health emergency planning with the emergency plans of other organisations is discussed at the Local Resilience Forum.

Specific assessment of our ability to respond to a Marauding Terrorist Firearms Attack (MTFA) is ongoing in conjunction with all other Health Boards across Wales. The primary concern is the lack of a critical mass of medical staff with essential clinical skills to complete ballistic trauma damage resuscitation surgery. Provision of this training is under consideration.

**Carbon Reduction Delivery Plans**

The UHB has a Carbon Reduction Strategy. The UHB is undertaking risk assessments and carbon reduction delivery plans are being developed in accordance with emergency preparedness and civil contingency requirements as based on UK Climate Impact Programme (UKCIP) 2009 weather projections to ensure that the organisation's obligation under the Climate Change Act and the Adaptation reporting requirements are fulfilled as detailed in the Welsh Government statutory guidance documents 'Preparing for a changing climate Part 1 and 2'.

The UHB operates an Environmental Management System and has achieved ISO14001 accreditation which is externally accredited. The program includes objectives and targets for waste management, energy and carbon reduction.

The UHB has also established an Energy Management Steering Group focussing on waste, energy/carbon related matters.

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Staff and stakeholders are encouraged and supported to manage hazardous and non-hazardous waste effectively and to reduce energy and water consumption wherever possible.

Further information on key activities being undertaken will be contained in the Sustainability Report which will be published in July 2017.

#### 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. This will be described in the Annual Quality Statement but there have been some high profile clinical matters during 2016-17 that have required significant and focussed attention as follows:

- In February 2016, Healthcare Inspectorate Wales (HIW) carried out an unannounced Dignity and Essential Care (DECI) visit to a number of Medical and Mental Health Services for Older People Wards at University Hospital Llandough. A number of immediate assurance issues were raised with the UHB. A comprehensive plan for improvement was agreed by the Quality, Safety and Experience Committee in June 2016 and progress has been robustly monitored through Professional Performance Reviews and Clinical Board Executive Performance Reviews. Assurance reports have been scrutinised regularly by the Quality, Safety and Experience Committee to oversee the implementation of the necessary improvements. A recent unannounced visit, to the same areas in late February 2017 was overwhelmingly positive in terms of the care that was observed and recognised that the UHB has clearly addressed the recommendations from the 2016 visit.

- The UHB commissioned an external review of the management of *Acinetobacter baumannii* outbreaks at the Neonatal Unit (NNU) at the University Hospital of Wales which led to closures of the NNU in August and November 2015. The review took place in September 2016 and the UHB is currently awaiting the final report.
- The UHB is undertaking a focused piece of work to address delays in endoscopy services in the UHB. There is an overarching improvement plan in place and regular reporting to the Quality, Safety and Experience Committee and Welsh Government.

##### Data Security

The UHB has an Information Governance Policy that was developed by the Information Governance Sub Committee and approved by the People, Performance and Delivery Committee.

A procedure approved by the Information Governance Sub Committee in January 2016 translates the principles in the policy into more detailed guidance including individual responsibilities. It clearly sets out the organisation and responsibilities of staff in the day to day management of information governance to ensure that all information processed in all formats is dealt with and handled legally, securely, efficiently and effectively in order to deliver the best possible care.

The UHB had three lapses in data security that warranted reporting to the Information Commissioner's Office (ICO) in 2016-17. Summary details are as follows:

- File containing clinical information including Personal Identifiable Information (PII) stolen from the parked car of a staff member.

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- Clinical letter containing PII sent to the address of a different patient with the same name as a result of a staff member operating a computer system incorrectly.
- Physiotherapy technician lost work containing PII and safe key code.

These incidents were fully investigated and action taken to prevent any reoccurrence. The UHB records reported information governance incidents both through the Patient Safety e-DATIX system and the central Information Governance processes. Both work closely together to ensure consistency and accuracy of reporting. The ICO has informed the UHB that they do not intend to take any further action in these matters.

The UHB invited the ICO to carry out a full audit of compliance in relation to the Data Protection Act. This covered the following areas:

- Data protection governance
- Records management (manual and electronic)
- Security of personal data

The ICO report was presented to the UHB in July 2016 and gave a “limited assurance” rating. A follow up review was undertaken in April 2017; this acknowledges the progress we have made but further work is required in 2017-18 to improve our assurance rating. This will include a review of some work already undertaken.

The UHB was advised in February 2017 that, after the database of an NHS contractor had been compromised, the personal data of approximately 60 staff and 2 patients was copied. This event affected staff in other Health Boards and a national response is being co-ordinated by Velindre NHS Trust.

### Health and Care Standards

Since 2015-16 the Health Board has undertaken a considerable amount of work to implement and embed the revised Health and Care Standards.

The new standards provided an opportunity to refresh and revise our approach to self-assessment and we have moved towards alignment with the internal processes for the development and monitoring of the Integrated Medium Term Plan. A pilot self-assessment against five standards was undertaken in February 2016 and an assessment of the remaining eighteen standards in June 2016; the Process was subject to scrutiny from Internal Audit and received Reasonable Assurance.

To further embed the Health and Care Standards and to support a system that promotes continuous monitoring and development of the service provision underpinning each of the Standards, the UHB is moving away from one off annual assessments. Instead, existing committees or groups within the UHB will be aligned to individual standards to provide year round support and strategic direction. This process will be implemented with six Health and Care Standards during 2017-18. These particular standards have been chosen because there is already an established group/committee with a well-developed infrastructure to support this development. The remaining standards will be aligned to groups or committees over the next two years and in the meanwhile the UHB will continue the current self-assessment process against these standards. The aim is that by 2020, there will be no requirement for a one off self-assessment to provide assurance on compliance.

More detail on the Standards can be found on the following link:

<http://www.wales.nhs.uk/governance-emanual/health-and-care-standards>

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**Corporate Governance Code**

The UHB has undertaken an assessment against the main principles of the Corporate Governance Code as they relate to an NHS public sector organisation in Wales. The Board is in full compliance with the Code with the following non-material exceptions:

Section 3.10 – 3.11 Board appointments are typically made for a period of three-four years. These are Ministerial appointments which the Board itself is unable to influence apart from the personal encouragement of asking people from diverse backgrounds to apply.

Section 4.1 – The Board has a dedicated secretariat function.

**Equality, Diversity and Human Rights**

Control measures are in place to ensure that all the organisation's obligations under equality, diversity and human rights legislation are complied with.

The control measures for 2016-17 include:

- Strategic Equality Plan - Annual Delivery Framework
- Health Board Equality Annual Report
- Equality reports to the Equality, Diversity and Human Rights Sub Committee on the UHB's objectives and actions
- Equality reports to the People Planning and Performance Committee on the Health Board's objectives and actions
- Reports to the Equality and Human Rights Commission
- Reports to the Centre for Equality and Human Rights
- 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

Further information on application of the equality, diversity and human rights legislation in relation to our workforce can be found at 5.4.

**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 into 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.

**Ministerial Directions**

A list of Ministerial Directions issued by the Welsh Government during 2016-17 is available at:

<http://gov.wales/legislation/subordinate/nonsi/nhswales/2016/?lang=en>

<http://gov.wales/legislation/subordinate/nonsi/nhswales/2017/?lang=en>

The UHB can confirm that all of these Directions have been fully considered and where appropriate implemented.

- The National Health Service (Charges for Optical Appliances) Directions 2016 (2016, No.6)
- Directions to Local Health Boards as to the Statement of Financial Entitlements (Amendment) Directions 2016 (2016, No.7)
- Directions to Local Health Boards as to the Statement of Financial Entitlements (Amendment) (No.2) Directions 2016 (2016, No.9)

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- Directions to Local Health Boards as to the General Dental Services Statement of Financial Entitlements (Amendment) 2016 (2016 No.26)
- Directions to Local Health Boards as to the General Dental Services Statement of Financial Entitlements (Amendment No.2) 2016 (2016 No.31)
- The Primary Medical Services (Directed Enhanced Services) (Wales) (Amendment) (No.2) Directions 2016 (2016 No.23)
- The Directions to Local Health Boards as to the Statement of Financial Entitlements (Amendment No.4) 2016 (No.19)
- Directions to the Local Health Board as to the Statement of Financial Entitlements (Amendment)(No 5) Directions 2016 (2016 No. 39)
- The Directions to Local Health Boards as to the Statement of Financial Entitlements (Relaxation of Quality and Outcomes Framework) Directions 2017 (2017 No.3)
- Directions to Local Health Boards as to the Statement of Financial Entitlements (Amendment) Directions 2017 (2017 No.2)
- Directions to Abertawe Bro Morgannwg University LHB, Aneurin Bevan University LHB, Betsi Cadwaladr University LHB and Cardiff & Vale University LHB 2017 (2017 No.10)
- Primary Medical Services (Mental Health) (Directed Enhanced Services) (Wales) Directions 2017 (2017 No.13)

**Welsh Health Circulars**

A range of Welsh Health Circulars (WHCs) were published by Welsh Government during 2016-17 and can be viewed at:

<http://gov.wales/topics/health/nhswales/circulars/?lang=en>

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 that tracks regulatory and inspection reports against statutory requirements and all such reports are made available to the appropriate Board Committee. The overarching tracking report is monitored by the Audit Committee twice a year and also the Healthcare System Management Board, the UHB senior operational management group.

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**4.7 Integrated Medium Term Plans (IMTP)**

The National Health Service Finance (Wales) Act 2014 came into effect on 1<sup>st</sup> April 2014 and places two financial duties upon Local Health Boards.

These duties are:

- A duty under section 175(1) to ensure that its expenditure does not exceed the aggregate of funding allotted to it over a period of three years, and
- 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.

In line with the rest of NHS Wales, the UHB faced another year of significant financial challenge in 2016-17. The UHB submitted its three year IMTP for consideration in July 2016, but the Welsh Ministers were not in a position to approve it. Hence the UHB failed to meet its financial duty under section 175(2A).

Upon their request, the UHB submitted a one year operational plan to Welsh Government in September 2016 and whilst no formal mechanism exists for its approval, the UHB has been working to and reporting against this unapproved operational plan. This plan has a deficit of £22m, the outturn was a year end deficit of £29.243m, the variance being driven by non-delivery of the savings target and operational overspends.

The first assessment of performance against the three year statutory duty 175(1) takes place at the end of 2016-17. The UHB had a deficit of £21.364m in 2014-15 and a surplus of £0.068m in 2015-16. This means

that over the three year period the aggregated deficit is £50.539m. Thus the UHB has failed to meet its financial duty under section 175(1).

The UHB continues to work closely with Welsh Government on achieving long term financial sustainability. For 2017-18 it does not have a financially balanced plan that it can submit to Welsh Ministers for approval and is therefore again working with Welsh Government on agreeing a one year operational plan. The UHB recognises its statutory financial duties and is working with Welsh Government to meet the requirements of the National Health Services Finance (Wales) Act as soon as practically possible. As yet there are no agreed plans and timescales to achieve this and this is therefore very much work in progress.

Notwithstanding the financial challenges faced by the UHB, work has been continuing during 2016-17 to deliver the key actions set out in the Annual Plan. In relation to the key service deliverables, the UHB has met and exceeded the Referral to Treatment Time and diagnostic commitments made in the Plan, and the cancer targets will have been achieved. Unscheduled care performance has improved overall compared with the 2015-16 end of year position with the over 12 hour and delayed transfers of care positions improving significantly.

The Annual Plan for 2016-17 reflects the key steps being taken to realise the ambitions set out in the Strategy, Shaping Our Future Wellbeing. Key actions aligned with the strategic objectives set out in the Strategy.

The Annual Plan set out the key actions relating to transforming care through the BIG programme. This needed to be re-scaled during the year because the additional support required was not available to enable the programme to proceed at the pace originally intended. However, the re-sized transformation programme has progressed with some clear improved outcomes/outputs achieved. The BIG 1 ward remodelling pathfinder was completed, the BIG 2 perfect locality specification has

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been developed and the BIG 3 reducing variation programme is proceeding with new pathways of care in development.

The Annual Plan also set out a range of actions that are resulting in a shift in the balance of care away from hospital to the community and the primary care cluster plans form an important component of this work. Whilst there has been some slippage due to recruitment challenges in some areas, the primary care plan is on track to deliver the expected outcomes. The Health and Social Care Regional Partnership has also progressed the services provided in the community through the services funded by the Intermediate Care Fund, and there is clear evidence of the benefits being realised from these services.

Recognising our role as a regional and tertiary provider of specialist services, the Annual Plan set out how we would progress implementation of the recommendations of the South Wales Programme and other regional service models. This work is all progressing in line the timetables set out in the Plan, and a significant step forward was achieved when the Welsh Government supported the business case for the capital development required to enable the implementation of the regional model for neonatal, paediatric and obstetric services.

The UHB has also played a key partnership role in the Public Service Boards in Cardiff and the Vale of Glamorgan and has been instrumental in the completion of the wellbeing and population needs assessment required for the Wellbeing of Future Generations Act and Social Services and Wellbeing Assessment respectively.

We have also strengthened the collaboration with Cardiff University with the development of the Health Enterprise Alliance for Regional Transformation (HEART) with the two local authority partners. This aims to achieve a radical transformation in citizen centred service provision, accelerating clinical innovation linked to supporting the growth of the life-

science sector of the local economy and developing a shared infrastructure plan – including estate and IT. The Plan set out the key actions for HEART in 2016-17, which in the main have been achieved.

In relation to patient experience and safety, our frameworks have been further developed during the year, in line with the actions in the Plan and good progress has been made. The feedback from patients obtained from a wide range of sources remains positive overall, and there are good mechanisms in place to learn from the feedback we get from patients and any mistakes/near misses that occur.

A copy of the full IMTP is available on the UHB's website via the following link:

[www.cardiffandvaleuhb.wales.nhs.uk/sitesplus/documents/1143/CVUHB%20IMTP%202015-16%20final%20draft%20010415%20with%20appendix.pdf](http://www.cardiffandvaleuhb.wales.nhs.uk/sitesplus/documents/1143/CVUHB%20IMTP%202015-16%20final%20draft%20010415%20with%20appendix.pdf)

A copy of the summary IMTP is available on the UHB's website via the following link:

[www.cardiffandvaleuhb.wales.nhs.uk/sitesplus/documents/1143/imtp%20summary%202015%20-%202018.pdf](http://www.cardiffandvaleuhb.wales.nhs.uk/sitesplus/documents/1143/imtp%20summary%202015%20-%202018.pdf)

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**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 and overall opinion of Internal Audit.

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
- 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 Wales Audit Office 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 CRAF 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> <li>- Health and Care Standards assessments</li> <li>- Executive and Independent Member 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 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>- Population Health Information</li> <li>- Wales Audit Office</li> <li>- Welsh Risk Pool Assessment reports</li> <li>- Healthcare Inspectorate Wales reports</li> <li>- Community Health Council visits</li> <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**

The Board has completed a self-assessment against the criteria to meet the new standard for Governance, Leadership and Accountability (GLA). It has openly assessed its performance using the maturity matrix adopted by the UHB for the wider Health and Care Standards self-assessment and has plans in place to achieve the improvement actions as part of the Integrated Medium Term Plan.

The outcome will be reviewed by Internal Audit.

The table contains the responses received from the self-assessment. The final figures were obtained from calculating the average score from the responses provided.

✓2016-17 Assessment

Save for the GLA self-assessment described above, the Board in 2016-17 has not carried out any additional review of its effectiveness. The UHB Committee structure has been reviewed and considered by Board however and this and overall effectiveness will continue to be a focus in 2017-18.

The GLA self-assessment did contain questions to assess the quality of the data used by the Board and the responses received confirmed that the Board is assured by the quality of information provided.

<b>Governance, Leadership &amp; Accountability</b>	<b>Getting Started</b>	<b>Getting There</b>	<b>Meeting the Standard</b>	<b>Leading the Way</b>
Demonstrating effective leadership			✓	
Strategy is set with a focus on outcomes			✓	
Health services innovate and improve delivery, plan resource and prioritise			✓	
Health services foster a culture of learning and self-awareness, and personal and professional integrity		✓		
Overall maturity level			✓	

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**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 Head of Internal Audit’s opinion is arrived at having considered whether or not the arrangements in place to secure governance, risk management and internal control are suitably designed and applied effectively in the following assurance domains:

- Corporate Governance, Risk Management and Regulatory Compliance
- Strategic Planning, Performance Management and Reporting
- Financial Governance and Management
- Clinical Governance, Quality and Safety
- Information Governance and Security
- Operational Service and Functional Management
- Workforce Management
- Capital and Estates Management

**Head of Internal Audit Opinion**

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.

<b>Reasonable Assurance</b>	 <p>- + Yellow</p>	<p>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 low to moderate impact on residual risk exposure until resolved.</p>
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In reaching the opinion the Head of Internal Audit has applied both professional judgement and the Audit and Assurance “*Supporting criteria for the overall opinion*” guidance produced by the Director of Audit and Assurance and shared with key stakeholders.

The Head of Internal Audit has also concluded that Reasonable Assurance can be reported for each of the eight assurance domains, around which the plan is structured.

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Whilst the overall opinion and the opinion for each domain were given Reasonable Assurance, there were however, a number of individual audits that received Limited Assurance and these are noted below.

Review Title	Objective and Actions
PCIC Community Stock	<p>The scope of the review is to ensure that an appropriate amount of stock is held securely, with stock movements appropriately authorised and tracked.</p> <p>Agreed actions include reviewing and updating the procedures, enhancing the stock management systems, including the procurement of hand held scanners, in addition to improving the storage environment for stock.</p>

Review Title	Objective and Actions
Neurosciences - Patient Care IT system	<p>The purpose of the review is to provide assurance that data held within the PatientCare IT system is accurate, secure from unauthorised access and loss and that the system is used fully.</p> <p>Agreed actions include improvements to user management, system security, database management, business continuity and overall system, governance.</p>

3.4

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**3.4**

Review Title	Objective and Actions
Continuing Healthcare	<p>The scope of the review was to ensure that there are appropriate systems and processes are in place for the assessment of CHC patients along with the commissioning and approval of placements and the on-going monitoring of these.</p> <p>Agreed actions include, reviewing heads of service agreements, annual review of CHC placements, reviewing individual service contracts, improved recording of QA dates.</p>

Further to the reports noted above, an audit of specific additional payments was undertaken within the Clinical Diagnostics and Therapeutics Clinical Board, which highlighted a number of control weaknesses. It can be confirmed that management action has since been taken to strengthen the control environment in place over these payments.

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.

Review Title	Objective and Actions
Waiting List Initiative	<p>The scope of the review was to ensure that Waiting List Initiative Payments (WLIs) are appropriately managed, authorised and justified and that payments are in line with guidance.</p> <p>Agreed actions include circulating updating WLI protocol, review payment rates for some staff, reinforcing the authorisation hierarchy, monitoring of additional paid activity, establishing a data base of WLI sessions for cross-referencing with payments.</p>

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**4.10 Wales Audit Office**

The Audit Committee agreed the Wales Audit Office (WAO) Annual Plan for 2016-17 which set out specific areas to be covered in relation to both the audit of the financial statements and performance management audit assignments. The Committee reviewed the progress on both national and local work at each meeting. The following performance reports were presented to the Audit Committee who agreed to seek assurance from the relevant Committee that actions set out in the UHB’s plan to address any issues raised are being taken.

Title of Review	Date Issued	Date Considered By/To be Considered by Committee	Assurance Committee
Review of Delayed Transfers of Care	1 November 2016	April 2017	Quality, Safety and Experience Committee
Review of Consultant Contract (Follow-up)	1 September 2016	February 2017	Audit Committee
Review of Estates	1 January 2017	February 2017	Audit Committee
Structured Assessment	1 January 2017	February and April 2017	Audit Committee
Radiology Service	1 February 2017	April 2017	Audit Committee

The actions are recorded in a tracking report and the Audit Committee monitors progress in addressing them.

A summary of the WAO Structured Assessment for 2016 of the UHB’s governance arrangements is included within the Annual Audit Report published in January 2017. This concluded:

Despite the Health Board having some effective arrangements in place, governance has deteriorated over the last year resulting in weaknesses in some aspects of scrutiny, an unapproved three year plan, limited progress in responding to previous recommendations and a financial position which is unsustainable and unlikely to be balanced at the end of 2016-17:

1. The Health Board continues to monitor and report budgets and savings plans, but the scale of the financial pressures and the planned deficit in the current year means that the financial position is not sustainable and it is unlikely to achieve its statutory financial duties for 2016-17.
2. The Board has articulated its assurance requirements and is largely effective but in-year issues have posed some governance risks, scrutiny of the plan needs strengthening and limited progress has been made in addressing issues identified in last year’s structured assessment.

A delivery plan has been developed to respond to the detailed recommendations set out in the Annual Audit Report and progress will be monitored through the Audit Committee during 2017-18.

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2016-17

**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 and the Board has had in place during the year a system of providing assurance aligned to corporate objectives to assist with identification and management of risk.

During 2016-17 through our CRAF, we have 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.

The first assessment of performance against the three year statutory financial duty took place at the end of 2016-17. Over the three year period the UHB had an accumulated deficit of £50.539m and therefore has not met its duty.

We are working very closely with Welsh Government in respect of addressing the UHB's longer term financial sustainability. To support this, the Welsh Government has placed the UHB in a state of targeted intervention and we continue to work with it on delivering improved financial performance as set out in part 4.7.

The UHB also established in 2016-17 that there may have been some significant weaknesses around the governance and decision making

arrangements for the award of a consultancy contract and the review of this will be concluded in 2017-18.

This Annual Governance Statement confirms that the UHB has continued to mature as an organisation however, there are some areas where improvements are required as described. An independent review of the UHB's governance was commissioned by Welsh Government in the latter part of 2016-17; this is due to conclude in the summer of 2017-18 and will assist in the UHB's embedding of good governance and appropriate controls throughout the organisation.

In summary, my review confirms that in general the Board has a sound system of internal control that supports its policies, aims and objectives.

