

MAY BOARD MEETING
1pm on 31st May 2018
Board Room, University Hospital Llandough

AGENDA Volume 2

PART 1: ITEMS FOR ACTION		
13	Year End Statements	<i>Vol 2 Boardbook to follow</i>
13.1	To agree and endorse the Accounts and Statements for 2017/18 <i>(and see Accountability Report)</i>	<i>Director of Finance</i>
13.2	To agree and endorse the Wales Audit Office ISA 260 Report for 2017/18	<i>Wales Audit Office</i>
13.3	To agree and endorse the Annual Accountability Report for 2017/18	<i>Director of Corporate Governance</i>
13.4	To agree and endorse the Head of Internal Audit Opinion and Annual Report for 2017/18	<i>Director of Finance</i>
13.5	To agree and endorse the Audit Committee Annual Report 2017/18 and recommendations to the Board therein	<i>Chair, Audit Committee</i> withdrawn
Return to Volume 1 Boardbook		

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YEAR END STATEMENTS 2017/18	
Name of Meeting : Board Meeting	31 st May 2018
Executive Lead : Executive Director of Finance	
Author : Deputy Director of Finance 029 2074 3555	
Caring for People, Keeping People Well: This report details performance against the 2017/18 financial plan which supports the UHB to deliver service priorities, maximise patient outcomes whilst maintaining the sustainability of services.	
Financial impact: 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.	
Quality, Safety, Patient Experience impact: The financial plan aims to support the delivery of high quality and safe services.	
Health and Care Standard Number 1	
CRAF Reference Number 6.7	
Equality Impact Assessment Completed: Not Applicable	

ASSURANCE AND RECOMMENDATION

ASSURANCE is provided on the accuracy of the Annual Accountability Report including the Annual Accounts and associated statements due to:

- The programme of work and review that the Audit Committee has undertaken throughout 2017/18 and their recommendations for 2017/18 to agree and endorse the Annual Accounts and statements, Wales Audit Office ISA 260 Report, Annual Accountability Report and Head of Internal Audit opinion and annual report;
- The Letter of Representation to be sent to the Wales Audit Office;
- The response given to the audit enquiries to those charged with governance and management;
- The work completed by the Wales Audit Office to state that the accounts give a true and fair view.

The Board is asked to:-

- **NOTE** the reported financial performance contained within the Annual Accounts and that the UHB has breached its statutory financial duties in respect of revenue expenditure;
- **AGREE AND ENDORSE** the Annual Accounts and statements for 2017/18 which includes the Letter of Representation and the response to the audit enquiries of those charged with governance and management;
- **AGREE AND ENDORSE** the Wales Audit Office ISA 260 Report for 2017/18;
- **AGREE AND ENDORSE** the Annual Accountability Report for 2017/18;
- **AGREE AND ENDORSE** the Head of Internal Audit Opinion and Annual Report for 2017/18.

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. The Annual Accounts, the Letter of Representation, the audit enquiries of those charged with governance and management, the Wales Audit Office ISA 260 Report, the Accountability Report and the Head of Internal Audit opinion and Annual Report have been reviewed by the Audit Committee at its Special Meeting held on 31st May 2018 who recommend to the Board that it agrees and endorses these year-end statements and documents.

BACKGROUND

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 Annual Accounts and the remuneration report which are the key financial statements.

The Accountability Report and supporting accounting and governance documents have been reviewed by the Audit Committee at its special meeting held on 31st May 2018. The Audit Committee also received the ISA260 report from the Wales Audit Office and considered their proposed audit opinion that the financial statement give a true and fair view if the Health Boards financial position for the year ended 31st March 2018.

ASSESSMENT AND ASSURANCE

OVERVIEW OF FINANCIAL PERFORMANCE 2017/18

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

- A duty under section 175 (1) to ensure that its expenditure does not exceed the aggregate of the funding 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

The UHB considered a draft financial plan at its January 2017 meeting as part of its consideration of the Integrated Medium Term Plan for 2017/18 – 2019/20. The scale of the financial challenge and the size of the net deficit was such that the Board was

not in a position to submit to Welsh Government a plan for approval as it was significantly away from being financially balanced. The UHB at its Board meeting on the 25th May 2017 agreed to work to a one year financial plan to deliver a position no worse than the £30.9m forecast position in 2016/17. The UHB therefore did not have an approved three year Integrated Medium Term Plan (IMTP) and hence it **failed to meet its financial duty under section 175 (2A)**.

At month 11 in 2017/18 the UHB revised its year-end financial forecast to £26.9m deficit. Against this the UHB's Annual Accounts show an outturn position of a £26.853m deficit.

The UHB had a surplus of £0.068m in 2015/16 and a deficit of £29.243m in 2016/17. This means that over the three year period the aggregated deficit is £56.028m. **Thus the UHB has failed to meet its financial duty under section 175 (1) against its Revenue Resource Limit.**

Performance against its Capital Resource Limit

The UHB effectively managed its considerable capital programme during the year to deliver a small surplus of £0.088m against its Capital resource Allocation of £47.121m.

The UHB had a surplus of £0.060m in 2015/16 and £0.078m in 2016/17 against its Capital Resource Limit. This means that over the three year period the aggregated surplus is £0.226m. **Thus the UHB has met its financial duty to break-even against its capital resource limit over the three years 2015/16 to 2017/18.**

APPROVAL OF YEAR END STATEMENTS

The Audit Committee held a special meeting on 31st May 2018 to consider the Annual Accounts and associated documentation. The recommendation from this Committee is that the Board agrees and endorses the the Annual Accounts and statements, the Wales Audit Office ISA 260 Report, the Accountability Report and the Head of Internal Audit Opinion and Annual Report.

The key assurances on the accuracy of the Annual Accountability Report including the Annual Accounts and associated financial statements are provided by:

- The programme of work and review that the Audit Committee has undertaken throughout 2017/18;
- The opinion of the Head of Internal Audit which states that 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;
- The Audit Committee's review and recommendations for 2017/18 to agree and endorse these year-end statements;
- The Letter of Representation to be sent to the Wales Audit Office and the response given to the audit enquiries to those charged with governance and management;

- The work completed by the Wales Audit Office who intend to issue an unqualified opinion on the 2017/18 financial statements with regard to them being true, fair and properly prepared.



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Wales Audit Office / Swyddfa Archwilio Cymru

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Reference: JH06/NG

Date issued: 28 February 2018

Dear Bob

Cardiff and Vale University Local Health Board 2017/18 - Audit enquiries to those charged with governance and management

In my 2018 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.
2. Management's and the Board's awareness of any actual or alleged instances of fraud.
3. How management and the Board gain assurance that all relevant laws and regulations have been complied with.
4. Whether there is any potential litigation or claims that would affect the financial statements.

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5. Management processes to identify, authorise, approve, account for and disclose related party transactions and relationships and the Board's oversight of these processes.

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 2017-18 financial statements.

I would be grateful if you could complete the attached tables in [Appendices 1 to 3](#). The questions have changed since last year, with a slight reduction in their number. I have however attached last year's completed questionnaire for information at [Appendix 4](#)

Your responses should be formally considered and communicated to us on behalf of both management and those charged with governance by 30 April 2018. In the meantime, if you have queries, please contact Mark Jones on 