**Signed by:**

**Sharon Hopkins**  
**Interim Chief Executive**

CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2016-17

# Part 5

## Remuneration Report

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## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2016-17

**5.1 Salary and Pension Entitlements of Senior Managers 2016-17**

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 2016-17 are given in the tables that follow:

**Salaries of Senior Managers**

Name and title	31-Mar-2017			Benefits in kind (Rounded to the nearest £00)	Pension Benefits (Rounded to the nearest £000)	Total (bands of £5,000) £000
	Salary (bands of £5,000) £000	Other Remuneration (bands of £5,000) £000	Bonus Payments (bands of £5,000) £000			
<b>Cardiff and Vale University Local Health Board</b>						
<b>Officer Members</b>						
Adam Cairns, Chief Executive (1)	125-130	0	0	0	0	125-130
Dr Sharon Hopkins, Interim Chief Executive (2)	65-70	0	0	0	37	100-105
Dr Sharon Hopkins, Executive Director of Public Health (2)	80-85	0	0	0	64	145-150
Ruth Walker, Executive Director of Nursing & Interim Deputy Chief Executive (3)	135-140	0	0	0	51	185-190
Abigail Harris, Executive Director of Planning	125-130	0	0	0	29	150-155
Alice Casey, Executive Programme Director						
Unscheduled Care (4)	70-75	0	0	0	0	70-75
Alice Casey, Chief Operating Officer (4)	75-80	0	0	0	0	75-80
Steve Curry, Acting Chief Operating Officer (5)	20-25	0	0	0	27	45-50
Robert Chadwick, Executive Director of Finance	160-165	0	0	0	0	160-165
Raj Chana, Executive Director of Workforce & Organisational Development (6)	95-100	0	0	0	81	175-180
Julie Cassley, Interim Executive Director of Workforce & Organisational Development (7)	40-45	0	0	0	35	75-80
Dr Fiona Jenkins, Executive Director of Therapies & Health Science	95-100	0	0	0	15	115-120
Dr Graham Shortland, Executive Medical Director	160-165	0	45-50	0	0	210-215
Fiona Kinghorn, Interim Executive Director of Public Health (8)	40-45	0	0	0	28	65-70
<b>Other Directors</b>						
Peter Welsh, Director of Corporate Governance	95-100	0	0	0	10	105-110
Steve Curry, Interim Chief Operating Officer (5)	55-60	0	0	0	77	135-140
<b>Independent Members (IM)</b>						
Maria Battle, Chair	65-70	0	0	0	0	65-70
Marcus Longley, Vice Chair	55-60	0	0	0	0	55-60
Ivar Grey, IM - Finance	15-20	0	0	2	0	15-20
Eileen Brandreth, IM - Information Communication & Technology	15-20	0	0	0	0	15-20
Professor Elizabeth Treasure, IM - University	0	0	0	0	0	0
Margaret McLaughlin, IM - Third (Voluntary) Sector	15-20	0	0	0	0	15-20
Councillor Susan Elsmore, IM - Local Authority (9)	0-5	0	0	0	0	0-5
Martyn Waygood, IM - Legal	15-20	0	0	17	0	15-20
Akmal Hanuk, IM - Local Community (9)	0-5	0	0	0	0	0-5
John Antoniazzi, IM - Estates (9)	0-5	0	0	0	0	0-5
Stuart Egan, IM - Trade Union	0	25-30	0	0	0	25-30
<b>Associate Members</b>						
Paula Martyn, Chair, Stakeholder Reference Group	0	0	0	0	0	0
Susan Bailey, Chair, Health Professionals' Forum (10)	0	75-80	0	0	0	75-80
Tony Young, Associate Member - Local Authority (9)	0	0	0	0	0	0
Phil Evans, Associate Member - Local Authority (9)	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.

Between the 1st of August and the 30th September 2016 Steve Curry was acting Chief Operating Officer and was a full member of the Board with voting rights and therefore his remuneration for that period is shown within the heading of 'Officer Members'. For his role as Interim Chief Operating Officer (which started on the 10th October 2016) he does not have voting rights and therefore his remuneration for this role is shown within the heading of 'Other Directors'.

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2016-17

## Salaries of Senior Managers

Name and title	31-Mar-2016			Benefits in kind (Rounded to the nearest £00)	Pension Benefits (Rounded to the nearest £000)	Total (bands of £5,000)
	Salary (bands of £5,000)	Other Remuneration (bands of £5,000)	Bonus Payments (bands of £5,000)			
	£000	£000	£000	£00	£000	£000
<b>Cardiff and Vale University Local Health Board</b>						
<u>Officer Members</u>						
Adam Cairns, Chief Executive	200-205	0	0	0	7	205-210
Alice Casey, Chief Operating Officer	145-150	0	0	0	0	145-150
Abigail Harris, Executive Director of Planning	125-130	0	0	0	20	145-150
Robert Chadwick, Executive Director of Finance	50-55	0	0	0	8	55-60
Christopher Lewis, Acting Executive Director of Finance	90-95	0	0	0	153	245-250
Dr Sharon Hopkins, Executive Director of Public Health	135-140	0	0	0	43	180-185
Fiona Jenkins, Executive Director of Therapies & Health Science	95-100	0	0	0	3	100-105
Dr Graham Shortland, Executive Medical Director	160-165	0	45-50	0	116	325-330
Ruth Walker, Executive Director of Nursing	130-135	0	0	0	80	210-215
<u>Other Directors</u>						
Peter Welsh, Board Secretary	95-100	0	0	0	0	95-100
<u>Independent Members (IM)</u>						
Maria Battle, Chair	65-70	0	0	6	0	70-75
Marcus Longley, Vice Chair	55-60	0	0	0	0	55-60
Ivar Grey, IM - Finance	15-20	0	0	2	0	15-20
Eileen Brandreth, IM - Information Communication & Technology	15-20	0	0	0	0	15-20
Professor Elizabeth Treasure, IM - University	0	0	0	0	0	0
Margaret McLaughlin, IM - Third (Voluntary) Sector	15-20	0	0	0	0	15-20
Councillor Christopher Elmore, IM - Local Government	10-15	0	0	0	0	10-15
Martyn Waygood, IM - Legal	15-20	0	0	20	0	15-20
Saleem Kidwai, IM - Community	15-20	0	0	0	0	15-20
Brendan Sadka, IM - Estates	15-20	0	0	1	0	15-20
Stuart Egan, IM - Trade Union	0	20-25	0	0	0	20-25
<u>Associate Members</u>						
Paula Martyn, Chair, Stakeholder Reference Group	0	0	0	0	0	0
Rosemarie Whittle, Chair, Health Professionals' Forum	0	25-30	0	0	0	25-30
Sian Walker, 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 LHB 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 persons 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 Consultants 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. All Clinical Excellence awards and Distinction awards are funded separately to the UHB by the Welsh Government.

Neither Stuart Egan or Susan Bailey are remunerated as Members of the Board, however they are employees of the Health Board and their salary costs are shown in the Other Remuneration column.

The Director of Corporate Governance is a member of the NHS Wales Lease Car Salary benefit scheme, which is open to all UHB employees. An element of an employee's salary is 'swapped' for the use of a new car. In the Remuneration table for 2016-17 the amount of £4,859 swapped for the use of the car has been included in the Salary column.

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2016-17

**5.2 Changes to Board Membership in 2016-17**

[Numbering relates to that used in the table on page 29]

1. **Adam Cairns** ended 18<sup>th</sup> November 2016.
2. **Sharon Hopkins** commenced as Interim Chief Executive on 19<sup>th</sup> November 2016, she was Executive Director of Public Health before this and during this year took up the role of Deputy Chief Executive from 1<sup>st</sup> August 2016 until 18<sup>th</sup> November. As she held two roles this year the amount of Pension benefit shared across the two roles is based on the proportion of cost in each role for the year.
3. **Ruth Walker** took up the role of Interim Deputy Chief executive from 19<sup>th</sup> November 2016.
4. **Alice Casey** was Chief Operating Officer until 9<sup>th</sup> October 2016 when she took up the role of Executive Programme Director Unscheduled Care.
5. **Steve Curry** was Acting Chief Operating Officer during August and September 2016, he took up the role of Interim Chief Operating Officer from 10<sup>th</sup> October 2016. The pension benefit has been shared across the two roles based on the proportion of cost in each role.
6. **Raj Chana** commenced 6<sup>th</sup> April 2016 and ended on 30<sup>th</sup> November 2016.
7. **Julie Cassley** took up the role of Interim Executive Director of Workforce and Organisational Development on 1<sup>st</sup> December 2016.
8. **Fiona Kinghorn** was seconded into the UHB from Public Health Wales NHS Trust to take on the role of Interim Executive Director of Public Health from 21<sup>st</sup> November 2016.
9. **Susan Elsmore, John Antoniazzi, Akmal Hanuk, Tony Young and Phil Evans** commenced 16<sup>th</sup> January 2017.
10. **Susan Bailey** commenced 31<sup>st</sup> March 2016.

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2016-17

**5.3 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 UHB in the financial year 2016-17 was £210,000 - £215,000 (2015-16, £210,000 - £215,000). This was 7.50 times (2015-16, 7.56) the median remuneration of the workforce, which was £28,346 (2015-16, £28,094). In both 2016-17 and 2015-16 the highest paid director was the Medical Director.

	2016-17	2015-16
<b>Band of Chief Executive Remuneration</b>	185-190	200-205
<b>Median Total Remuneration £</b>	28,346	28,094
<b>Ratio</b>	6.61	7.21
<b>Band of Highest Paid Director's Remuneration</b>	210-215	210-215
<b>Median Total Remuneration £</b>	28,346	28,094
<b>Ratio</b>	7.50	7.56

The banded remuneration for the Chief Executive (CEO) has fallen due to the departure of the former CEO, hence the CEO remuneration figure shown above is the salary earned by the Interim CEO during her tenure extrapolated to a full year cost. The lower remuneration of the Interim CEO is a significant factor in the lower pay ratio of 6.61 for 2016-17.

In 2016-17, 4 (2015-16, 2) employees received remuneration in excess of the highest-paid director. Remuneration for these staff ranged from £210,000 to £245,000 (2015-16 £215,000 to £225,000). 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 and agency staff; the UHB 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 a small increase in the median remuneration of the workforce which was the result of a 1% inflationary pay increase which was paid for staff covered by the Agenda for Change Agreement and for Medical Staff and slight changes to the composition of the workforce.

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2016-17

## 5.4 Pension Benefits

Name and title	Real increase in pension at pension age (bands of £2,500) £000	Real increase in pension lump sum at pension age (bands of £2,500) £000	Total accrued pension at pension age at 31/03/17 (bands of £5,000) £000	Lump sum at pension age related to accrued pension at 31/03/2017 (bands of £5,000) £000	Cash Equivalent Transfer Value at 31 March 2017 £000	Cash Equivalent Transfer Value at 31 March 2016 £000	Real increase (decrease) in Cash Equivalent Transfer Value £000	Employer's contribution to stakeholder pension To nearest £100
Adam Cairns - Chief Executive (Note 1)	0-2.5	0-2.5	80-85	240-245	1,562	1,562	0	
Dr Sharon Hopkins - Interim Chief Executive / Executive Director of Public Health	2.5-5	12.5-15	40-45	120-125	865	739	126	
Ruth Walker - Executive Director of Nursing & Interim Deputy Chief Executive	2.5-5	7.5-10	50-55	155-160	977	895	83	
Abigail Harris - Executive Director of Planning	0-2.5	0-2.5	30-35	85-90	516	480	37	
Robert Chadwick - Executive Director of Finance (Note 1)	0-2.5	0-2.5	70-75	220-225	1,658	1,658	0	
Raj Chana - Executive Director of Workforce & Organisational Development	2.5-5	7.5-10	20-25	60-65	247	208	34	
Julie Cassley - Interim Executive Director of Workforce & Organisational Development	0-2.5	5-7.5	10-15	40-45	273	170	34	
Dr Fiona Jenkins, Executive Director of Therapies & Health Science	0-2.5	2.5-5	45-50	135-140	977	922	55	
Dr Graham Shortland - Executive Medical Director (Note 1)	0-2.5	0-2.5	90-95	275-280	1,941	1,941	0	
Fiona Kinghorn - Interim Executive Director of Public Health	0-2.5	0-2.5	30-35	85-90	565	522	15	
Peter Walsh - Director of Corporate Governance (Note 2)	0-2.5	2.5-5	40-45	130-135	-	970	0	
Steve Curry - Interim Chief Operating Officer	5-7.5	10-12.5	40-45	120-125	794	638	100	

**Note 1** - Despite being requested by the UHB, the NHS Pensions Agency has determined not to supply information for these members of the NHS Pension Scheme, as neither the members or the UHB made any contributions into the Scheme during 2016-17. Therefore, the latest available pension benefits for these members are those disclosed for the previous financial year to 31 March 2016.

**Note 2** - As this member of the NHS Pensions Scheme is over normal pension age for the scheme, a Cash Equivalent Transfer Value Calculation is not applicable for 2016-17.

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

The UHB is also contributing to the NEST (National Employment Savings Trust) Pension Scheme in respect of Alice Casey, Executive Programme Director Unscheduled Care. The UHB was unable to obtain pension benefit information from NEST in time for publication however as the UHB has only paid £372 Employers Pension Contributions to this scheme in 2016-17, it does not expect the pension benefit would have been material.

## 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 pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2016-17

pension scheme, not just their service in a senior capacity to which disclosure applies. The 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.

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2016-17

## Part 6

# Staff Report

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CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2016-17

**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 numbers of female and male directors, managers and employees as at 31<sup>st</sup> March 2017 were as follows:

	Female	Male	Total
Director	11	8	19
Manager	137	57	194
Employee	11030	3500	14530
<b>Total</b>	<b>11178</b>	<b>3565</b>	<b>14743</b>

**6.2 Staff Composition**

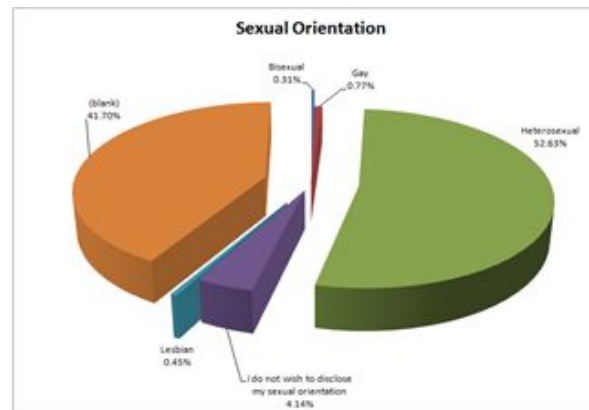
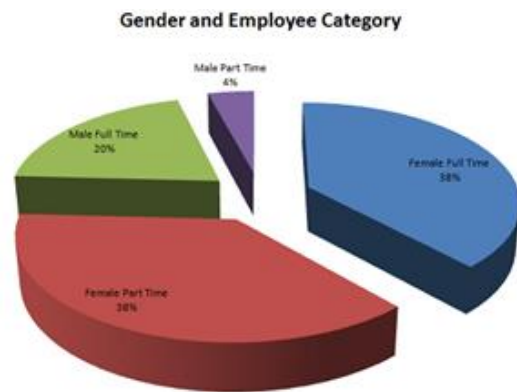
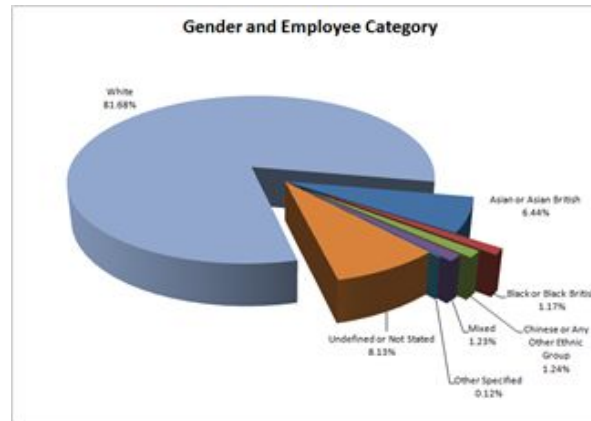
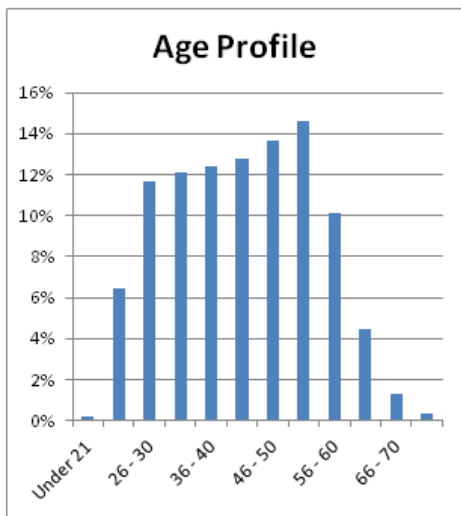
The charts below indicate the following challenges when determining optimal ways to deploy the current and future workforce and how to consider future supply against service priorities:

- The UHB has an aging workforce with the largest age categories being aged 46-50 years and 51-55 years (over 2000 staff in each of these categories). 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. The UHB has made a shift in the skill mix and overall shape of its “Xmas Tree” over recent years as in 2012 the highest percentage of workforce was in band 6. Continually reviewing skill mix and new ways 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 (38%). 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 (81%) with 10% in Black and Minority Ethnic categories and 9% not stated. The Single 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 just over 43% 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.

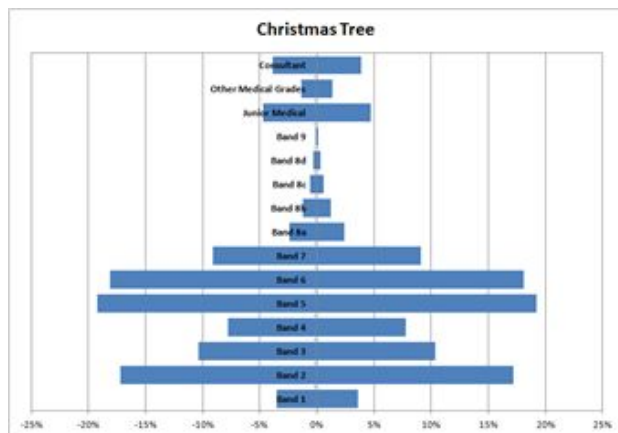
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CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2016-17

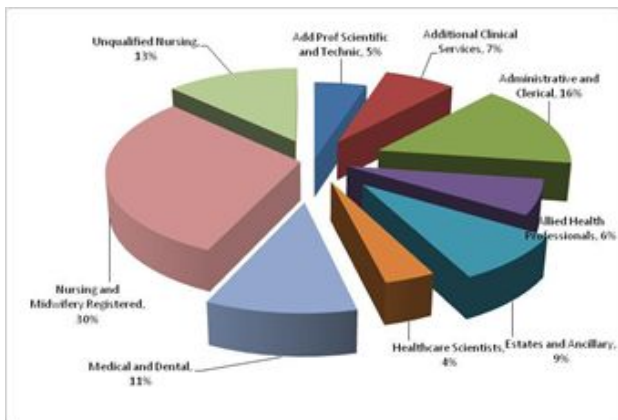
3.4



6.3 Sickness Absence Data

Sickness absence and well-being remain a priority for the UHB. The cumulative sickness rate for the 12-month period up to and including March 2017 is **4.87%** which is 0.37% above the 2016-17 year-end target of 4.50%. However, there was a month on month reduction for 21 successive months; from 5.75% in January 2015 to 4.84% in October 2016 (the lowest rate for over 7 years).

The result of improvements in the sickness rate is a significant cost reduction since the commencement of the agile method sickness reduction plan in January 2015 by returning staff to work and keeping staff at work well and engaged.



68% of this sickness was attributed to long-term absence and 32% to short-term absence. The UHB top reasons recorded for absence during 2016-17 were Anxiety/Stress and Musculoskeletal. A multidisciplinary group was established in 2016-17 to create and lead a strategic action plan for improving staff health and wellbeing.

The following table provides information on the number of days lost due to sickness during 2015-16 and 2016-17.

	2016-17	2015-16
	Number	Number
Days lost (long term)	152,338	161,406
Days lost (short term)	72,504	66,942
<b>Total days lost</b>	<b>224,842</b>	<b>228,349</b>
<b>Total staff years</b>	<b>12,592</b>	<b>12,248</b>
Average working days lost	11	11.61
Total staff employed in period (headcount)	14,743	13,947
Total staff employed in period with no absence (headcount)	5,200	4,463
<b>Percentage staff with no sick leave</b>	<b>37.37%</b>	<b>36.75%</b>

CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2016-17

**6.4 Staff Policies**

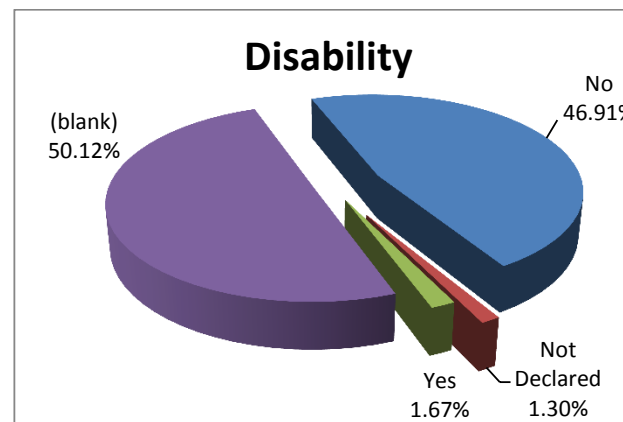
The UHB has an **Equality, Diversity and Human Rights Policy** which sets out the organisation’s commitment to promoting equality, diversity and human rights in relation to employment, service delivery, goods and service suppliers, contractors and partner agencies. The UHB aims to ensure that no individual or group receives less favourable treatment either directly or indirectly.

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. For example, the **Recruitment and Selection Policy** aims to provide a robust framework to ensure compliance and promote best practice within the necessary legislative framework (including the Equality Act 2010), whilst maximising flexibility to meet the varying needs of the UHB and ensuring that the best candidate for each position is appointed.

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 **NHS Wales Sickness Absence Policy** states that where an absence is clearly attributable to **disability related illness** as defined by the Equality Act 2010, the UHB has a responsibility to comply with the requirements of the Act and make reasonable adjustments.

Workforce profile information collected for the UHB in March 2017 shows that 1.67% of staff consider themselves to have a disability, but this information is not known for the majority of staff (50.12%).



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## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2016-17

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.

Last year the UHB was presented with the Employer Category Award at the 23<sup>rd</sup> **Understanding Disability Awards** for work undertaken to support staff with learning disabilities to gain employment.

The UHB employs 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 are now employed by the Board as catering assistants.



Both individuals are paid the same rate of pay as their other catering assistant colleagues and have undergone a proper recruitment process by going through a job application procedure and being offered the job on

merit. The two individuals are fully included as members of the catering team and treated as equals. They are involved in team discussions and meetings like other members of staff and invited to social activities outside work. Both have developed their confidence to work with other staff and customers at the restaurant.

### 6.5 Consultancy Expenditure

As disclosed in note 3.3 of its annual accounts, the UHB spent £2.317m on consultancy services during 2016-17. The vast majority of this was spending on the review and redesign of UHB services with the ultimate aim of improving clinical outcomes.

CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2016-17

**6.6 Tax Assurance for Off-payroll Appointees**

For all off-payroll engagements as of 31 March 2017, for more than £220 per day and that last longer than six months.

For all new off-payroll engagements, or those that reached six months in duration between 1 April 2016 and 31 March 2017, for more than £220 per day and that last for longer than six months.

**3.4**

	Employees engaged via other public sector bodies	Other Engagements
No. of existing engagements as of 31 March 2017	34	13
Of which:		
No. that have existed for less than one year at time of reporting	2	5
No. that have existed for between one and two years at the time of reporting	3	4
No. that have existed for between two and three years at the time of reporting	2	4
No. that have existed for between three and four years at the time of reporting	5	0
No. that have existed for four or more years at the time of reporting	22	0

	Employees engaged via other public sector bodies	Other Engagements
No. of new engagements, or those that reached six months in duration between 1 April 2016 & 31 March 2017	3	7
No. of the above which include contractual clauses giving the right to request assurance in relation to income tax and National Insurance obligations	0	7
No. for whom assurance has been requested.	3	7
of which.....		
No. for whom assurance has been received	2	0
No. for whom assurance has not been received	1	7
No. that have been terminated as a result of assurance not been received	0	0

CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2016-17

While the UHB does not have the contractual right to request the appropriate assurance from other 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 for all staff meeting the disclosure criteria in 2016-17.

In respect of staff engaged from outside of the Public Sector, the UHB will be following up all instances where no response has been received. Should this remain outstanding, the UHB will take appropriate professional advice as to its next steps in relation to this.

For any off-payroll engagements of board members, and/or senior officials with significant financial responsibility, between 1 April 2016 and 31 March 2017.

	Employees engaged via other public sector bodies	Other Engagements
No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	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

Please note that the UHB considers that its Board members are the only officials who have significant financial responsibility within the UHB.

CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2016-17

**6.7 Reporting of Other Compensation Schemes – Exit Packages**

	2016-17	2016-17	2016-17	2016-17	2015-16 Restated
Exit packages cost band (including any special payment element)	Number of compulsory redundancies	Number of other departures	Total number of exit packages	Number of departures where special payments have been made	Total number of exit packages
	Whole numbers only	Whole numbers only	Whole numbers only	Whole numbers only	Whole numbers only
less than £10,000	0	2	2	2	4
£10,000 to £25,000	0	7	7	7	7
£25,000 to £50,000	1	2	3	2	4
£50,000 to £100,000	0	1	1	1	3
£100,000 to £150,000	0	0	0	0	0
£150,000 to £200,000	0	0	0	0	0
more than £200,000	0	0	0	0	0
<b>Total</b>	<b>1</b>	<b>12</b>	<b>13</b>	<b>12</b>	<b>18</b>

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). Ill-health retirement costs are met by the NHS Pension Scheme and are not included in the table.

This disclosure reports the number and value of exit packages agreed in the year. This is a change from 2015-16 when exit packages were disclosed on the same basis as note 5.5 of the accounts (i.e. number and value of exit packages taken by staff leaving in year) and the prior year figures have been restated on this basis.

All 12 special payments are severance payments, the highest payment was £66,829, the lowest payment was £7,143 and the median payment was for £20,482.

1 exit package was above the UHB’s contractual limits. As per Welsh Government guidelines, approval was sought and received from the Director General for Health and Social Services.

	2016-17	2016-17	2016-17	2016-17	2015-16 Restated
Exit packages cost band (including any special payment element)	Cost of compulsory redundancies	Cost of other departures	Total cost of exit packages	Cost of special element included in exit packages	Total cost of exit packages
	£'s	£'s	£'s	£'s	£'s
less than £10,000	0	16,565	16,565	16,565	30,670
£10,000 to £25,000	0	134,018	134,018	134,018	151,896
£25,000 to £50,000	44,916	69,938	114,854	69,938	126,743
£50,000 to £100,000	0	66,829	66,829	66,829	366,769
£100,000 to £150,000	0	0	0	0	0
£150,000 to £200,000	0	0	0	0	0
more than £200,000	0	0	0	0	0
	<b>44,916</b>	<b>287,350</b>	<b>332,266</b>	<b>287,350</b>	<b>676,078</b>

**3.4**

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2016-17

# 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 £50.539m which it has incurred in excess of its resource limit over that period is deemed to be irregular. The UHB will continue to identify efficiency and cost reduction measures in order to mitigate against future cost and service pressures and to re-establish financial balance in due course.

### 7.2 Fees and charges

The UHB incurred costs amounting to £0.411m for the provision of the statutory audit by the Wales Audit Office. In addition £0.005m was paid to them to verify the expenditure incurred against grants made to the UHB by Local Authorities.

### 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.

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2016-17

**7.4 Material remote contingent liabilities**

The UHB has been informed by its legal advisors that £8.752m of claims for clinical negligence against it had been assessed as having a remote chance of succeeding. If the claims were to succeed against us, £8.659m of this figure would be recoverable from the Welsh Risk Pool. Hence the net liability to the UHB regarding these is £0.093m.

**7.5 Audit Certificate**

I certify that I have audited the financial statements of Cardiff and Vale University Local Health Board for the year ended 31 March 2017 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. 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). I have also audited the information in the Remuneration Report that is described as having been audited.

**Respective responsibilities of Directors, the Chief Executive and the Auditor**

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.

My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors.

**Scope of the audit of financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Cardiff and Vale Local Health

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2016-17

Board's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors and Chief Executive; and the overall presentation of the financial statements.

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

In addition, I read all the financial and non-financial information in the Foreword and Accountability Report with the financial statements 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.

#### Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the state of affairs of Cardiff and Vale University Local Health Board at 31 March 2017 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 on Regularity

- Cardiff and Vale University Local Health Board has breached its revenue resource limit by spending £50.5 million over the £2,504 million that it was authorised to spend in the three year period 2014-15 to 2016-17. This spend constitutes irregular expenditure. Further detail is set out in the below Report.

#### Qualified Opinion on Regularity

- In my opinion, except for the irregular expenditure of £50.5 million explained in the paragraph above, in all material respects the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

#### Opinion on other matters

In my opinion:

- the remuneration report has been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by Welsh Ministers;
- the information contained in the Foreword and Accountability Report is consistent with the financial statements.

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2016-17

**Matters on which I report by exception**

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

- the Annual Governance Statement does not reflect compliance with HM Treasury's and Welsh Ministers' guidance;
- 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.

Please see my Report below.

**Huw Vaughan Thomas**  
**Auditor General for Wales**  
**7 June 2017**

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

**7.6 Report of the Auditor General to the National Assembly for Wales****Introduction**

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

For 2016-17 Cardiff and Vale University Local Health Board (the UHB) failed to meet both the first and second 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 first three-year period under this duty is 2014-15 to 2016-17, and so it is measured this year for the first time.

As shown in Note 2.1 to the Financial Statements the UHB did not manage its revenue expenditure within its resource allocation over this three-year period, exceeding its cumulative revenue-resource limit of £2,504 million by £50.5 million.

Where an LHB does not balance its books over a rolling three-year period, any expenditure over the resource allocation (i.e. spending limit) for those three years exceeds the LHB's authority to spend and is therefore 'irregular'. In such circumstances, I am required to qualify my 'regularity opinion' irrespective of the value of the excess spend.

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2016-17

**Failure of the second financial duty**

The **second financial duty** requires LHBs to prepare and have approved by the Welsh Ministers a rolling three-year integrated medium term plan. This duty is an essential foundation to the delivery of sustainable quality health services. An LHB will be deemed to have met this duty for 2016-17 if it submitted a 2016-17 to 2018-19 plan approved by its Board to the Welsh Ministers, who then approved it by the 30th June 2016.

As shown in Note 2.3 to the Financial Statements, the UHB has not met its second financial duty to have an approved three-year integrated medium term plan in place for the period 2016-17 to 2018-19.

**Huw Vaughan Thomas**  
**Auditor General for Wales**  
**7 June 2017**

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2016-17

## Appendix 1 – Board and Committee Membership

3.4

Name	Position	Area of Expertise Representation Role	Board Committee Membership 1 April 2016 - 31 March 2017	Number of Meetings Attended During Tenure	Champion Roles
Abigail Harris	Director of Planning		Board	6/7	Emergency Planning; Fire Safety; Security Management
Adam Cairns	Chief Executive (Until 18/11/16)		Board	4/4	Public & Patient Involvement; Reputation Management & Culture
Akmal Hanuk	Independent Member (from 16/01/17)	Community	Board Quality, Safety and Experience Committee Charitable Funds People, Performance and Planning Committee	2/2 1/1 2/2 1/1	TBC
Alice Casey	Executive Programme Director Unscheduled Care		Board	5/7	n/a
Eileen Brandreth	Independent Member	Information Communication Technology	Board Mental Health and Capacity Legislation Committee	6/7 3/3	Caldicott/Data Protection (Independent Member Contact)
Elizabeth Treasure	Independent Member (Until 28/02/17)	University	Board (Chair) Quality, Safety and Experience Committee Audit Committee	4/7 5/6 4/7	Patient Safety (Cleaning, Hygiene and Infection Management)
Fiona Jenkins	Director of Therapies and Health Sciences		Board Charitable Funds Committee	5/7 5/5	n/a

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2016-17

3.4

Name	Position	Area of Expertise Representation Role	Board Committee Membership 1 April 2016 - 31 March 2017	Number of Meetings Attended During Tenure	Champion Roles
Fiona Kinghorn	Interim Director of Public Health (from 21 Nov 2016)		Board	3/3	n/a
Graham Shortland	Medical Director		Board	6/7	Caldicott/Data Protection; Freedom of Information
Ivar Grey	Independent Member	Finance	Board (Chair) Audit Committee Quality, Safety and Experience Committee Remuneration and Terms of Service Committee People, Performance and Planning Committee (Interim) Finance Committee	7/7 7/7 6/6 7/7 6/6 5/6	n/a
John Antoniazzi	Independent Member (from 16/01/17)	Estates	Board Audit	1/2 2/2	TBC
Julie Cassley	Interim Director of Workforce and OD (from 01/12/16)	Workforce and OD	Board	1/2	n/a

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2016-17

3.4

Name	Position	Area of Expertise Representation Role	Board Committee Membership 1 April 2016 - 31 March 2017	Number of Meetings Attended During Tenure	Champion Roles
Marcus Longley	Vice Chair	Primary, Community and Mental Health Services	(Vice Chair) Board (Chair) Mental Health and Capacity Legislation Committee (Chair) People Performance and Planning Committee Remuneration and Terms of Service Committee (Interim Finance Committee)	7/7 3/3  6/6 5/7 6/6	Mental Health Primary and Care
Margaret McLaughlin	Independent Member	Third Sector	Board Mental Health and Capacity Legislation Committee Quality, Safety and Experience Committee Charitable funds Committee People, Planning & Performance Committee	7/7 3/3 6/6 5/5 2/6	Carers; Welsh Language; Equality and Human Rights
Maria Battle	Chair		(Chair) Board (Chair) Remuneration and Terms of Service Committee (Chair) Quality, Safety and Experience Committee (from February 2017) (Interim Finance Committee)	6/7 7/7  1/1 6/6	Public and Patient Involvement; Reputation Management & Culture; Children & Young People (Temp)

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2016-17

3.4

Name	Position	Area of Expertise Representation Role	Board Committee Membership 1 April 2016 - 31 March 2017	Number of Meetings Attended During Tenure	Champion Roles
Martyn Waygood	Independent Member	Legal	Board (Chair) Health and Safety Committee (Chair) Charitable Funds Committee Mental Health and Capacity Legislation Committee Quality, Safety and Experience Committee Remuneration and Terms of Service Committee	7/7 4/4 5/5 3/3 4/6 7/7	Health and Safety; Violence and Aggression
Paula Martyn	Associate Member	Stakeholder Reference Group (Chair)	Board	6/7	n/a
Phil Evans	Associate Member (from Jan 2017)		Board	0/2	n/a
Raj Chana	Director of Workforce and OD (until 30/11/16 )	Workforce and OD	Board	4/5	n/a
Robert Chadwick	Director of Finance		Board Charitable Funds Committee	5/7	n/a
Sharon Hopkins	Interim Chief Executive (from 19/11/16)		Board	6/7	Healthy Sustainable Wales; Immunisation and Vaccination

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2016-17

3.4

Name	Position	Area of Expertise Representation Role	Board Committee Membership 1 April 2016 - 31 March 2017	Number of Meetings Attended During Tenure	Champion Roles
Steve Curry	Acting Chief Operating Officer (from 01/08/16-30/09/16)		Board	1/1	n/a
Stuart Egan	Independent Member	Trade Union	Board Charitable Funds Committee Health and Safety Committee Remuneration and Terms of Service Committee Audit Committee People, Performance and Planning Committee	7/7 5/5 4/4 3/7 7/7 6/6	Armed Forces and Veterans
Sue Bailey	(from 31/03/16)	Healthcare Professionals Forum (Chair)	Board	3/7	n/a
Susan Elsmore	Independent Member (from 16/01/17)	Local Authority Elected	Board Quality, Safety and Experience Committee	2/2 1/1	Older People
Tony Young	Associate Member (from Jan 2017)		Board	0/2	n/a
Ruth Walker	Executive Nurse Director		Board	6/7	Delayed Transfers of Care

**\* Note – Executive Directors are not Members of Committees (apart from Charitable Funds), they are “In attendance”. Directors’ attendance is not shown as they are often invited to attend Committee on ad-hoc basis depending on agenda items. It should also be noted that some extraordinary meetings were arranged during the year which has impacted on some Members’ attendance.**

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTS 2016-17

# Financial Statements

The Act came into effect from 1 April 2014 and under the Act the first assessment of the 3 year rolling financial duty will take place at the end of 2016-17.

3.4

## Foreword

These accounts have been prepared by the UHB 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 UHB was established on 1<sup>st</sup> October 2009 following the merger of Cardiff and Vale NHS Trust, Cardiff Local Health Board and the Vale of Glamorgan Local Health Board.

## Performance Management and Financial Results

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 UHB 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.

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTS 2016-17

**Statement of Comprehensive Net Expenditure  
for the year ended 31 March 2017**

		2016-17	Restated 2015-16
	Note	£'000	£'000
Expenditure on Primary Healthcare Services	3.1	226,115	229,428
Expenditure on healthcare from other providers	3.2	237,637	232,472
Expenditure on Hospital and Community Health Services	3.3	838,031	759,567
		<u>1,301,783</u>	<u>1,221,467</u>
Less: Miscellaneous Income	4	366,303	369,246
<b>LHB net operating costs before interest and other gains and losses</b>		<b>935,480</b>	<b>852,221</b>
Investment Income	8	0	0
Other (Gains) / Losses	9	(52)	(20)
Finance costs	10	1,388	1,393
<b>Net operating costs for the financial year</b>		<b>936,816</b>	<b>853,594</b>

**Other Comprehensive Net Expenditure**

	2016-17 £'000	2015-16 £'000
Net gain / (loss) on revaluation of property, plant and equipment	4,711	7,088
Net gain / (loss) on revaluation of intangibles	0	0
Net gain / (loss) on revaluation of available for sale financial assets (Gain) / loss on other reserves	0	0
Impairment and reversals	0	0
Release of Reserves to Statement of Comprehensive Net Expenditure	0	0
Other comprehensive net expenditure for the year	<u>4,711</u>	<u>7,088</u>
<b>Total comprehensive net expenditure for the year</b>	<b>932,105</b>	<b>846,506</b>

See note 2 on page 21 for details of performance against Revenue and Capital allocations.

The notes on pages 6 to 59 form part of these accounts.

The comparatives for Expenditure on Hospital and Community Health Services and Finance Costs have been restated.

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTS 2016-17

Statement of Financial Position as at 31 March 2017			
		31 March 2017	31 March 2016
	Notes	£'000	£'000
<b>Non-current assets</b>			
Property, plant and equipment	11	628,042	632,013
Intangible assets	12	1,601	1,658
Trade and other receivables	15	42,437	7,860
Other financial assets	22	0	0
<b>Total non-current assets</b>		<b>672,080</b>	<b>641,531</b>
<b>Current assets</b>			
Inventories	14	15,129	15,109
Trade and other receivables	15	137,493	114,185
Other financial assets	22	0	0
Cash and cash equivalents	21	881	2,695
		<b>153,503</b>	<b>131,989</b>
Non-current assets classified as "Held for Sale"	11	1,815	1,593
<b>Total current assets</b>		<b>155,318</b>	<b>133,582</b>
<b>Total assets</b>		<b>827,398</b>	<b>775,113</b>
<b>Current liabilities</b>			
Trade and other payables	16	157,516	151,422
Other financial liabilities	23	0	0
Provisions	17	102,277	76,190
<b>Total current liabilities</b>		<b>259,793</b>	<b>227,612</b>
<b>Net current assets/ (liabilities)</b>		<b>(104,475)</b>	<b>(94,030)</b>
<b>Non-current liabilities</b>			
Trade and other payables	16	10,207	10,960
Other financial liabilities	23	0	0
Provisions	17	44,615	10,191
<b>Total non-current liabilities</b>		<b>54,822</b>	<b>21,151</b>
<b>Total assets employed</b>		<b>512,783</b>	<b>526,350</b>
<b>Financed by :</b>			
<b>Taxpayers' equity</b>			
General Fund		399,057	416,459
Revaluation reserve		113,726	109,891
<b>Total taxpayers' equity</b>		<b>512,783</b>	<b>526,350</b>

The financial statements on pages 2 to 5 were approved by the Board on 1<sup>st</sup> June 2017 and signed on its behalf by:

Interim Chief Executive .....  
Sharon Hopkins

Date: 1<sup>st</sup> June 2017

The notes on pages 6 to 59 form part of these accounts.

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTS 2016-17

Statement of Changes in Taxpayers' Equity  
For the year ended 31 March 2017

	General Fund £000s	Revaluation Reserve £000s	Total Reserves £000s
<b>Changes in taxpayers' equity for 2016-17</b>			
<b>Balance at 1 April 2016</b>	416,459	109,891	<b>526,350</b>
Net operating cost for the year	(936,816)		<b>(936,816)</b>
Net gain/(loss) on revaluation of property, plant and equipment	0	4,711	4,711
Net gain/(loss) on revaluation of intangible assets	0	0	0
Net gain/(loss) on revaluation of financial assets	0	0	0
Net gain/(loss) on revaluation of assets held for sale	0	0	0
Impairments and reversals	0	0	0
Movements in other reserves	0	0	0
Transfers between reserves	876	(876)	0
Release of reserves to SoCNE	0	0	0
Transfers to/from LHBs	0	0	0
<b>Total recognised income and expense for 2016-17</b>	<b>(935,940)</b>	3,835	<b>(932,105)</b>
Net Welsh Government funding	918,538		<b>918,538</b>
<b>Balance at 31 March 2017</b>	<b>399,057</b>	<b>113,726</b>	<b>512,783</b>

The notes on pages 6 to 59 form part of these accounts.

Statement of Changes in Taxpayers' Equity  
For the year ended 31 March 2016

	General Fund £000s	Revaluation Reserve £000s	Total Reserves £000s
<b>Changes in taxpayers' equity for 2015-16</b>			
<b>Balance at 1 April 2015</b>	396,438	104,555	<b>500,993</b>
Net operating cost for the year	(853,594)		<b>(853,594)</b>
Net gain/(loss) on revaluation of property, plant and equipment	0	7,088	7,088
Net gain/(loss) on revaluation of intangible assets	0	0	0
Net gain/(loss) on revaluation of financial assets	0	0	0
Net gain/(loss) on revaluation of assets held for sale	0	0	0
Impairments and reversals	0	0	0
Movements in other reserves	0	0	0
Transfers between reserves	1,752	(1,752)	0
<b>Release of reserves to SoCNE</b>	0	0	0
Transfers to/from LHBs	0	0	0
<b>Total recognised income and expense for 2015-16</b>	<b>(851,842)</b>	5,336	<b>(846,506)</b>
Net Welsh Government funding	871,863		<b>871,863</b>
<b>Balance at 31 March 2016</b>	<b>416,459</b>	<b>109,891</b>	<b>526,350</b>

The notes on pages 6 to 59 form part of these accounts.

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTS 2016-17

<b>Statement of Cash Flows for year ended 31 March 2017</b>			
		<b>2016-17</b>	2015-16
		<b>£'000</b>	£'000
<b>Cash Flows from operating activities</b>	notes		
Net operating cost for the financial year		<b>(936,816)</b>	(853,594)
Movements in Working Capital	30	<b>(58,237)</b>	39,702
Other cash flow adjustments	31	<b>126,049</b>	4,273
Provisions utilised	17	<b>(15,348)</b>	(16,407)
<b>Net cash outflow from operating activities</b>		<b>(884,352)</b>	(826,026)
<b>Cash Flows from investing activities</b>			
Purchase of property, plant and equipment		<b>(35,377)</b>	(42,541)
Proceeds from disposal of property, plant and equipment		<b>672</b>	53
Purchase of intangible assets		<b>(505)</b>	(679)
Proceeds from disposal of intangible assets		<b>0</b>	0
Payment for other financial assets		<b>0</b>	0
Proceeds from disposal of other financial assets		<b>0</b>	0
Payment for other assets		<b>0</b>	0
Proceeds from disposal of other assets		<b>0</b>	0
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(35,210)</b>	(43,167)
<b>Net cash inflow/(outflow) before financing</b>		<b>(919,562)</b>	(869,193)
<b>Cash Flows from financing activities</b>			
Welsh Government funding (including capital)		<b>918,538</b>	871,863
Capital receipts surrendered		<b>0</b>	0
Capital grants received		<b>0</b>	0
Capital element of payments in respect of finance leases and on-SoFP		<b>(790)</b>	(537)
Cash transferred (to)/ from other NHS bodies		<b>0</b>	0
<b>Net financing</b>		<b>917,748</b>	871,326
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(1,814)</b>	2,133
<b>Cash and cash equivalents (and bank overdrafts) at 1 April 2016</b>		<b>2,695</b>	562
<b>Cash and cash equivalents (and bank overdrafts) at 31 March 2017</b>		<b>881</b>	2,695

The notes on pages 6 to 59 form part of these accounts.

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTS 2016-17

**Notes to the Accounts****1. Accounting policies**

The accounts have been prepared in accordance with the 2016-17 Local Health Board Manual for Accounts and 2016-17 Financial Reporting Manual (FRm) issued by HM Treasury. These reflect International Financial Reporting Standards (IFRS) and these statements have been prepared to show the effect of the first-time adoption of the European Union version IFRS. The particular accounting policies adopted by the Local Health Board are described below. They have been applied 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 Local Health Boards (LHBs) are allocations (Welsh Government funding) from the Welsh Government within an approved cash limit, which is credited to the General Fund of the Local Health Board. 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.

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****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.

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTS 2016-17

**Retirement benefit costs**

Past and present employees are covered by the provisions of the NHS Pension 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.

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 LHB 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 LHB'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.

**NEST Pension Scheme**

The LHB has to offer an alternative pensions scheme for employees not eligible to join the NHS Pension scheme. 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****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 LHB;
- 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.

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTS 2016-17

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.

**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 the LHB's services or for administrative purposes are stated in the Statement of Financial Position 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 bodies 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 2012-13 a formal revaluation exercise was applied to land and properties. Land and buildings have been indexed with indices supplied by the District Valuation Office. 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.

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTS 2016-17

From 2015-16, the LHB must comply with IFRS 13 Fair Value Measurement 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.

In accordance with the adaptation of IAS 16 in table 6.2 of the FRoM, 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 (EUUV).

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 entity or the asset which would prevent access to the market at the reporting date. If the LHB 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.

### 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, NHS bodies are required to get all All Wales Capital Schemes that are completed in a financial year revalued 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

#### Recognition

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the LHB's 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 LHB; 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

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTS 2016-17

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 LHB expects to obtain economic benefits or service potential from the asset. This is specific to the LHB 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 LHB 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.

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTS 2016-17

**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 Statement of Comprehensive Net Expenditure. 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 Local Health Board 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 Statement of Comprehensive Net Expenditure.

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 Local Health Board as lessor**

Amounts due from lessees under finance leases are recorded as receivables at the amount of the LHB net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTS 2016-17

constant periodic rate of return on the LHB'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, 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 LHB has a present legal or constructive obligation as a result of a past event, it is probable that the LHB 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 LHB 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 LHB 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.

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTS 2016-17

**1.14.1 Clinical negligence and personal injury costs**

The Welsh Risk Pool (WRP) 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 not implemented in 2016-17. The WRP is hosted by Velindre NHS Trust.

**1.15 Financial assets**

Financial assets are recognised on the Statement of Financial Position when the LHB 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.

**1.15.1 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.

**1.15.2 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.

**1.15.3 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.

**1.15.4 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.

**1.15.5 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.

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTS 2016-17

At the Statement of Financial Position date, the LHB 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 Statement of Comprehensive Net Expenditure and the carrying amount of the asset is reduced directly, or through a provision for 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 Statement of Comprehensive Net Expenditure 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.

### 1.16 Financial liabilities

Financial liabilities are recognised on the Statement of Financial Position when the LHB 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.

#### 1.16.1 Financial liabilities are initially recognised at fair value

Financial liabilities are classified as either financial liabilities at fair value through the Statement of Comprehensive Net Expenditure or other financial liabilities.

#### 1.16.2 Financial liabilities at fair value through the Statement of Comprehensive Net Expenditure

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.

#### 1.16.3 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.

### 1.17 Value Added Tax

Most of the activities of the LHB 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.

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTS 2016-17

**1.18 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 Statement of Comprehensive Net Expenditure. At the Statement of Financial Position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date.

**1.19 Third party assets**

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the LHB has no beneficial interest in them. Details of third party assets are given in Note 25 to the accounts.

**1.20 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 LHBs 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 LHB accounts for all losses and special payments gross (including assistance from the WRP). The LHB accrues or provides for the best estimate of future payouts 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 below 50%, the liability is disclosed as a contingent liability.

**1.21 Pooled budget**

The UHB has entered into a pooled budget 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 who are resident in the localities of the partners to the pooled budget. The pooled budget arrangement became operational from 1st January 2012.

During 2016-17 the UHB received funding from the Welsh Government's Integrated Care 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 2016-17 the UHB received funding from Cardiff Council which had been allocated from WG Families First monies. The service provided from this funding is operationally managed by the Local Authority with the UHB offering professional support.

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTS 2016-17

Details of the operational and accounting arrangements in place can be found in Note 28 to these accounts on page 56.

### 1.22 Critical Accounting Judgements and key sources of estimation uncertainty

In the application of the LHB's 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.

### 1.23 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the Statement of Financial Position date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**A)** 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 £4.874m re non NHS organisations and a credit note provision of £0.371m 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.

**B)** The LHB has provided for some £141.754m within note 17 in respect of potential clinical negligence, personal injury, permanent injury claims and associated defence costs. These provisions have been arrived at on the advice of Legal and Risk Services and the LHB's own legal advisors Blake Morgan. Given the nature of such claims this figure could be subject to significant change in future periods. However, the potential financial effect of such uncertainty is mitigated by the fact that the LHB's ultimate liability in respect of individual cases is capped at £0.025m, with amounts above this excess level being reimbursed by the Welsh Risk Pool.

**C)** In line with IAS19 the LHB has reviewed the level of annual leave taken by its staff to March 31st 2017. Based on a sample the LHB has accrued £0.909m re untaken annual leave. This is based on a sample of the leave records of 63% of all LHB staff and reflects the LHB's policy of only allowing annual leave to be carried forward into 2017/18 under exceptional circumstances or when this has been necessary to help the UHB achieve service performance targets.

**D)** The LHB has estimated a liability of £1.084m 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. In particular the UHB has received 250 claims for which the assessment process has not been completed. This assessment process is highly complex, involves multi-disciplinary teams and for those reasons takes many months to conclude. At this stage, the UHB does not have the information to make judgement on the likely success or otherwise of these claims, however they may

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTS 2016-17

result in significant additional costs to the LHB, which cannot be quantified at this time.

**E)** During 2009/10 the UHB 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 UHB 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 33 different wards has now been counted. This represents 916 beds out of a possible 1,965 across the UHB. In this way a figure of £0.709m 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.

**F)** 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
- GMS Quality and Outcomes Framework
- Prescribing
- Pharmacy

**G)** Within the Agenda for Change Terms and Conditions, all staff are required to receive their "normal" pay when they take annual leave. This "normal" pay is defined to include the unsocial hours payments and on call payments which they would have received when they were at work. Historically the UHB has factored this into the remuneration of staff who

receive such payments by grossing up these amounts by 11.59% which is based on the assumption that staff have an annual leave entitlement of 27 days. Clearly this penalises staff who are entitled to more than 27 days and so the UHB's management executive have agreed that staff with a 29 day annual leave entitlement will have their unsocial hours payments uplifted by 12.55% and those with 33 days annual leave will have their unsocial hours payments uplifted by 14.55%. These uplifts will be backdated to April 1<sup>st</sup> 2010. A significant exercise has been undertaken within the UHB to identify those staff concerned and to estimate the costs the UHB will incur as a result of this change. As a result an accrual of £1.116m has been included within note 16 of these accounts.

#### 1.24 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 UHB 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'.

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTS 2016-17

**Services received**

The fair value of services received in the year is recorded under the relevant expenditure headings within 'operating expenses'.

**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 LHBs approach for each relevant class of asset in accordance with the principles of IAS 16.

**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 Statement of Comprehensive Net Expenditure.

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 Statement of Comprehensive Net Expenditure.

**Lifecycle replacement**

Components of the asset replaced by the operator during the contract ('lifecycle replacement') are capitalised where they meet the UHB'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.

**Assets contributed by the UHB 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 UHB's Statement of Financial Position.

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTS 2016-17

**Other assets contributed by the UHB to the operator**

Assets contributed (e.g. cash payments, surplus property) by the UHB 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 UHB, 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 UHB through the asset being made available to third party users.

**1.25 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 UHB, 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 UHB. 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.

**1.26 Carbon Reduction Commitment Scheme**

Carbon Reduction Commitment Scheme allowances are accounted for as government grant funded intangible assets if they are not realised within twelve months and otherwise as current assets. The asset should be measured initially at cost. Scheme assets in respect of allowances shall be valued at fair value where there is evidence of an active market.

**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 UHBs the gain or loss resulting from the assets and liabilities transferring is recognised in the SoCNE and is disclosed separately from the operating costs.

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTS 2016-17

**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:

IFRS 9 Financial Instruments

IFRS14 Regulatory Deferral Accounts

IFRS15 Revenue from contracts with customers

IFRS 16 Leases

**1.29 Accounting standards issued that have been adopted early**

During 2016-17 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 UHB has established that as the UHB is the corporate trustee of the linked NHS Charity (Cardiff & Vale Health Charity), it is considered for accounting standards compliance to have control of Cardiff & Vale Health Charity as a subsidiary and therefore is required to consolidate the results of Cardiff & Vale Health Charity within the statutory accounts of the UHB. The determination of control is an accounting standards test of control and there has been no change to the operation of Cardiff & Vale Health Charity or its independence in its management of charitable funds.

However, the UHB 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 [consolidate/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<sup>st</sup> 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<sup>st</sup> 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) is at the end of 2016-17, being the first 3 year period of assessment.

Welsh Health Circular WHC/2016/054 replaces WHC/2015/014 "Statutory and Financial Duties of Local Health Boards and NHS Trusts" and further clarifies the statutory financial duties of NHS Wales bodies and is effective for 2016-17.

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTS 2016-17

## 2.1 Revenue Resource Performance

	Annual financial performance			
	2014-15	2015-16	2016-17	Total
	£'000	£'000	£'000	£'000
<b>Net operating costs for the year</b>	<b>835,855</b>	<b>853,594</b>	<b>936,816</b>	<b>2,626,265</b>
Less general ophthalmic services expenditure and other non-cash limited expenditure	(21,957)	(24,547)	(21,567)	(68,071)
Less revenue consequences of bringing PFI schemes onto SoFP	(1,028)	(1,028)	(1,028)	(3,084)
Total operating expenses	812,870	828,019	914,221	2,555,110
Revenue Resource Allocation	791,506	828,087	884,978	2,504,571
<b>Under / (over) spend against Allocation</b>	<b>(21,364)</b>	<b>68</b>	<b>(29,243)</b>	<b>(50,539)</b>

The UHB has not met its financial duty to break-even against its Revenue Resource Limit over the 3 years 2014-15 to 2016-17.

The UHB did not receive any repayable brokerage during 2014-15, 2015-16 or 2016-17.

The accumulated cash only support provided to the UHB on a repayable basis by Welsh Government is £20.135m as at 31<sup>st</sup> March 2017.

Of this £10.5m relates to 2015-16 and £9.635m to 2016-17. Repayment of this figure will be in accordance with the Integrated Medium Term Plan for 2017-18 to 2019-20.

## 2.2 Capital Resource Performance

	2014-15	2015-16	2016-17	Total
	£'000	£'000	£'000	£'000
<b>Gross capital expenditure</b>	<b>92,690</b>	<b>41,935</b>	<b>44,061</b>	<b>178,686</b>
Add: Losses on disposal of donated assets	0	3	9	12
Less NBV of property, plant and equipment and intangible assets disposed	(960)	(33)	(621)	(1,614)
Less capital grants received	0	0	0	0
Less donations received	(7,805)	(938)	(1,423)	(10,166)
Charge against Capital Resource Allocation	83,925	40,967	42,026	166,918
Capital Resource Allocation	84,004	41,027	42,104	167,135
<b>(Over) / Underspend against Capital Resource Allocation</b>	<b>79</b>	<b>60</b>	<b>78</b>	<b>217</b>

The UHB has met its financial duty to break-even against its Capital Resource Limit over the 3 years 2014-15 to 2016-17.

## 2.3 Duty to prepare a 3 year plan

The NHS Wales Planning Framework for the period 2015-16 to 2017-18 issued to LHBs placed a requirement upon them to prepare and submit Integrated Medium Term Plans to the Welsh Government.

The UHB submitted an Integrated Medium Term Plan for the period 2016-17 to 2018-19 in accordance with NHS Wales Planning Framework.

The Cabinet Secretary for Health and Social Services approval status	<b>2016-17 to 2018-19</b> Not approved
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The UHB has therefore not met its statutory duty to have an approved financial plan for the period 2016-17 to 2018-19.

The UHB Integrated Medium Term Plan was approved in 2014-15.

The UHB Integrated Medium Term Plan was approved in 2015-16.

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTS 2016-17

**3. Analysis of gross operating costs**

3.1 Expenditure on Primary Healthcare Services				
	Cash	Non-cash	2016-17	2015-16
	limited	limited	Total	
	£'000	£'000	£'000	£'000
General Medical Services	72,499		72,499	69,093
Pharmaceutical Services	21,757	16,428	38,185	40,808
General Dental Services	31,646		31,646	30,904
General Ophthalmic Services	0	5,139	5,139	5,169
Other Primary Health Care expenditure	4,530		4,530	8,499
Prescribed drugs and appliances	74,116		74,116	74,955
<b>Total</b>	<b>204,548</b>	<b>21,567</b>	<b>226,115</b>	<b>229,428</b>

The Total expenditure above includes £11.860m in respect of staff costs (£8.212m 2015-16).

Other Primary Care expenditure has been netted down by £5.997m re retrospective rate rebates on GP surgeries.

3.2 Expenditure on healthcare from other providers		2016-17	2015-16
		£'000	£'000
Goods and services from other NHS Wales Health Boards		25,707	26,094
Goods and services from other NHS Wales Trusts		22,954	22,225
Goods and services from other non Welsh NHS bodies		1,307	2,251
Goods and services from WHSSC / EASC		110,635	112,341
Local Authorities		5,143	1,835
Voluntary organisations		7,580	7,354
NHS Funded Nursing Care		7,776	7,498
Continuing Care		47,414	43,559
Private providers		9,121	9,314
Specific projects funded by the Welsh Government		0	1
Other		0	0
<b>Total</b>		<b>237,637</b>	<b>232,472</b>

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTS 2016-17

3.3 Expenditure on Hospital and Community Health Services		Restated	
		2016-17	2015-16
		£'000	£'000
Directors' costs		2,187	1,939
Staff costs		561,771	534,457
Supplies and services - clinical		164,238	159,711
Supplies and services - general		7,431	7,511
Consultancy Services		2,317	2,285
Establishment		12,068	10,138
Transport		574	688
Premises		31,881	29,702
External Contractors		0	0
Depreciation		24,649	25,370
Amortisation		635	511
Fixed asset impairments and reversals (Property, plant & equipment)		26,673	(16,474)
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		0	767
Audit fees		411	411
Other auditors' remuneration		5	7
Losses, special payments and irrecoverable debts		4,915	3,617
Research and Development		0	0
Other operating expenses		(1,724)	(1,073)
<b>Total</b>		<b>838,031</b>	<b>759,567</b>

3.4 Losses, special payments and irrecoverable debts:		Restated	
charges to operating expenses		2016-17	2015-16
		£'000	£'000
<b>Increase/(decrease) in provision for future payments:</b>		<b>£'000</b>	<b>£'000</b>
Clinical negligence		83,835	(792)
Personal injury		598	1,211
All other losses and special payments		756	545
Defence legal fees and other administrative costs		1,353	1,454
Gross increase/(decrease) in provision for future payments		86,542	2,418
Contribution to Welsh Risk Pool		0	0
Premium for other insurance arrangements		0	0
Irrecoverable debts		1,251	422
<b>Less: income received/due from Welsh Risk Pool</b>		<b>(82,878)</b>	<b>777</b>
<b>Total</b>		<b>4,915</b>	<b>3,617</b>

Personal injury includes £396k (2015-16 £164k) in respect of permanent injury benefits.

Clinical Redress arising during the year was £250k (2015-16 £410k).

The comparative figure has been amended for the losses, special payments and irrecoverable debts line of note 3.3. and the detailed analysis of that figure shown in note 3.4. There is an equal and opposite correction to note 10 in respect of this adjustment.

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTS 2016-17

## 4. Miscellaneous Income

	2016-17	2015-16
	£'000	£'000
Local Health Boards	70,788	67,875
WHSSC /EASC	190,724	190,608
NHS trusts	3,695	3,361
Other NHS England bodies	5,751	5,134
Foundation Trusts	71	117
Local authorities	8,218	8,755
Welsh Government	2,172	8,957
Non NHS:		
Prescription charge income	149	2,182
Dental fee income	5,659	5,294
Private patient income	1,016	798
Overseas patients (non-reciprocal)	90	212
Injury Costs Recovery (ICR) Scheme	3,081	2,453
Other income from activities	1,952	1,909
Patient transport services	0	0
Education, training and research	46,306	46,446
Charitable and other contributions to expenditure	1,979	1,765
Receipt of donated assets	1,423	938
Receipt of Government granted assets	0	0
Non-patient care income generation schemes	1,603	1,001
NWSSP	0	0
Deferred income released to revenue	210	283
Contingent rental income from finance leases	0	0
Rental income from operating leases	0	0
Other income:		
Provision of laundry, pathology, payroll services	6,095	5,933
Accommodation and catering charges	2,109	2,118
Mortuary fees	332	425
Staff payments for use of cars	0	0
Business Unit	0	0
Other	12,880	12,682
<b>Total</b>	<b>366,303</b>	<b>369,246</b>

Injury Cost Recovery (ICR) Scheme income is subject to a provision for impairment of 48.93% re personal injury claims and 17.77% re RTA claims to reflect expected rates of collection based on the UHB's past recoverability performance.

Other Income includes:		
Non Staff SLAs with Cardiff University	4,015	3,913
Creche Fees	681	650
Site User Facilities SLAs & Pass through costs	640	587
Pharmacy sales	1,430	1,374
Equipment Evaluation Income	746	707
NHS Non Patient Care Income	1,670	1,758
<b>Total</b>	<b>9,182</b>	<b>8,989</b>

## 5. Employee benefits and staff numbers

5.1 Employee costs	Permanent Staff	Staff on Inward Secondment	Agency Staff	Total	2015-16
	£000	£000	£000	£000	£000
Salaries and wages	462,831	1,174	14,494	478,499	459,290
Social security costs	43,068	0	0	43,068	32,658
Employer contributions to NHS Pension Scheme	54,704	0	0	54,704	53,007
Other pension costs	27	0	0	27	20
Other employment benefits	0	0	0	0	0
Termination benefits	334	0	0	334	676
<b>Total</b>	<b>560,964</b>	<b>1,174</b>	<b>14,494</b>	<b>576,632</b>	<b>545,651</b>
Charged to capital				833	691
Charged to revenue				575,799	544,960
				<b>576,632</b>	<b>545,651</b>
Net movement in accrued employee benefits (untaken staff leave accrual included above)				49	366

5.2 Average number of employees	Permanent Staff	Staff on Inward Secondment	Agency Staff	Total	2015-16
	Number	Number	Number	Number	Number
Administrative, clerical and board members	1,923	5	12	1,940	1,890
Medical and dental	1,335	4	31	1,370	1,316
Nursing, midwifery registered	3,753	1	89	3,843	3,694
Professional, Scientific, and technical staff	556	4	12	572	557
Additional Clinical Services	2,436	0	27	2,463	2,437
Allied Health Professions	795	3	22	820	751
Healthcare Scientists	456	0	9	465	463
Estates and Ancillary	1,094	0	0	1,094	1,053
Students	10	0	0	10	15
<b>Total</b>	<b>12,358</b>	<b>17</b>	<b>202</b>	<b>12,577</b>	<b>12,176</b>

CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTS 2016-17

**5.3. Retirements due to ill-health**

During 2016-17 there were 17 early retirements from the UHB agreed on the grounds of ill-health (15 in 2015-16 - £895,831). The estimated additional pension costs of these ill-health retirements (calculated on an average basis and borne by the NHS Pension Scheme) will be £1,038,219.

**5.4 Employee benefits**

The UHB does not have an employee benefit scheme.

**5.5 Reporting of other compensation schemes - exit packages**

	2016-17	2016-17	2016-17	2016-17	2015-16
Exit packages cost band (including any special payment element)	Number of compulsory redundancies	Number of other departures	Total number of exit packages	Number of departures where special payments have been made	Total number of exit packages
	Whole numbers only	Whole numbers only	Whole numbers only	Whole numbers only	Whole numbers only
less than £10,000	0	3	3	3	3
£10,000 to £25,000	0	7	7	7	8
£25,000 to £50,000	1	3	4	3	3
£50,000 to £100,000	2	2	4	2	2
£100,000 to £150,000	0	0	0	0	0
£150,000 to £200,000	0	0	0	0	0
more than £200,000	0	0	0	0	0
<b>Total</b>	<b>3</b>	<b>15</b>	<b>18</b>	<b>15</b>	<b>16</b>

	2016-17	2016-17	2016-17	2016-17	2015-16
Exit packages cost band (including any special payment element)	Cost of compulsory redundancies	Cost of other departures	Total cost of exit packages	Cost of special element included in exit packages	Total cost of exit packages
	£'s	£'s	£'s	£'s	£'s
less than £10,000	0	25,263	25,263	25,263	21,973
£10,000 to £25,000	0	134,018	134,018	134,018	151,896
£25,000 to £50,000	44,916	98,118	143,034	98,118	98,563
£50,000 to £100,000	178,814	119,586	298,400	119,586	136,966
£100,000 to £150,000	0	0	0	0	0
£150,000 to £200,000	0	0	0	0	0
more than £200,000	0	0	0	0	0
<b>Total</b>	<b>223,730</b>	<b>376,985</b>	<b>600,715</b>	<b>376,985</b>	<b>409,398</b>

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). Exit costs in this note are accounted for in full in the year of departure on a cash basis as specified in EPN 380 Annex 13C. Where the UHB has agreed early retirements, the additional costs are met by the UHB and not by the NHS Pension Scheme. Ill-health retirement costs are met by the NHS Pension Scheme and are not included in the table.

This disclosure reports the number and value of exit packages taken by staff leaving in the year. Note: The expense associated with these departures may have been recognised in part or in full in a previous period.

All 15 special payments are severance payments, the highest payment was £66,829, the lowest payment was £7,143 and the median payment was for £20,710.

CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTS 2016-17

2 exit packages were above the UHB’s contractual limits - as per Welsh Government guidelines approval was sought and received from the Director General for Health and Social Services.

**5.6 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 UHB in the financial year 2016-17 was £210,000 - £215,000 (2015-16, £210,000 - £215,000). This was 7.50 times (2015-16, 7.56) the median remuneration of the workforce, which was £28,346 (2015-16, £28,094). In both 2016-17 and 2015-16 the highest paid director was the Medical Director.

	<b>2016-17</b>	<b>2015-16</b>
Band of Chief Executive Remuneration	185-190	200-205
Median Total Remuneration £	28,346	28,094
Ratio	6.61	7.21
Band of Highest Paid Director's Remuneration	210-215	210-215
Median Total Remuneration £	28,346	28,094
Ratio	7.50	7.56

The banded remuneration for the Chief Executive (CEO) has fallen due to the departure of the former CEO, hence the CEO remuneration figure shown above is the salary earned by the Interim CEO during her tenure extrapolated to a full year cost. The lower remuneration of the Interim CEO is a significant factor in the lower pay ratio of 6.61 for 2016-17.

In 2016-17, 4 (2015-16, 2) employees received remuneration in excess of the highest-paid director. Remuneration for these staff ranged from £210,000 to £245,000 (2015-16 £215,000 to £225,000). All four of the 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 and agency staff, the UHB 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 a small increase in the median remuneration of the workforce which was the result of a 1% inflationary pay increase which was paid for staff covered by the Agenda for Change Agreement and for Medical Staff and slight changes to the composition of the workforce.

**5.7 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 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.



## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTS 2016-17

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 are accepted as providing suitably robust figures for financial reporting purposes. The valuation of scheme liability as at 31<sup>st</sup> March 2017, is based on valuation data as at 31<sup>st</sup> March 2016, updated to 31<sup>st</sup> March 2017 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 scheme actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Pension 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 their recent demographic experience), and to recommend contribution rates payable by employees and employers.

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2012. The Scheme Regulations allow for the level of contribution rates to be changed by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and appropriate employee and employer representatives as deemed appropriate.

The next actuarial valuation is to be carried out as at 31 March 2016. This will set the employer contribution rate payable from April 2019 and will consider the cost of the Scheme relative to the employer cost cap. There are provisions in the Public Service Pension Act 2013 to adjust member benefits or contribution rates if the cost of the Scheme changes by more than 2% of pay. Subject to this ‘employer cost cap’ assessment, any required revisions to member benefits or contribution rates will be determined by the Secretary of State for Health after consultation with the relevant stakeholders.

**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 is 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).

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTS 2016-17

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 2% of a jobholder's qualifying earnings, for employers whose legal duties have started. The employer must pay at least 1% of this. The legal minimum level of contribution level is increasing to 8% over the next three years.

The earnings band used to calculate minimum contributions under existing legislation is called qualifying earnings. Qualifying earnings are currently those between £5,824 and £43,000 for the 2016-17 tax year (2015-16 £5,824 and £42,385).

NEST has an annual contribution limit of £4,900 for the 2016-17 tax year (£4,700 for 2015-16). This means the most that can be contributed to a single pot in the current tax year is £4,900. This figure will be adjusted annually in line with average earnings. The annual contribution limit includes member contributions, money from their employer and any tax relief.

Alternatively under certification, employers may choose to calculate contributions in a way that meets the requirements of one of three sets of tiers described in the legislation. The three tiers have minimum contribution rates as detailed on the NEST website.

**6. Operating leases****UHB as lessee**

As at 31<sup>st</sup> March 2017 the UHB had 24 operating leases agreements in place for the leases of premises, 2 arrangements in respect of equipment and 58 in respect of vehicles, with 3 equipment and 14 vehicle leases having expired in year.

The periods in which the remaining 84 agreements expire are shown below:

Payments recognised as an expense	2016-17	2015-16
	£000	£000
Minimum lease payments	1,308	1,155
Contingent rents	0	0
Sub-lease payments	0	0
<b>Total</b>	<b>1,308</b>	<b>1,155</b>

Total future minimum lease payments	£000	£000
<b>Payable</b>		
Not later than one year	1,367	1,113
Between one and five years	3,019	3,117
After 5 years	3,128	3,516
<b>Total</b>	<b>7,514</b>	<b>7,746</b>

Number of operating leases expiring	Land & Buildings	Vehicles	Equipment	Total
Not later than one year	4	17	1	22
Between one and five years	5	41	1	47
After 5 years	15	0	0	15
<b>Total</b>	<b>24</b>	<b>58</b>	<b>2</b>	<b>84</b>
<b>Charged to the income statement (£000)</b>	<b>945</b>	<b>235</b>	<b>38</b>	<b>1,218</b>

CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTS 2016-17

There are no future sublease payments expected to be received.

**UHB as lessor**

Rental revenue	£000	£000
Rent	0	0
Contingent rents	0	0
<b>Total revenue rental</b>	<b>0</b>	<b>0</b>

Total future minimum lease payments	£000	£000
<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>

**7. Public Sector Payment Policy - Measure of Compliance**

**7.1 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 2015-16 and 2016-17 exclude both the number and value of non-NHS bills paid to primary care services and contractor services.

	2016-17	2016-17	Restated	Restated
	Number	£000	2015-16	2015-16
			Number	£000
<b>NHS</b>				
Total bills paid	6,648	216,435	6,057	206,498
Total bills paid within target	3,968	197,973	3,940	190,890
Percentage of bills paid within target	59.7%	91.5%	65.0%	92.4%
<b>Non-NHS</b>				
Total bills paid	275,431	520,263	253,134	359,402
Total bills paid within target	258,984	492,463	234,796	325,042
Percentage of bills paid within target	94.0%	94.7%	92.8%	90.4%
<b>Total</b>				
Total bills paid	282,079	736,698	259,191	565,900
Total bills paid within target	262,952	690,436	238,736	515,932
Percentage of bills paid within target	93.2%	93.7%	92.1%	91.2%

As per Welsh Government Technical Update note dated 18<sup>th</sup> February 2016, NHS Supply Chain from 1st October 2015 was reclassified and treated as an NHS Body for part of 2015-16. Consequently this saw an increase in the percentage of NHS invoices paid within target rising from 65% to 78%. There were no material changes to the other targets. This treatment was reviewed in 2016-17 with Welsh Government confirming that it was a public sector; but not an NHS body. As a result the previous year figures have been restated.

The above performance was achieved after the UHB received £27.324m of non recurrent cash support from Welsh Government. £9.635m of this is repayable.



## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTS 2016-17

**7.2 The Late Payment of Commercial Debts (Interest) Act 1998**

	2016-17	2015-16
	£	£
Amounts included within finance costs (note 10) from claims made under this legislation	138	769.79
Compensation paid to cover debt recovery costs under this legislation	0	0
<b>Total</b>	<b>138</b>	<b>769.79</b>

**8. Investment Income**

	2016-17	2015-16
	£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>

**9. Other gains and losses**

	2016-17	2015-16
	£000	£000
Gain/(loss) on disposal of property, plant and equipment	(11)	20
Gain/(loss) on disposal of intangible assets	0	0
Gain/(loss) on disposal of assets held for sale	63	0
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>52</b>	<b>20</b>

**10. Finance costs**

	2016-17	Restated 2015-16
	£000	£000
Interest on loans and overdrafts	0	0
Interest on obligations under finance leases	21	23
Interest on obligations under PFI contracts		
main finance cost	1,317	1,327
contingent finance cost	0	0
Interest on late payment of commercial debt	0	1
Other interest expense	0	0
<b>Total interest expense</b>	<b>1,338</b>	<b>1,351</b>
Provisions unwinding of discount	50	42
Other finance costs	0	0
<b>Total</b>	<b>1,388</b>	<b>1,393</b>

The provisions unwinding of discount comparative figure has been amended. This correction has an equal and opposite effect within notes 3.3 and 3.4 of these accounts.

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTS 2016-17

## 11. Property, plant and equipment

## 11.1 Property, plant and equipment

	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction & payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
<b>Cost or valuation at 1 April 2016</b>	122,948	440,031	5,553	82,328	105,959	1,905	17,617	209	776,550
Indexation	4,711	0	0	0	0	0	0	0	4,711
Additions									
- purchased	0	12,371	0	15,066	12,066	0	2,630	0	42,133
- donated	0	6	0	650	655	0	19	0	1,330
- 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	0	91,565	0	(91,565)	0	0	0	0	0
Revaluations	0	0	0	0	0	0	0	0	0
Reversal of impairments	17	0	0	0	0	0	0	0	17
Impairments	0	(30,164)	0	0	0	0	0	0	(30,164)
Reclassified as held for sale	(372)	(168)	0	0	0	0	0	0	(540)
Disposals	0	(1,259)	0	0	(6,806)	(968)	(866)	(29)	(9,928)
<b>At 31 March 2017</b>	127,304	512,382	5,553	6,479	111,874	937	19,400	180	784,109
<b>Depreciation at 1 April 2016</b>	0	55,410	636	0	73,594	1,768	12,920	209	144,537
Indexation	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	0	0	0	0	0	0	0	0	0
Revaluations	0	0	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0	0	0
Impairments	0	(3,474)	0	0	0	0	0	0	(3,474)
Reclassified as held for sale	0	(168)	0	0	0	0	0	0	(168)
Disposals	0	(1,259)	0	0	(6,426)	(949)	(815)	(29)	(9,477)
Provided during the year	0	14,939	159	0	7,656	39	1,856	0	24,649
<b>At 31 March 2017</b>	0	65,449	795	0	74,824	858	13,961	180	156,067
<b>Net book value at 1 April 2016</b>	122,948	384,621	4,917	82,328	32,365	137	4,697	0	632,013
<b>Net book value at 31 March 2017</b>	127,304	446,933	4,758	6,479	37,050	79	5,439	0	628,042
<b>Net book value at 31 March 2017 comprises :</b>									
Purchased	127,304	434,524	4,758	6,479	32,541	79	5,316	0	611,001
Donated	0	12,409	0	0	4,509	0	123	0	17,041
Government Granted	0	0	0	0	0	0	0	0	0
<b>At 31 March 2017</b>	127,304	446,933	4,758	6,479	37,050	79	5,439	0	628,042
<b>Asset financing :</b>									
Owned	117,778	414,963	3,796	6,479	36,682	79	5,439	0	585,216
Held on finance lease	0	1,587	0	0	368	0	0	0	1,955
On-SoFP PFI contracts	9,526	30,383	962	0	0	0	0	0	40,871
PFI residual interests	0	0	0	0	0	0	0	0	0
<b>At 31 March 2017</b>	127,304	446,933	4,758	6,479	37,050	79	5,439	0	628,042
<b>The net book value of land, buildings and dwellings at 31 March 2017 comprises :</b>									
Freehold									£000
Long Leasehold									536,537
Short Leasehold									16,877
									25,581
									578,995

Of the totals at 31<sup>st</sup> March 2017, £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 UHB had to charge accelerated depreciation on the following:

- (1) Whitchurch Hospital which has been earmarked for disposal, the additional depreciation charged in the period in relation to this amounted to £0.025m.
- (2) Part of Whitchurch Hospital will now be retained by the UHB and (£1.525m) has been credited for the reversal of accelerated depreciation.
- (3) Rookwood Hospital which has been earmarked for closure, £0.183m.
- (4) CRI West Wing which has been earmarked for disposal, £0.037m.
- (5) Two renal units have been replaced by new units and £0.239 accelerated depreciation has been charged in this period.

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTS 2016-17

	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction & payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
<b>Cost or valuation at 1 April 2015</b>	120,799	409,123	5,253	57,775	107,014	2,083	19,051	209	721,307
Indexation	2,348	4,468	300	0	0	0	0	0	7,116
Additions									
- purchased	0	6,830	0	27,054	5,480	0	954	0	40,318
- donated	0	128	0	115	541	0	62	0	846
- 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	0	2,616	0	(2,616)	0	0	0	0	0
Revaluations	0	(242)	0	0	0	0	0	0	(242)
Reversal of impairments	20	18,873	0	0	0	0	0	0	18,893
Impairments	(171)	(1,619)	0	0	0	0	0	0	(1,790)
Reclassified as held for sale	(48)	(146)	0	0	0	0	0	0	(194)
Disposals	0	0	0	0	(7,076)	(178)	(2,450)	0	(9,704)
<b>At 31 March 2016</b>	<b>122,948</b>	<b>440,031</b>	<b>5,553</b>	<b>82,328</b>	<b>105,959</b>	<b>1,905</b>	<b>17,617</b>	<b>209</b>	<b>776,550</b>
<b>Depreciation at 1 April 2015</b>	0	40,189	451	0	72,656	1,863	13,088	209	128,456
Indexation	0	875	26	0	0	0	0	0	901
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	(1,115)	0	0	0	0	0	0	(1,115)
Reversal of impairments	0	1,382	0	0	0	0	0	0	1,382
Impairments	0	(752)	0	0	0	0	0	0	(752)
Reclassified as held for sale	0	(34)	0	0	0	0	0	0	(34)
Disposals	0	0	0	0	(7,043)	(178)	(2,450)	0	(9,671)
Provided during the year	0	14,865	159	0	7,981	83	2,282	0	25,370
<b>At 31 March 2016</b>	<b>0</b>	<b>55,410</b>	<b>636</b>	<b>0</b>	<b>73,594</b>	<b>1,768</b>	<b>12,920</b>	<b>209</b>	<b>144,537</b>
<b>Net book value at 1 April 2015</b>	<b>120,799</b>	<b>368,934</b>	<b>4,802</b>	<b>57,775</b>	<b>34,358</b>	<b>220</b>	<b>5,963</b>	<b>0</b>	<b>592,851</b>
<b>Net book value at 31 March 2016</b>	<b>122,948</b>	<b>384,621</b>	<b>4,917</b>	<b>82,328</b>	<b>32,365</b>	<b>137</b>	<b>4,697</b>	<b>0</b>	<b>632,013</b>
<b>Net book value at 31 March 2016 comprises :</b>									
Purchased	122,948	372,595	4,917	82,213	27,457	137	4,515	0	614,782
Donated	0	12,026	0	115	4,908	0	182	0	17,231
Government Granted	0	0	0	0	0	0	0	0	0
<b>At 31 March 2016</b>	<b>122,948</b>	<b>384,621</b>	<b>4,917</b>	<b>82,328</b>	<b>32,365</b>	<b>137</b>	<b>4,697</b>	<b>0</b>	<b>632,013</b>
<b>Asset financing :</b>									
Owned	113,775	350,549	3,926	82,328	31,905	137	4,697	0	587,317
Held on finance lease	0	2,136	0	0	460	0	0	0	2,596
On-SoFP PFI contracts	9,173	31,936	991	0	0	0	0	0	42,100
PFI residual interests	0	0	0	0	0	0	0	0	0
<b>At 31 March 2016</b>	<b>122,948</b>	<b>384,621</b>	<b>4,917</b>	<b>82,328</b>	<b>32,365</b>	<b>137</b>	<b>4,697</b>	<b>0</b>	<b>632,013</b>
<b>The net book value of land, buildings and dwellings at 31 March 2016 comprises :</b>									
									£000
Freehold									468,250
Long Leasehold									17,410
Short Leasehold									26,826
									512,486

Of the totals at 31<sup>st</sup> March 2016, £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 UHB had to charge accelerated depreciation on the following:

- (1) Whitchurch Hospital which has been earmarked for disposal, the additional depreciation charged in the period in relation to this amounted to £0.089m.
- (2) Part of Whitchurch Hospital will now be retained by the UHB and (£0.384m) has been charged for the reversal of accelerated depreciation.
- (3) Part of a Paediatrics block at UHW hospital which was scheduled to be demolished in 2015 is now being retained by the UHB and (£0.567m) has been credited for the reversal of accelerated depreciation.
- (4) Rookwood Hospital which has been earmarked for closure, £0.345m.
- (5) CRI West Wing which has been earmarked for disposal, £0.093m.

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**i) Donated additions 2016-17**

Of the donated additions shown in Note 11.1, £0.250m was funded by the Noah's Ark Children's Hospital Charity towards the cost of building a courtyard within Phase 2 of the Noah's Ark Children's Hospital for Wales. Noah's Ark also funded £0.231m of equipment for the Children's Hospital. Cardiff County Council contributed £0.400m towards the costs of Leasehold Improvements at the Global Link Offices. The UHB's Charitable Fund contributed £0.129m towards the purchase of building and equipment during the year. Capital equipment worth £0.320m was funded by other donors.

ii) From 2015-16, the UHB has had to comply with IFRS 13 Fair Value Measurement 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. The UHB had 3 assets which meet the criteria for valuation under IFRS 13 in 2015-16. As a result advice was requested from the Valuation Office Agency (VOA) as to how the new standard would impact on the carrying value of the assets in question. The advice subsequently obtained confirmed that no adjustment would be required. The situation remains unchanged in 2016-17.

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 UHB 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 UHB carried out 6 such revaluations the total effect of which were:

- Impairments written off via the Statement of Comprehensive Net Expenditure (SoCNE) were (£26.690m).

The significant schemes brought into use were:

- UHL Adult Mental Health Unit (£15.637m) was written off the carrying value via the SoCNE.
- UHW Neonatal Unit Phase 1 (£6.118m) was written off the carrying value via the SoCNE.
- Children's Hospital for Wales (£3.416m) was written off the carrying value via the SoCNE.

In addition three minor schemes were brought into use and (£1.519m) was written off the carrying value via the SoCNE.

iii) The useful economic life of UHB buildings has been determined on an asset by asset basis by the District Valuer. These lives are reviewed by the UHB 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 UHB professionals. Again the appropriateness of these lives is reviewed on an annual basis.

iv) During the year the UHB has received Non Cash Allocation from the Welsh Government for assets impaired during the period and this Allocation is included in our Revenue Resource Limit.

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTS 2016-17

v) As per Welsh Government guidance the UHB has applied an Indexation factor to its Land for 2016/2017, for a handful of sites this has resulted in a reversal of a prior period Impairment charge and therefore £0.017m has been credited to the SoCNE.

vi) The Board had previously approved the sale of one of its sites, at that time the un-occupied portion of the site was revalued and transferred into assets Held for Sale. During 2016-17 the final portion of the site has been vacated and it has been transferred into assets Held for Sale - see Note 11.2.

vii) Transfers of Equipment and Intangible assets within NHS Wales. On the 1<sup>st</sup> of April 2016 the UHB transferred the Diabetic Retinopathy Screening Service for Wales to Public Health Wales NHS Trust (PHW). As PHW is outside the whole of government boundary this transaction is shown within the disposals line in note 11.1 and Note 12 Intangible assets, reflecting the fact that PHW purchased the Equipment and Intangible Assets at book value. A total of £0.437m was transferred to PHW, £0.417m Equipment (shown within Note 11.1) and £0.020m Intangible Assets (shown within Note 12).

viii) All fully depreciated assets still in use are being carried at nil net book value.

11.2 Non-current assets held for sale	Land	Buildings, including dwelling	Other property, plant and equipment	Intangible assets	Other assets	Total
	£000	£000	£000	£000	£000	£000
<b>Balance brought forward 1 April 2016</b>	1,481	112	0	0	0	1,593
Plus assets classified as held for sale in the year	372	0	0	0	0	372
Revaluation	0	0	0	0	0	0
Less assets sold in the year	(38)	(112)	0	0	0	(150)
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 2017</b>	<b>1,815</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,815</b>
<b>Balance brought forward 1 April 2015</b>	<b>1,200</b>	<b>1,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,200</b>
Plus assets classified as held for sale in the year	48	112	0	0	0	160
Revaluation	0	0	0	0	0	0
Less assets sold in the year	0	0	0	0	0	0
Add reversal of impairment of assets held for sale	233	0	0	0	0	233
Less impairment of assets held for sale	0	(1,000)	0	0	0	(1,000)
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 2016</b>	<b>1,481</b>	<b>112</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,593</b>

**Assets sold in the period**

There was one disposal made during 2016-17 - a profit of £0.063m was made on the sale.

**Assets classified as held for sale during the year**

As mentioned on page 32 during 2016-17, the UHB has decided to sell one of its properties and also transferred in to assets held for sale the remaining land and buildings at CRI West Wing, as they became vacant during the year.

The two properties held for sale at 31/3/17 are all expected to be sold during 2017-18.

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTS 2016-17

At the time the properties were classified as Held for Sale they were revalued appropriately and any adjustments for these properties have been included in Note 11.1.

## 12. Intangible non-current assets

	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 2016</b>	4,705	0	112	0	0	0	4,817
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	505	0	0	0	0	0	505
Additions- internally generated	0	0	0	0	0	0	0
Additions- donated	93	0	0	0	0	0	93
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	(100)	0	0	0	0	0	(100)
<b>Gross cost at 31 March 2017</b>	<b>5,203</b>	<b>0</b>	<b>112</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,315</b>
<b>Amortisation at 1 April 2016</b>	3,159	0	0	0	0	0	3,159
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	598	0	37	0	0	0	635
Reclassified as held for sale	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0
Disposals	(80)	0	0	0	0	0	(80)
<b>Amortisation at 31 March 2017</b>	<b>3,677</b>	<b>0</b>	<b>37</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,714</b>
<b>Net book value at 1 April 2016</b>	<b>1,546</b>	<b>0</b>	<b>112</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,658</b>
<b>Net book value at 31 March 2017</b>	<b>1,526</b>	<b>0</b>	<b>75</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,601</b>
<b>At 31 March 2017</b>							
Purchased	1,365	0	75	0	0	0	1,440
Donated	161	0	0	0	0	0	161
Government Granted	0	0	0	0	0	0	0
Internally generated	0	0	0	0	0	0	0
<b>Total at 31 March 2017</b>	<b>1,526</b>	<b>0</b>	<b>75</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,601</b>

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTS 2016-17

	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 2015</b>	<b>4,046</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,046</b>
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	567	0	112	0	0	0	679
Additions- internally generated	0	0	0	0	0	0	0
Additions- donated	92	0	0	0	0	0	92
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	0	0
<b>Gross cost at 31 March 2016</b>	<b>4,705</b>	<b>0</b>	<b>112</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,817</b>
<b>Amortisation at 1 April 2015</b>	<b>2,648</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,648</b>
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	511	0	0	0	0	0	511
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 2016</b>	<b>3,159</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,159</b>
<b>Net book value at 1 April 2015</b>	<b>1,398</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,398</b>
<b>Net book value at 31 March 2016</b>	<b>1,546</b>	<b>0</b>	<b>112</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,658</b>
<b>At 31 March 2016</b>							
Purchased	1,454	0	112	0	0	0	1,566
Donated	92	0	0	0	0	0	92
Government Granted	0	0	0	0	0	0	0
Internally generated	0	0	0	0	0	0	0
<b>Total at 31 March 2016</b>	<b>1,546</b>	<b>0</b>	<b>112</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,658</b>

**Additional disclosures re Intangible Assets**

i) 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 UHB professionals. The appropriateness of these lives is reviewed on an annual basis.

ii) Transfers of Equipment and Intangible assets within NHS Wales. On the 1<sup>st</sup> of April 2016 the UHB transferred the Diabetic Retinopathy Screening Service for Wales to Public Health Wales NHS Trust (PHW). As PHW is outside the whole of government boundary this transaction is shown within the disposals line in Note 11.1 Property, plant and equipment and Note 12 Intangible Assets, reflecting the fact that PHW purchased the Equipment and Intangible Assets at book value. A total of £0.437m was transferred to PHW, £0.417m Equipment (shown within Note 11.1) and £0.020m Intangible Assets (shown within Note 12).

iii) All fully depreciated assets still in use are being carried at nil net book value.

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTS 2016-17

**13. Impairments**

	2016-17		2015-16	
	Property, plant & equipment £000	Intangible assets £000	Property, plant & equipment £000	Intangible assets £000
Impairments arising from :				
Loss or damage from normal operations	0	0	471	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)	26,673	0	(16,178)	0
<b>Total of all impairments</b>	<b>26,673</b>	<b>0</b>	<b>(15,707)</b>	<b>0</b>
<b>Analysis of impairments charged to reserves in year :</b>				
Charged to the Statement of Comprehensive Net Expenditure	26,673	0	(15,707)	0
Charged to Revaluation Reserve	0	0	0	0
	<b>26,673</b>	<b>0</b>	<b>(15,707)</b>	<b>0</b>

The UHB 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 UHB carried out 6 such revaluations the total effect of which were:

- Impairments written off via the Statement of Comprehensive Net Expenditure (SoCNE) were (£26.690m).

The significant schemes brought into use were:

- UHL Adult Mental Health Unit (£15.637m) was written off the carrying value via the SoCNE.
- UHW Neonatal Unit Phase 1 (£6.118m) was written off the carrying value via the SoCNE.

- Children's Hospital for Wales (£3.416m) was written off the carrying value via the SoCNE.

In addition three minor schemes were brought into use and (£1.519m) was written off the carrying value via the SoCNE.

As per Welsh Government guidance the UHB has applied an Indexation factor to its Land for 2016-17, for a handful of sites this has resulted in a reversal of a prior period Impairment charge and therefore £0.017m has been credited to the SoCNE.

During the year the UHB has received Non Cash Allocation from the Welsh Government for assets impaired during the period and this Allocation is included in our Revenue Resource Limit.

**14. Inventories**

14.1 Inventories		31 March 2017 £000	31 March 2016 £000
Drugs		4,214	4,342
Consumables		10,867	10,715
Energy		48	52
Work in progress		0	0
Other		0	0
<b>Total</b>		<b>15,129</b>	<b>15,109</b>
Of which held at realisable value		0	0

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTS 2016-17

14.2 Inventories recognised in expenses	31 March	31 March
	2017	2016
	£000	£000
Inventories recognised as an expense in the period	2,112	1,788
Write-down of inventories (including losses)	72	77
Reversal of write-downs that reduced the expense	0	0
<b>Total</b>	<b>2,184</b>	<b>1,865</b>

## 15. Trade and other Receivables

Current	31 March	31 March
	2017	2016
	£000	£000
Welsh Government	154	915
WHSSC / EASC	3,302	3,941
Welsh Health Boards	4,406	6,252
Welsh NHS Trusts	1,829	795
Non - Welsh Trusts	2,048	1,648
Other NHS	126	181
Welsh Risk Pool	106,560	83,305
Local Authorities	1,563	2,427
Capital debtors	0	0
Other debtors	16,151	14,868
Provision for irrecoverable debts	(3,602)	(2,922)
Pension Prepayments	0	0
Other prepayments	4,956	2,775
Other accrued income	0	0
<b>Sub total</b>	<b>137,493</b>	<b>114,185</b>
<b>Non-current</b>		
Welsh Government	0	0
WHSSC / EASC	0	0
Welsh Health Boards	0	0
Welsh NHS Trusts	0	0
Non - Welsh Trusts	0	0
Other NHS	0	0
Welsh Risk Pool	39,886	5,677
Local Authorities	0	0
Capital debtors	0	0
Other debtors	3,823	3,315
Provision for irrecoverable debts	(1,272)	(1,132)
Pension Prepayments	0	0
Other prepayments	0	0
Other accrued income	0	0
<b>Sub total</b>	<b>42,437</b>	<b>7,860</b>
<b>Total</b>	<b>179,930</b>	<b>122,045</b>
<b>Receivables past their due date but not impaired</b>		
By up to three months	6,103	6,295
By three to six months	694	753
By more than six months	5,180	5,678
	<b>11,977</b>	<b>12,726</b>

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTS 2016-17

Of the debtors past due (but not impaired) which are greater than six months old, £4.731m relates to RTA and personal injury income (2015-16 £5.246m).

Provision for impairment of receivables			
Balance at 1 April		(4,146)	(3,868)
Transfer to other NHS Wales body		0	0
Amount written off during the year		153	126
Amount recovered during the year		0	0
(Increase) / decrease in receivables impaired		(1,251)	(404)
Bad debts recovered during year		0	0
Balance at 31 March		(5,244)	(4,146)

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		1,990	1,025
Total		1,990	1,025

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTS 2016-17

## 16. Trade and other payables

Current	31 March 2017 £000	31 March 2016 £000
Welsh Government	1	116
WHSSC / EASC	1,990	1,596
Welsh Health Boards	4,913	3,968
Welsh NHS Trusts	3,668	5,147
Other NHS	13,682	15,842
Taxation and social security payable / refunds	5,224	5,293
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	6,341	5,219
Non-NHS creditors	24,590	24,169
Local Authorities	9,297	7,263
Capital Creditors	15,170	8,414
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases, HP contracts	294	477
Imputed finance lease element of on SoFP PFI contracts	132	94
Pensions: staff	0	0
Accruals	47,699	56,009
Deferred Income:		
Deferred Income brought forward	939	945
Deferred Income Additions	282	277
Transfer to / from current/non current deferred income	0	0
Released to SoCNE	(210)	(283)
Other creditors	22,703	15,838
PFI assets –deferred credits	108	293
Payments on account	693	745
<b>Total</b>	<b>157,516</b>	<b>151,422</b>
<b>Non-current</b>		
Welsh Government	0	0
WHSSC / EASC	0	0
Welsh Health Boards	0	0
Welsh NHS Trusts	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 creditors	0	0
Local Authorities	0	0
Capital Creditors	0	0
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases, HP contracts	897	1,411
Imputed finance lease element of on SoFP PFI contracts	9,108	9,240
Pensions: staff	0	0
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	202	309
Payments on account	0	0
<b>Total</b>	<b>10,207</b>	<b>10,960</b>

It is intended to pay all invoices within the 30 day period directed by the Welsh Government.

Amounts falling due more than one year are expected to be settled as follows:	31-Mar-17 £000	31-Mar-16 £000
Between one and two years	781	739
Between two and five years	1,303	1,729
In five years or more	8,123	8,492
<b>Sub-total</b>	<b>10,207</b>	<b>10,960</b>

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTS 2016-17

## 17. Provisions

	At 1 April 2016	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 2017
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Current</b>									
Clinical negligence	69,001	(9,871)	(2,051)	3,808	61,203	(11,246)	(14,207)	(1,195)	95,442
Personal injury	1,563	0	0	2	1,658	(906)	(1,286)	23	1,054
All other losses and special payments	0	0	0	0	756	(756)	0	0	0
Defence legal fees and other administration	2,421	0	0	48	1,916	(811)	(1,082)		2,492
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	208			121	54	(205)	0	22	200
Restructuring	0			0	0	0	0	0	0
Other	2,997		(30)	0	2,162	(503)	(1,537)		3,089
<b>Total</b>	<b>76,190</b>	<b>(9,871)</b>	<b>(2,081)</b>	<b>3,979</b>	<b>67,749</b>	<b>(14,427)</b>	<b>(18,112)</b>	<b>(1,150)</b>	<b>102,277</b>
<b>Non Current</b>									
Clinical negligence	5,466	0	0	(3,808)	38,647	(842)	(589)	(26)	38,848
Personal injury	2,946	0	0	(2)	240	0	0	0	3,184
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	352	0	0	(48)	549	(79)	(40)		734
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	1,427			(121)	0	0	0	0	1,306
Restructuring	0			0	0	0	0	0	0
Other	0		0	0	543	0	0		543
<b>Total</b>	<b>10,191</b>	<b>0</b>	<b>0</b>	<b>(3,979)</b>	<b>39,979</b>	<b>(921)</b>	<b>(629)</b>	<b>(26)</b>	<b>44,615</b>
<b>TOTAL</b>									
Clinical negligence	74,467	(9,871)	(2,051)	0	99,850	(12,088)	(14,796)	(1,221)	134,290
Personal injury	4,509	0	0	0	1,898	(906)	(1,286)	23	4,238
All other losses and special payments	0	0	0	0	756	(756)	0	0	0
Defence legal fees and other administration	2,773	0	0	0	2,465	(890)	(1,122)		3,226
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	1,635			0	54	(205)	0	22	1,506
Restructuring	0			0	0	0	0	0	0
Other	2,997		(30)	0	2,705	(503)	(1,537)		3,632
<b>Total</b>	<b>86,381</b>	<b>(9,871)</b>	<b>(2,081)</b>	<b>0</b>	<b>107,728</b>	<b>(15,348)</b>	<b>(18,741)</b>	<b>(1,176)</b>	<b>146,892</b>

Expected timing of cash flows:	In year			Total
	to 31 March 2018	Between 1 April 2018	Thereafter	
		31 March 2022		
				£000
Clinical negligence	95,442	38,848	0	134,290
Personal injury	1,054	743	2,441	4,238
All other losses and special payments	0	0	0	0
Defence legal fees and other administration	2,492	734	0	3,226
Pensions relating to former directors	0	0	0	0
Pensions relating to other staff	200	782	524	1,506
Restructuring	0	0	0	0
Other	3,089	111	432	3,632
<b>Total</b>	<b>102,277</b>	<b>41,218</b>	<b>3,397</b>	<b>146,892</b>

The Clinical Negligence provision includes £0.248m in respect of 27 potential claims under The Welsh Government "Putting Things Right" Redress Scheme.

In addition 24 claims were settled during the year under this scheme to the value of £0.093m.

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 UHB. 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 UHB 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 £146.446m has been shown within note 15 (Trade and Other receivables) in respect of such expected reimbursements.

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTS 2016-17

On Monday 27<sup>th</sup> February the Lord Chancellor announced a change in the Personal Injury discount rate from +2.5% to minus 0.75%. The new rate came into effect on 20<sup>th</sup> March 2017. The discount rate adjusts personal injury compensation payouts to take into account how much an individual can expect if they invest a lump sum over their lifetime. Given the proximity of this announcement to the end of the financial year it has not been possible for Legal and Risk Services to assess the effect of this change on a case by case basis. Instead they have developed a model in conjunction with Welsh Government which has been used to estimate the effect of the discount rate change for all NHS Wales bodies.

The UHB has been advised to increase its Clinical Negligence provision by £16.820m and its Personal Injury provision by £0.058m and these amounts have consequently been included in Note 17. In addition the change in the discount rate could activate clauses in previously settled claims which allow claimants to seek additional compensation as a result of such changes. After a review of our previously settled cases by Legal and Risk Services, they have instructed the UHB to accrue £0.942m in respect of one such case. Given the relative certainty of payment being made in this instance, this amount is included in Note 16 Trade and Other Payables.

**Other Provisions include:**

- Continuing Healthcare IRP and Ombudsman claims £1.084m
- Potential Payments to staff in respect of time off in lieu £0.261m
- Employment Tribunal Litigation Cases £0.439m
- Other provisions considered commercially sensitive £1.848m

**Continuing Healthcare Cost uncertainties**

Liabilities for continuing healthcare costs continue to be a significant financial issue for the UHB. The 31<sup>st</sup> July 2014 deadline for the submission of any claims for continuing healthcare costs dating back to 1<sup>st</sup> April 2003 has resulted in a large increase in the number of claims registered this financial year.

The UHB 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 [17] sets out the £1.084m provision made for probable continuing care costs relating to 54 claims received;

Note [18.1] sets out the £3.636m contingent liability for possible continuing care costs relating to 54 claims received.

However, in addition the UHB has a further 204 claims, which were received by the 31<sup>st</sup> July 2014 deadline, for which the assessment process has not yet been completed. The assessment process is highly complex, involves multi-disciplinary teams and for those reasons can take many months. At this stage, the UHB does not have the information to make a judgement on the likely success or otherwise of these claims, however, they may result in significant additional costs to the UHB, which cannot be quantified at this time.

Claims received between 1<sup>st</sup> August 2014 and 31<sup>st</sup> October 2015 are nearing completion, having been given a 12 month deadline for review completion from the claim activation date. Enough information exists for this Phase of claims to enable a provision to be calculated for the 9 remaining claims. This is included in the provision/contingent liability figures shown above.

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTS 2016-17

A further 46 claims received after 31<sup>st</sup> October 2015 deadline remain open and at this stage the UHB does not have sufficient information on the likely success or otherwise of these claims. However, they may also result in significant additional costs to the UHB, which cannot be quantified at this time.

	At 1 April 2015	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 2016
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Current</b>									
Clinical negligence	79,992	(2,089)	(4,417)	12,111	25,986	(13,120)	(27,988)	(1,474)	69,001
Personal injury	1,247	0	0	(13)	1,863	(917)	(639)	22	1,563
All other losses and special payments	0	0	0	0	545	(545)	0	0	0
Defence legal fees and other administration	1,719	0	0	378	1,967	(809)	(834)		2,421
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	214			123	60	(212)	0	23	208
Restructuring	0			0	0	0	0	0	0
Other	4,363		(732)	0	326	(701)	(259)		2,997
<b>Total</b>	<b>87,535</b>	<b>(2,089)</b>	<b>(5,149)</b>	<b>12,599</b>	<b>30,747</b>	<b>(16,304)</b>	<b>(29,720)</b>	<b>(1,429)</b>	<b>76,190</b>
<b>Non Current</b>									
Clinical negligence	14,976	0	0	(12,111)	2,719	(75)	0	(43)	5,466
Personal injury	2,933	0	0	13	0	0	0	0	2,946
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	445	0	0	(378)	318	(28)	(5)		352
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	1,550			(123)	0	0	0	0	1,427
Restructuring	0			0	0	0	0	0	0
Other	0		0	0	0	0	0		0
<b>Total</b>	<b>19,904</b>	<b>0</b>	<b>0</b>	<b>(12,599)</b>	<b>3,037</b>	<b>(103)</b>	<b>(5)</b>	<b>(43)</b>	<b>10,191</b>
<b>TOTAL</b>									
Clinical negligence	94,968	(2,089)	(4,417)	0	28,705	(13,195)	(27,988)	(1,517)	74,467
Personal injury	4,180	0	0	0	1,863	(917)	(639)	22	4,509
All other losses and special payments	0	0	0	0	545	(545)	0	0	0
Defence legal fees and other administration	2,164	0	0	0	2,285	(837)	(839)		2,773
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	1,764			0	60	(212)	0	23	1,635
Restructuring	0			0	0	0	0	0	0
Other	4,363		(732)	0	326	(701)	(259)		2,997
<b>Total</b>	<b>107,439</b>	<b>(2,089)</b>	<b>(5,149)</b>	<b>0</b>	<b>33,784</b>	<b>(16,407)</b>	<b>(29,725)</b>	<b>(1,472)</b>	<b>86,381</b>

The Clinical Negligence provision includes £0.141m in respect of 16 potential claims under The Welsh Government "Putting Things Right" Redress Scheme.

In addition 37 claims were settled during the year under this scheme to the value of £0.315m.

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 UHB. 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 UHB 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 £88.982m has been shown within note 15 (Trade and Other receivables) in respect of such expected reimbursements.

#### Other Provisions include:

- Continuing Healthcare IRP & Ombudsman claims £2.710m
- Potential Payments to staff in respect of time off in lieu £0.287m

#### Continuing Healthcare Cost uncertainties

Liabilities for continuing healthcare costs continue to be a significant financial issue for the UHB. The 31<sup>st</sup> July 2014 deadline for the submission of any claims for continuing healthcare costs dating back to 1<sup>st</sup>

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTS 2016-17

April 2003 has resulted in a large increase in the number of claims registered this financial year.

The UHB 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 [17] sets out the £2.710m provision made for probable continuing care costs relating to 83 claims received;

Note [18.1] sets out the £4.850m contingent liability for possible continuing care costs relating to 83 claims received.

However, in addition the UHB has a further 242 claims, which were received by the 31<sup>st</sup> July 2014 deadline, for which the assessment process has not yet been completed. The assessment process is highly complex, involves multi-disciplinary teams and for those reasons can take many months. At this stage, the UHB does not have the information to make a judgement on the likely success or otherwise of these claims, however they may result in significant additional costs to the UHB, which cannot be quantified at this time. Claims received after 31<sup>st</sup> July 2014 total 30. At this stage, the UHB does not have the information to make a judgement on the likely success or otherwise of these claims, however they may result in significant additional costs to the UHB, which cannot be quantified at this time.

**Accounting for Defence Fees in respect of Clinical Negligence and Personal Injury Claims**

The prescribed treatment in the 2015/2016 Manual for Accounts (MFA) in respect of the above has changed from that in the 2014/2015 MFA. The UHB has complied fully with the methodology outlined in the 2015/2016 MFA and has provided for defence fees on Possible claims

based on rates that such provisions has historically crystallised. As a result Defence fees on Possible Clinical Negligence claims have been provided for at 51% and Personal Injury claims at 93%.

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**18. Contingencies**

<b>18.1 Contingent liabilities</b>			
		2016-17	2015-16
		£'000	£'000
Provisions have not been made in these accounts for the following amounts :			
Legal claims for alleged medical or employer negligence		78,291	72,538
Doubtful debts		0	0
Equal Pay costs		0	0
Defence costs		950	944
Continuing Health Care costs		3,636	4,850
Other		0	0
<b>Total value of disputed claims</b>		<b>82,877</b>	<b>78,332</b>
Amounts recovered in the event of claims being successful		75,892	70,696
<b>Net contingent liability</b>		<b>6,985</b>	<b>7,636</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 17. 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 £2.251m re clinical negligence and £1.098m re personal injury. Please note that within the above figure for legal claims for alleged medical or employer negligence is included £10.070m for Clinical Negligence and £0.192m for Personal Injury as a result of the Lord Chancellor's announcement re the

change in the Personal Injury discount rate (as described on Page 42 of these accounts). The whole of these amounts are recoverable from the Welsh Risk Pool.

**Continuing Healthcare Cost Uncertainties**

Liabilities for continuing healthcare costs continue to be a significant financial issue for the UHB. The 31<sup>st</sup> July 2014 deadline for the submission of any claims for continuing healthcare costs dating back to 1<sup>st</sup> April 2003 has resulted in a large increase in the number of claims registered this financial year.

The UHB 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 [17] sets out the £1.084m provision made for probable continuing care costs relating to 54 claims received;

Note [18.1] sets out the £3.636m contingent liability for possible continuing care costs relating to 54 claims received.

However, in addition the UHB has a further 204 claims, which were received by the 31<sup>st</sup> July 2014 deadline, for which the assessment process has not yet been completed. The assessment process is highly complex, involves multi-disciplinary teams and for those reasons can take many months. At this stage, the UHB does not have the information to make a judgement on the likely success or otherwise of these claims, however, they may result in significant additional costs to the UHB, which cannot be quantified at this time.

Claims received between 1<sup>st</sup> August 2014 and 31<sup>st</sup> October 2015 are nearing completion, having been given a 12 month deadline for review

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTS 2016-17

completion from the claim activation date. Enough information exists for this Phase of claims to enable a provision to be calculated for the 9 remaining claims. This is included in the provision/contingent liability figures shown above.

A further 46 claims received after 31<sup>st</sup> October 2015 deadline remain open and at this stage the UHB does not have sufficient information on the likely success or otherwise of these claims. However, they may also result in significant additional costs to the UHB, which cannot be quantified at this time.

**EU Holiday Pay Ruling November 2014**

Under EU law, workers are entitled to four weeks' holiday pay a year but the legislation does not give details on how such remuneration should be calculated. Up until now the UK Government has interpreted the European Union Working Time Directive as saying that holiday pay should be based on the employee's basic rate of pay. The above ruling found that this interpretation is incorrect in the case of staff who have to regularly work overtime to perform their contracted duties. In this instance regular overtime payments should be included in determining the holiday pay calculation. As a result the UHB could face a liability in respect of employees who feel they should have received higher holiday pay in 2016-17 or in the past. The terms of the ruling are however, vague in determining which groups of staff it is applicable to. As a result a significant piece of work is likely to be needed to assess the value of any liability the UHB has in respect of this issue. Legal advice will be needed and to date little progress has been made in this assessment. Hence it is not possible to quantify any liability at this point in time.

**Supreme Court Judgement on the Responsibility for the Costs of Delivering Nursing Care in Care Homes**

Health Boards in Wales (and equivalent bodies across the UK) are currently waiting for the Supreme Court to deliver its ruling over the responsibility for delivering care in care homes. The UHB currently pays for what it considers to be appropriate "nursing care" costs in accordance with legislation, however, the Supreme Court case focuses on the local authorities claim that "nursing care" should be more widely defined than at present. We are not currently in a position to determine the likely outcome of this ruling nor any potential financial impact.

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTS 2016-17

18.2 Remote Contingent liabilities						2016-17	2015-16
						£'000	£'000
Please disclose the values of the following categories of remote contingent liabilities :							
Guarantees						0	0
Indemnities						93	40
Letters of Comfort						0	0
<b>Total</b>						<b>93</b>	<b>40</b>

The figure shown above under indemnities relates to Clinical Negligence claims against the UHB, where our legal advisors have informed us that the Claimant's chance of success is remote.

18.3 Contingent assets						2016-17	2015-16
						£'000	£'000
						0	0
						0	0
						0	0
<b>Total</b>						<b>0</b>	<b>0</b>

## 19. Capital commitments

Contracted capital commitments at 31 March						2016-17	2015-16
						£'000	£'000
Property, plant and equipment						4,736	8,171
Intangible assets						0	0
<b>Total</b>						<b>4,736</b>	<b>8,171</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.

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTS 2016-17

**20. 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 2017		Approved to write-off to 31 March 2017		
	Number	£	Number	£	
Clinical negligence	142	16,504,873	100	25,147,773	
Personal injury	62	906,042	34	725,780	
All other losses and special payments	343	1,304,278	343	1,304,278	
<b>Total</b>	<b>547</b>	<b>18,715,193</b>	<b>477</b>	<b>27,177,831</b>	
Analysis of cases which exceed £300,000 and all other cases					
Cases exceeding £300,000	Case type	Amounts paid out in year	Cumulative amount	Approved to write-off	
				£	in year
05RWMMN0011	Clinical Negligence	50,000	1,127,000	1,127,000	
07RWMMN0024	Clinical Negligence	55,688	2,395,908	2,395,908	
09RWMMN0026	Clinical Negligence	0	1,270,000	0	
09RWMMN0035	Clinical Negligence	16,500	591,933	591,933	
09RWMMN0049	Clinical Negligence	0	500,819	500,819	
10RWMMN0005	Clinical Negligence	335,000	1,435,000	1,435,000	
10RWMMN0013	Clinical Negligence	200,000	1,916,250	0	
10RWMMN0043	Clinical Negligence	5,000	1,855,000	1,855,000	
11RWMMN0005	Clinical Negligence	132,785	2,342,785	2,342,785	
11RWMMN0027	Clinical Negligence	115,000	660,000	660,000	
11RWMMN0050	Clinical Negligence	1,530,000	2,355,000	2,355,000	
11RWMMN0074	Clinical Negligence	441,045	531,545	531,545	
12RWMMN0038	Clinical Negligence	190,420	450,420	450,420	
13RWMMN0014	Clinical Negligence	0	648,500	648,500	
13RWMMN0021	Clinical Negligence	51,250	461,250	461,250	
13RWMMN0023	Clinical Negligence	1,650,000	1,690,000	0	
13RWMMN0031	Clinical Negligence	0	345,127	345,127	
13RWMMN0036	Clinical Negligence	915,000	915,000	915,000	
13RWMMN0046	Clinical Negligence	1,505,787	1,780,787	0	
13RWMMN0047	Clinical Negligence	361,471	458,971	0	
14RWMMN0009	Clinical Negligence	130,000	330,000	0	
14RWMMN0019	Clinical Negligence	450,000	450,000	0	
14RWMMN0024	Clinical Negligence	283,500	333,500	333,500	
14RWMMN0046	Clinical Negligence	801,031	876,031	0	
14RWMMN0060	Clinical Negligence	0	373,500	373,500	
14RWMMN0126	Clinical Negligence	375,750	405,750	0	
15RWMMN0009	Clinical Negligence	319,500	319,500	319,500	
15RWMMN0013	Clinical Negligence	941,269	1,187,269	1,187,269	
15RWMMN0043	Clinical Negligence	568,673	568,673	568,673	
15RWMMN0166	Clinical Negligence	95,000	380,000	380,000	
16RWMMN0008	Clinical Negligence	535,000	560,000	560,000	
17RWMEM0004	Employment Litigation	425,808	425,808	425,808	
<b>Sub-total</b>		<b>12,480,477</b>	<b>29,941,326</b>	<b>20,763,537</b>	
<b>All other cases</b>		<b>6,234,716</b>	<b>12,270,863</b>	<b>6,414,294</b>	
<b>Total cases</b>		<b>18,715,193</b>	<b>42,212,189</b>	<b>27,177,831</b>	

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTS 2016-17

## 21. Cash and cash equivalents

	2016-17	2015-16
	£000	£000
Balance at 1 April	2,695	562
Net change in cash and cash equivalent balances	(1,814)	2,133
Balance at 31 March	881	2,695
Made up of:		
Cash held at GBS	688	2,479
Commercial banks	113	138
Cash in hand	80	78
Current Investments	0	0
<b>Cash and cash equivalents as in Statement of Financial Position</b>	<b>881</b>	<b>2,695</b>
Bank overdraft - GBS	0	0
Bank overdraft - Commercial banks	0	0
<b>Cash and cash equivalents as in Statement of Cash Flows</b>	<b>881</b>	<b>2,695</b>

## 22. Other Financial Assets

	Current		Non-current	
	31 March	31 March	31 March	31 March
	2017	2016	2017	2016
	£000	£000	£000	£000
<b>Financial assets</b>				
Shares and equity type investments				
Held to maturity investments at amortised costs	0	0	0	0
At fair value through SOCNE	0	0	0	0
Available for sale at FV	0	0	0	0
Deposits	0	0	0	0
Loans	0	0	0	0
Derivatives	0	0	0	0
Other (Specify)				
Held to maturity investments at amortised costs	0	0	0	0
At fair value through SOCNE	0	0	0	0
Available for sale at FV	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 23. Other financial liabilities

	Current		Non-current	
	31 March	31 March	31 March	31 March
	2017	2016	2017	2016
	£000	£000	£000	£000
<b>Financial liabilities</b>				
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
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTS 2016-17

**24. Related Party Transactions**

The Welsh Government is regarded as a related party. During the accounting period the UHB has 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:

	Debtor @ 31/3/17	Creditor @ 31/3/17	Income	Expenditure
	£'000s	£'000s	£'000s	£'000s
Welsh Government	154	1	955,904	1,910
Abertawe Bro Morgannwg University LHB	2,259	1,903	11,918	15,913
Aneurin Bevan Health Board	558	1,440	31,287	4,152
Betsi Cadwaladr LHB	19	234	668	734
Cwm Taf LHB	838	1,108	22,827	8,687
Hywel Dda LHB	183	174	5,884	601
Powys LHB	549	55	1,834	336
Velindre NHS Trust	1,199	2,280	5,952	27,847
Public Health Wales NHS Trust	529	1,287	3,941	5,930
Welsh Ambulance Trust	102	100	80	3,531
Welsh Health Specialised Services Committee	3,302	1,990	190,892	110,907
Total £'000s	9,692	10,572	1,231,187	180,548

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 is Chair of the UHB. She is also a Council Member of Cardiff University.

Mr Adam Cairns was the Chief Executive of the UHB up to 18<sup>th</sup> November 2016. We have been unable to obtain a current Declaration of Interests Return in respect of Mr Cairns. Based on information supplied in early 2016 we believe that he was an Honorary Visiting Professor at Cardiff University during 2016-17.

Dr Sharon Hopkins was the Executive Director of Public Health up to the 18<sup>th</sup> November 2016. She was appointed Acting Chief Executive Officer

on 19<sup>th</sup> November 2016. In July 2015 she was appointed Chair of the Public Health Advisory Committee NICE.

Her husband has a private cardiology practice at Spire in Cardiff.

Mrs Abigail Harris is the Executive Director of Planning. She has a relative who is a Trustee of the Teenage Cancer Trust.

Mr Peter Welsh is Director of Corporate Governance for the UHB. His son is a freelance web designer for Rhys Welsh Ltd and his wife is an optician at RN Roberts and GL Rees Opticians.

Mrs Eileen Brandreth is an Independent Member of the UHB. She is also Director of Information Technology at Cardiff University.

Mr Stuart Egan is an Independent Member of the UHB. He is a County Councillor for Vale of Glamorgan Council.

Mrs Susan Elsmore is an Independent member of the UHB. She is also an elected member for Health Housing and Wellbeing for the City of Cardiff Council.

Mr Phillip Evans is an Independent Member of the UHB. He is the Director of Social Services in the Vale of Glamorgan Council.

Professor Marcus Longley is Vice Chair of the UHB. He is also a Director of the Welsh Health Institute for Health and Social Care at the University of South Wales.

Mrs Margaret McLaughlin is an Independent Member of the UHB. She is also a trustee of Safer Wales and has provided assistance to Glamorgan Voluntary Service and Cardiff and Vale Action for Mental Health during the financial year. Her husband is Professor of Human Molecular



## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTS 2016-17

expenditure in the period connected with Cardiff & Vale University Health Board.

The UHB has not been made aware of any direct relationship between Assembly Members or their families and Cardiff and Vale University Health Board.

## 25. Third Party assets

The UHB held £195,589 cash at bank and in hand at 31<sup>st</sup> March 2017 (31<sup>st</sup> March 2016, £180,062) which relates to monies held by the UHB 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 2016-17 or 2015-16. In addition the UHB 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 2017 was £12,628,816 (£9,841,075 31<sup>st</sup> March 2016).

## 26. Finance leases

### 26.1 Finance leases obligations (as lessee)

As at 31<sup>st</sup> March 2017 the UHB 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 UHB 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 (3.5%) as it has not been possible to determine the discount rate implicit in the lease agreement.

Amounts payable under finance leases:			
Land		31 March 2017 £000	31 March 2016 £000
<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
		<b>0</b>	<b>0</b>
Minimum lease payments			
Included in:			
Current borrowings		0	0
Non-current borrowings		0	0
		<b>0</b>	<b>0</b>
<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
		<b>0</b>	<b>0</b>
Present value of minimum lease payments			
Included in:			
Current borrowings		0	0
Non-current borrowings		0	0
		<b>0</b>	<b>0</b>

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTS 2016-17

<b>Amounts payable under finance leases:</b>			
	31 March	31 March	
	2017	2016	
<b>Buildings</b>			
<b>Minimum lease payments</b>	<b>£000</b>	<b>£000</b>	
Within one year	210	405	
Between one and five years	630	1,057	
After five years	0	0	
Less finance charges allocated to future periods	(18)	(34)	
<b>Minimum lease payments</b>	<b>822</b>	<b>1,428</b>	
Included in:			
Current borrowings	203	391	
Non-current borrowings	619	1,037	
	<b>822</b>	<b>1,428</b>	
<b>Present value of minimum lease payments</b>			
Within one year	196	371	
Between one and five years	559	918	
After five years	0	0	
<b>Present value of minimum lease payments</b>	<b>755</b>	<b>1,289</b>	
Included in:			
Current borrowings	0	0	
Non-current borrowings	0	0	
	<b>0</b>	<b>0</b>	
<b>Other</b>			
<b>Minimum lease payments</b>	<b>£000</b>	<b>£000</b>	
Within one year	94	94	
Between one and five years	283	377	
After five years	0	0	
Less finance charges allocated to future periods	(8)	(12)	
<b>Minimum lease payments</b>	<b>369</b>	<b>459</b>	
Included in:			
Current borrowings	91	90	
Non-current borrowings	278	369	
	<b>369</b>	<b>459</b>	
<b>Present value of minimum lease payments</b>			
Within one year	88	87	
Between one and five years	250	327	
After five years	0	0	
<b>Present value of minimum lease payments</b>	<b>338</b>	<b>414</b>	
Included in:			
Current borrowings	0	0	
Non-current borrowings	0	0	
	<b>0</b>	<b>0</b>	

**26.2 Finance leases obligations (as lessor)**

The UHB has no finance leases receivable as a lessor.

<b>Amounts receivable under finance leases:</b>			
	31 March	31 March	
	2017	2016	
<b>Gross Investment in leases</b>	<b>£000</b>	<b>£000</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	
<b>Minimum lease payments</b>	<b>0</b>	<b>0</b>	
Included in:			
Current borrowings	0	0	
Non-current borrowings	0	0	
	<b>0</b>	<b>0</b>	
<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	
<b>Present value of minimum lease payments</b>	<b>0</b>	<b>0</b>	
Included in:			
Current borrowings	0	0	
Non-current borrowings	0	0	
	<b>0</b>	<b>0</b>	



CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTS 2016-17

27.4 Number of PFI contracts				
			Number of on SoFP PFI contracts	Number of off SoFP PFI contracts
Number of PFI contracts			1	0
Number of PFI contracts which individually have a total commitment > £500m			0	0
PFI Contract				
			On / Off-statement of financial position	
Number of PFI contracts which individually have a total commitment > £500m			0	
PFI Contract				
St David's Hospital			On	

**27.5 The UHB had 3 Public Private Partnerships during the year**

In addition to the St David's PFI Scheme set out previously in Note 27.2, the UHB has three other Public Private Partnerships (PPP) Schemes as set out below:

**UHW Car Park**

In 1996/7 the former UHW Trust granted a 20 year leasehold interest in land owned by the Trust with the exclusive rights for the Private Partner (Impregilo UK Ltd) to collect all car park income, (at rates set out in the contract), in exchange for the building of a multi storey car park and infrastructure works with a capital cost of £6.7m. Impregilo UK Ltd later sold their interests to Vinci Park Ltd (now trading as Indigo) in 2001.

At the end of 20 years, the UHB will receive the residual interest in the multi storey car parks and the reversionary interest in the land for nil consideration. The scheme has been assessed as being "on-statement of financial position" under IFRIC 12. These assets are therefore included in the UHB's statement of financial position (note 11) with current values of £13.202m for the buildings and £8.365m for the land.

On initial recognition of the asset a deferred income creditor balance was recognised in the UHB's accounts at a value of £3.754m. In line with Department of Health Guidance this creditor is being released to the SoCNE annually over the 20 year life of the contract. The amount that has been credited to operating expenses in 2016-17 was £0.187m.

**Concourse**

In 1998/99 the former UHW Trust granted a 20 year leasehold interest in land owned by the Trust, together with the rights for a Private Partner (Gentian Ltd) to collect rent from shop outlets, in exchange for the building of a Concourse entrance to the hospital, with a capital cost of £1.982m.

At the end of the 20 years the UHB will receive the residual interest in the Concourse building and the reversionary interest in the land for nil consideration. The scheme has been assessed as being "on- statement of financial position" under IFRIC 12. These assets are therefore included in the UHB's statement of financial position (note 11) with current values of £3.393m for the buildings and £0.621m for the land.

On initial recognition of the asset a deferred income creditor balance was recognised in the UHB's accounts at a value of £1.730m. In line with Department of Health Guidance this creditor is being released to the SoCNE annually over the 20 year life of the contract. The amount that

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTS 2016-17

has been credited to operating expenses in 2016/17 was £0.087m.

**Llandough Hospital Staff Accommodation**

On 28<sup>th</sup> 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 has 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.

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 UHB in return for an annual unitary payment of £0.046m. The UHB 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 £0.962m and the land at £0.540m on the UHB's statement of financial position (note 11).

On initial recognition of the asset a deferred income creditor balance was recognised in the UHB'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 2016/17 was £0.018m.

**28. Pooled budgets**

The UHB 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 UHB. Currently the UHB 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 2016-17 of £1.721m of which the UHB's contribution was £1.196m. In addition the UHB made an agreed contribution of £0.041m towards the cost of two drivers/installers.

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTS 2016-17

Overall the Pooled Budget was overspent by £0.194m in the year. The Health element of the overspend was £0.049 and the UHB has accounted for this in its annual accounts for the year ended 31/3/17.

During the year the UHB received £7.490m from the Welsh Government integrated care fund. The Regional Partnership Board (RPB) leads on the planning and use of the funding to ensure delivery 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 £7.490m in line with funding allocated.

Also during 2016-17 Welsh Government passed funding for Integrated Families First Services directly to Cardiff Council. From this allocation, £96,241 was passed to the UHB. This allocation has funded the recruitment of 2 Band 7 integrated Support workers with a Nursing background 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.

**29. 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 UHB 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 UHB 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 UHB in undertaking its activities.

**Currency risk**

The UHB is principally a domestic organisation with the great majority of transactions, assets and liabilities being in the UK and Sterling based. The UHB has no overseas operations. The UHB therefore has low exposure to currency rate fluctuations.

**Interest rate risk**

LHBs are not permitted to borrow. The UHB therefore has low exposure to interest rate fluctuations.

**Credit risk**

Because the majority of the UHB's funding derives from funds voted by the Welsh Government the UHB has low exposure to credit risk.

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTS 2016-17

**Liquidity risk**

The UHB 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 UHB is not, therefore, exposed to significant liquidity risks.

**30. Movements in working capital**

	2016-17	2015-16
	£000	£000
(Increase)/decrease in inventories	(20)	206
(Increase)/decrease in trade and other receivables - non-current	(34,577)	10,114
(Increase)/decrease in trade and other receivables - current	(23,308)	2,854
Increase/(decrease) in trade and other payables - non-current	(753)	(863)
Increase/(decrease) in trade and other payables - current	6,386	24,630
<b>Total</b>	<b>(52,272)</b>	<b>36,941</b>
Adjustment for accrual movements in fixed assets - creditors	(6,756)	2,223
Adjustment for accrual movements in fixed assets - debtors	0	0
Other adjustments	791	538
	<b>(58,237)</b>	<b>39,702</b>

**31. Other cash flow adjustments**

	2016-17	2015-16
	£000	£000
Depreciation	24,649	25,370
Amortisation	635	511
(Gains)/Loss on Disposal	(52)	(20)
Impairments and reversals	26,673	(15,707)
Release of PFI deferred credits	(292)	(292)
Donated assets received credited to revenue but non-cash	(1,423)	(938)
Government Grant assets received credited to revenue but non-cash	0	0
Non-cash movements in provisions	75,859	(4,651)
<b>Total</b>	<b>126,049</b>	<b>4,273</b>

**32. Events after the Reporting Period**

The UHB has not experienced any events having a material effect on the accounts, between the date of the statement of financial position and the date on which these accounts were approved by its Board.

**33. Operating segments**

IFRS 8 requires bodies to report information about each of its operating segments.

The UHB 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.

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTS 2016-17

- (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.

The UHB did operate as a home to one hosted body during the period, The Wales External Quality Assessment Service (WEQAS). During 2016-17 these accounts contain income of £2.647m and expenditure of £2.222m in respect of WEQAS. The UHB does not consider the amounts involved to be sufficiently material to be reported as a separate segment.

### 34. Other Information

#### 1) Cardiff Medicentre

On its formation on 1<sup>st</sup> 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 1<sup>st</sup> 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 directly benefit financially from its operations. However, in 2016/17 the UHB did receive a capital distribution from the

venture of £0.032m. 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 IFRS11 "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 IAS28 Investments in Associates and Joint Ventures) of £0.379m.

#### 2) Transfer of Diabetic Retinopathy Screening Service to Public Health Wales NHS Trust

On 1<sup>st</sup> April 2016 the responsibility for the provision of the All Wales Diabetic Retinopathy Screening Service was transferred to Public Health Wales NHS Trust (PHW). As a result UHB income and expenditure have reduced on a recurrent basis by £6.000m. In addition £0.437m of equipment was transferred to PHW as a consequence of the above. No other assets or liabilities were transferred as a result of the service change. The transfer has been accounted for under absorption accounting.

## CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTS 2016-17

**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 (FReM), 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 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



## AUDIT COMMITTEE ANNUAL REPORT 2016/17

### 1 FOREWORD

I am pleased to provide the Cardiff and Vale University Health Board's Audit Committee Annual Report.

The report:

- Sets out how the Committee met its Terms of Reference during 2016/17
- Summarises the work the Committee has overseen
- Presents the Committee's opinion on the assurances received during the year.

It has been prepared in line with guidance in the Audit Committee handbook (June 2012) produced by the Welsh Government (WG).

The Committee's key guiding principle is that good governance is at the heart of good healthcare. The Committee has endeavoured to translate this principle into operational practice in ways that resonate with the Health Board's stakeholders. This philosophy is characterised by the following:

- Internal audit reports were presented at public meetings except where they dealt with sensitive or confidential patient related issues.
- Focussing all work on high risk areas and also on areas that will improve the patient experience.
- The realisation of added value by pursuing an integrated audit strategy which recognises the interrelationship between management, performance and clinical issues.
- Receiving tracking reports detailing the outcome of inspection visits by regulatory bodies and the action being taken.
- Recognition of the strong link between the Committee's work and the Corporate Risk Assurance Framework which highlights the key areas of risk faced by the Health Board and its strategies to address them.
- An open dialogue with the Executive Team and a commitment to focus our work on higher risk areas and also areas where processes are changing, recognising that the Health Board will ultimately derive greater benefit from such rigour.
- An emphasis on maximising financial savings without compromising standards or quality.
- Monitoring action plans to ensure that improvements are made.

## Audit Committee Annual Report 2016/17

- Communication with other Board Committees to ensure that all work is co-ordinated, reports are dealt with and action plans monitored by the appropriate Committee.

The Committee continues to make a tangible contribution to improving the governance culture across the Health Board. In 2016/17 this included reviewing and then ongoing monitoring of the approved governance arrangements and scheme of delegation for the Clinical Boards. This was a key part of the process to confirm their level of autonomy and decision-making rights.

The view of the Committee is that the Annual Accountability report are consistent with the Committee's view on the Health Board's system of internal control to deliver its strategic and operational objectives. This supports the Board's approval of the Statement and Report.

The report concludes with a forward look to 2017/18, highlighting a cross-section of work that the Committee intends to undertake to build on activity undertaken in 2016/17.

To this end I would like to record my thanks to the Committee Members, Executive Team, Clinical Boards and their respective staff for their hard work and cooperation during the year.

## 2 ROLE OF THE COMMITTEE

The Committee's Terms of Reference are consistent with those set out in the NHS Wales Audit Committee Handbook. During 2016/17 the Board carried out a review of the terms of reference of all board committees and the focus of this work was to ensure that the Board has effective governance and assurance arrangements in place.

The Committee has an Annual Work Plan that is designed to provide assurance that:

- There are effective internal audit, counter fraud and post payment verification (PPV) arrangements in place and that their work is complementary to the work undertaken by the Wales Audit Office, NHS Counter Fraud Services Wales, and regulatory bodies.
- There is an effective clinical audit and quality improvement function in place that provides appropriate assurance through the Quality, Safety & Experience Committee.
- The work of the internal audit, external audit, counter fraud, PPV and clinical audit teams is designed to ensure the management of all key organisational risks are assessed through the audit programme on a rolling basis.
- There are effective arrangements in place to secure active, ongoing assurance from management with regard to their responsibilities and accountabilities.
- The work carried out by the whole range of regulatory and inspection bodies, is brought to the attention of the Board or relevant Committee.
- The systems for financial reporting to the Board, including those of budgetary control, are effective.
- There is an open dialogue with Wales Audit Office and appropriate action is taken to address issues raised by them.

## Audit Committee Annual Report 2016/17

- The results of audit and assurance work are appropriately considered and acted upon to secure the ongoing development and improvement of the organisation's governance arrangements.

### 3 MEETINGS

The Independent Members serving on the Committee in 2016/17 were as follows:

Name	Meetings attended	Membership of other Committees
Ivar Grey (Chair)	6/6	Quality, Safety & Experience Committee People, Performance and Delivery Committee Remuneration and Terms of Service Committee
Stuart Egan	5/6	People, Performance and Delivery Committee Remuneration and Terms of Service Committee Health and Safety Committee Charitable Funds Committee
Elizabeth Treasure	4/6	Quality, Safety & Experience Committee
John Antoniazzi	1/1	People, Performance and Delivery Committee

Members of the Executive Team were also in attendance at all meetings, requests for Executive attendance being issued by the Audit Committee Chair to respond to specific audit reports. As required under the WG Audit Committee handbook the Chief Executive attended the June meeting of the Committee to present his Annual Governance Statement.

The Committee has a structured agenda to facilitate its business and the Committee papers are presented in public meetings except those containing personal identifiable information or covering sensitive matters. All papers relating to public meetings are published on the Health Board's website.

The Committee met on 1 June 2017 to consider the Annual Accounts, Letter of Representation, year-end Audit opinions, Annual Accountability Report and associated documentation.

Minutes of the Committee's meetings are presented to the Board on a regular basis with key issues highlighted.

The main focus of the Committee's work during 2016/17 is summarised below.

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#### 4 INTERNAL AUDIT

3.5

The Committee, with the active support of the Executive Team, has focussed internal audit work on those areas where there is either the greatest need for improvement or where the risk is highest. While this approach is correct in order to improve patient safety and efficiency, it can result in a lower assurance level until the improvements are made.

Internal Audit progress reports were received at each meeting.

An updated Internal Audit Charter was presented to the Committee in April 2017.

The Head of Internal Audit Opinion and Annual Report was received by the Audit Committee at its workshop on 23 May 2017.

The internal audit plan for 2017/18 was approved at the April 2017 meeting. The Plan is based on the Corporate Risk Register, the issues the UHB is facing and detailed discussions with the executive team.

##### Internal Audit Opinion

The Head of Internal Audit for 2016/17 has issued the following opinion.

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.

In total, 50 audit reviews were completed during the year, and the Committee were pleased to note that the number of reports receiving substantial or reasonable assurance had increased from 32 to 42.

The Committee were pleased to note that the number of reports receiving limited assurance had decreased from seven to four and that no reports received a no assurance rating (two in 2015/16).

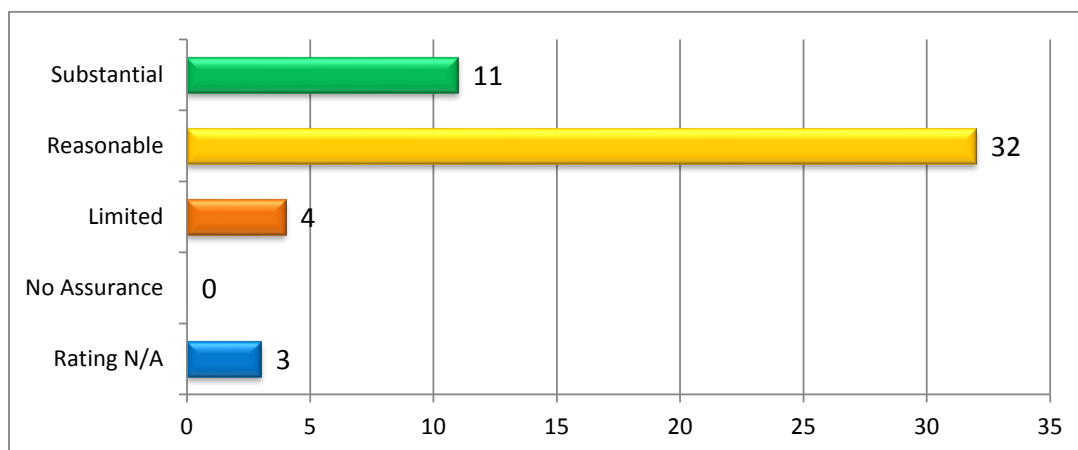
A small number are still in draft as they have not yet been formally considered by the audit committee.

Further details on all audits can be found in the Internal Audit Annual Report and Opinion on the Health Board's website.

The assurance levels received were as follows:

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3.5



The following reviews reported to the Committee during 2016/17 received Limited Assurance..

Actions plans were received for all reports, where appropriate, detailing improvements needed, the responsible Executive and timescale for completion. Where there was limited assurance the responsible Executive Director and senior managers also attended the Committee meeting to explain the issues and the remedial action being taken, and follow up audits are carried out to ensure that the agreed improvement plan is being implemented on a timely basis.

**Limited assurance**

Review Title	Objective and Action Taken
PCIC Community Stock	The scope of the review is to ensure that an appropriate amount of stock is held securely, with stock movements appropriately authorised and tracked.
Neurosciences - Patient Care IT system	The purpose of the review is to provide assurance that data held within the PatientCare IT system is accurate, secure from unauthorised access and loss and that the system is used fully.
Continuing Healthcare	The scope of the review was to ensure that there are appropriate systems and processes are in place for the assessment of CHC patients along with the commissioning and approval of placements and the on-going monitoring of these.
Waiting List Initiative (draft)	The scope of the review was to ensure that Waiting List Initiative Payments (WLIs) are appropriately managed, authorised and justified and that payments are in line with guidance.

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### **Audits In Respect of Shared Services Systems**

**3.5**

The following reports were received in respect of services provided by NHS Wales Shared Services Partnership (NWSSP) which are subject to scrutiny by the Velindre Audit Committee. While the UHB relies upon these services the control environment and actions plans to improve controls are monitored by the NWSSP board. The internal audit reviews in these areas indicate a generally sound system of internal control is operating for transactions processed by NWSSP on behalf of the UHB covering:

- Primary Care Services – General Medical Services (Substantial )
- Primary Care Services – General Pharmacy Services (Substantial )
- Primary Care Services – General Dental Services (Substantial)
- Procurement - Accounts Payable Supplier Maintenance Follow-up (Reasonable)
- Procurement – Accounts Payable ( reasonable draft report)
- Procurement – Central Sourcing (Reasonable)
- Employment Services – Payroll (reasonable draft report)
- Specialist Estates Services – Designed for Life: Building for Wales 1 – Mechanical & Electrical Sub-contractors (Substantial)

It is important to note that the audits relating to payments for work undertaken by primary care contractors did not consider whether payment for work undertaken had been legitimately requested in line with agreed service specifications. These audit findings therefore need to be considered in conjunction with Post-Payment Verification work (See Section 9 ).

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**5 EXTERNAL AUDIT****3.5**

The Committee agreed the Wales Audit Office (WAO) Annual Plan for 2016/17 which set out specific areas to be covered in relation to both the audit of the financial statements and performance management audit assignments. The Committee reviewed the progress on both national and local work at each meeting. The following performance reports were presented to the relevant Board Committee which agreed the Health Board's plan to address any issues raised.

<b>Title of Review</b>	<b>Date Issued</b>	<b>Date Considered By</b>	<b>Assurance Committee</b>
NHS Consultant Contract follow up	September 2016	February 2017	Audit Committee
Delayed Transfers of Care	November 2016	April 2017	Quality, Safety and Experience Committee
Review Of Estates	January 2017	February 2017	Audit Committee
Radiology Services	February 2017	April 2017	Audit Committee
Structured Assessment	January 2017	February and April 2017	Audit Committee

The actions are recorded in a tracking report and the Audit Committee monitors progress in addressing them.

The audit of the annual accounts for the year ended 31 March 2017 has been completed and the ISA 260 Report from the Wales Audit Office is attached to this report. This confirms that the WAO has completed their work and the Auditor General intends to:

- issue an unqualified audit opinion on the 2016/17 financial statements with regards to them being true, fair and properly prepared and
- issue a qualified opinion on regularity because the Health Board has breached its revenue resource-limit by spending £50.5 million over the three-year period 2014/15 to 2016/17, which therefore constitutes irregular expenditure.

In addition to the opinion on the financial statement the Auditor General will issue a separate report to the National Assembly on the UHB's failure to meet its two financial duties

- The first financial duty is to balance income and expenditure over the three year period ended 31st March 2017. The UHB's expenditure exceeded income by £50.5million therefore it did not meet this duty and
- The second financial duty is to have an approved three-year integrated medium term plan in place for the period 2016/17 to 2018/19. The UHB's plan was not approved therefore it did not meet this duty.
- Welsh Government officials were fully informed of the financial position throughout the year and that it would not meet either of its financial duties.

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The WAO expects to issue its Annual Audit Report for 2016/17 in November 2017 when it will be considered by both the Audit Committee and full Board.

The Annual Audit Report in respect of the 2015/16 year, which was presented to the Board in January 2016, is summarised below.

I have issued an unqualified opinion on the 2015-16 financial statements of the Health Board, although in doing so I have brought several issues to the attention of officers and the Audit Committee. These relate to improving accounting practices and financial reporting and the quality of the draft Annual Governance Statement. I have also raised concerns about the governance and decision making arrangements in respect of a contract variation, the award of a consultancy contract and a payment to a member of staff.

In addition, I placed a substantive report on the Health Board's financial statements alongside my audit opinion. My report explains the two financial duties introduced on 1 April 2014 by NHS Finance (Wales) Act 2014, the Health's Board's performance against them, and the implications for 2016/17.

A delivery plan has been developed to respond to the detailed recommendations, which is monitored through the Management Executive and Audit Committee.

## 6 INTERACTION WITH OTHER BOARD COMMITTEES

The Committee considers that proper communication between the Board and Board Committees is essential to having an effective governance and control environment. This is facilitated through the: Committee Responsibilities Group (Board and Committee Chairs); Governance Coordinating Group (Independent Members); attendance by the Board Secretary at all Committee meetings; consideration of Committee agendas by the Management Executive; cross-membership between Committees; and Committee minutes presented to each Board where the relevant Chair is asked to highlight key issues.

Internal Audit review the minutes of other Committee meetings and attend these meetings as appropriate.

## Audit Committee Annual Report 2016/17

3.5

**7 COMMITTEE SELF ASSESSMENT**

The Committee carries out regular structured self-assessments of its effectiveness, facilitated by the Wales Audit Office. The next self assessment will be carried out during 2017. This will feed into the Wales Audit Office Structured Assessment of Health Board governance arrangements that form part of their Annual Audit Report to be published in November 2017.

**8 COUNTER FRAUD**

The Audit Committee approved the Local Counter Fraud Service (LCFS) Work Plan and Strategy for 2016/17 ensuring it had an appropriate level of coverage and depth. The Committee has

- Received progress reports from the Local Counter Fraud specialist at each meeting, outlining progress against the plan, details of awareness presentations given and schedules of referrals and investigations.
- Received information relating to specific investigations and action being taken.
- Reviewed the allocation of resources to ensure that there was an appropriate balance of work between prevention and detection.
- Ensured that where system weaknesses had been identified and recommendations made, then they were communicated properly.

In the last 12 months, the LCFS has:

- Continued to focus on developing an Anti-Fraud Culture in conjunction with the NHS Counter Fraud Service (Wales)
- Prevented fraud through actively publicising prosecutions and sanctions
- Deterred fraud through identifying system weaknesses. Further strengthened arrangements to work with the Post Payment Verification Service in auditing payments made to primary care contractors
- Detected and investigated 44 new cases of possible fraudulent or corrupt activity some of which have subsequently been passed to the Specialist Fraud Division of the Crown Prosecution Service.
- Held 38 fraud awareness presentations for staff and published three fraud newsletters on the UHB's web site.
- Completed the Annual Self Review Tool (SRT) for 2016/17 and submitted it to NHS Protect's quality assurance department.

The LCFS plan for 2017/8/176 was approved by the Audit Committee on 24 April 2017.

**9 POST PAYMENT VERIFICATION (PPV) VISITS**

The Committee approved the annual PPV plan, covering General Medical Services (GMS) , General Ophthalmic Services (GOS) and Pharmaceutical services and received regular progress reports. The PPV team visits all contractors on a rolling three year plan. Where

Audit Committee Annual Report 2016/17

issues are identified then follow up visits are carried out. The Annual Report for 2016/17 was received by the Committee on 24 April 2017.

The PPV Annual Report highlighted the following matters:

### **General Medical Services**

The PPV team recovered £2,385 from 9 visits to GMS contractors due to errors identified in contractor's enhanced service claims. The overall claim error rate was 5.78% from all claims sampled which is an improvement compared to the 10.24% in the prior year.

### **General Ophthalmic Services**

The PPV team have recovered £8,558 from 33 d visits to GOS contractors due to errors identified in contractors' GOS claims. The overall claim error rate for the locality was 6.95% from all claims sampled compared to 4.4% in the prior year.

### **General Pharmaceutical Services**

The PPV team visited 47 GPS contractors during the year recovering £532 due to errors discovered. The overall error rate was 0.75% from all claims sampled.

### **Continuous Improvements**

The PPV team continue to work with primary care staff to provide training where the error rate is high. Contractors who persistently make erroneous claims will be referred to the Health Board's Counter Fraud service.

The PPV report include the following conclusion

'During the first quarter of 2016/17, PPV have observed a marked improvement in contractor's compliance in the last financial year.'

A copy of the PPV Annual Report can be found on the Health Board's website:

## **10 GOVERNANCE AND ASSURANCE FRAMEWORK**

In June 2011 the Board approved the Corporate Risk and Assurance Framework (CRAF) which has supported the overarching Governance Framework during 2016/17.

The CRAF identifies the key risks of delivering the Health Board's objectives (supported by the live risk register). During the year it has been actively used within the UHB to:

- Inform Board and Committee agendas to focus scrutiny on those matters where there is greatest risk
- Provide the Board and its Committees with an assessment of assurance against risks
- Inform and influence the internal audit plan.

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In November 2015 the Audit Committee sponsored a workshop to review the CRAF attended by the Board and Assistant Directors. This led to a further refining and refocusing on the principal risks and mitigating actions. A further workshop was held on 27 April 2017 attended by Clinical Boards. Review and renewal of the risk management process will follow in 2017/18.

Since 2015/16 the Health Board has undertaken a considerable amount of work to implement and embed the revised Health and Care Standards. The Health Board has moved towards alignment with the internal processes for the development and monitoring of the Integrated Medium Term Plan. A pilot self-assessment against five standards was undertaken in February 2016 and an assessment of the remaining eighteen standards in June 2016; the Process was subject to scrutiny from Internal Audit and received Reasonable Assurance. Independent Members and Executives are each assigned standards and formally sign off the self-assessments for their standards, this provides assurance as to our meeting of the criteria. Further details are provided in the Annual Governance Statement.

The Board is carrying out a self-assessment against the criteria to meet the new standard for Governance, Leadership and Accountability (GLA). It has openly assessed its performance using the maturity matrix adopted by the UHB for the wider Health and Care Standards self-assessment. Internal audit have reviewed the self assessment.

<b>Governance, Leadership &amp; Accountability</b>	<b>Getting Started</b>	<b>Getting There</b>	<b>Meeting the Standard</b>	<b>Leading the Way</b>
Demonstrating effective leadership			?	
Strategy is set with a focus on outcomes			?	
Health services innovate and improve delivery, plan resource and prioritise			?	
Health services foster a culture of learning and self-awareness,		?		

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and personal and professional integrity				
Overall maturity level			?	

**11 Plans for 2017/18**

The Audit Committee has reviewed and approved the plans for the coming year.

Internal audit have an allocation of 1,250 days. The plan has been developed together with the executive team to concentrate on areas of higher risk and also those where operational improvements can be made. 120 days has been allocated to the clinical boards and the work to be carried out will be agreed with them.

PPV visit General Practices, Pharmacies and Optometrists on a three year cycle and this will continue. Where specific issues arise these will continue to draw to UHB management's attention and in extreme cases Counter fraud will be involved.

Counter Fraud have an allocation of 440 days their work plan is a mixture of investigations, fraud seminars for staff, publishing regular fraud newsletter and supporting national initiatives.

The audit considers that there are robust plans for 2017/18 which should provide the board with the assurance it requires.

**12 ANNUAL ACCOUNTS AND ANNUAL GOVERNANCE STATEMENT Check**

Prior to formal consideration of the Annual Accounts and Annual Governance Statement, Members of the Committee received comprehensive briefings at a workshop on the 23rd May on the following documents:

- Draft Annual Accounts
- Draft Annual Accountability Report for 2016/17
- Head of Internal Audit Opinion and Annual Report for 2016/17
- Audit enquiries to management and those charged with Governance

The finalised documents together with the report from the WAO were formally considered by the Audit Committee on the 1st of June.

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**13 OTHER MATTERS CONSIDERED**

The Committee also:

- Received as a standing item at each meeting, a report from the Head of Procurement on major contracts entered into for goods and services. The focus of this report was to give details of any exceptions in terms of non-compliance with relevant EU procurement requirements
- Received regulatory bodies compliance reports
- Received reports from the Losses and Special Payments Panel
- Received monitoring reports on declarations of interest and gifts, hospitality and sponsorship

**14 PRIVATE DISCUSSIONS WITH AUDITORS and Director of Finance**

In accordance with best practice and the NHS Wales Audit Committee handbook, private meetings took place with:

- Head of Internal Audit on 23 May
- Wales Audit Office on 1 June
- Director of Finance on 23 May.

These discussions are aimed to ensure that any difficulties or disagreements and areas where material subjective judgements were made are brought to the attention of the Committee.

**15 CONCLUSION**

In conclusion, the Committee confirms that:

- The Annual Accountability Report is consistent with the view of the Committee on the Health Board's system of internal control and that it supports the approval of the Report.
- That the system of risk management in the Health Board is adequate in identifying risks and allowing the Board to understand the appropriate management of those risks.
- It has reviewed the system of assurance and believes it is fit for purpose.
- There are no areas of significant duplication or omission in the systems of governance in the Health Board that have come to the Committee's attention that are not actively being resolved.
- The representation letter was reviewed and the disclosures endorsed
- The responses in the Audit enquiries to management and those charged with Governance were reviewed and endorsed.
- The Annual Accounts should be approved by the board.

The Committee is pleased to note that assurance received from Internal Audit continues to be reasonable and there were no reports receiving no assurance..

Audit Committee Annual Report 2016/17

**Ivar Grey (Audit Committee Chair)**  
**1 June 2017**

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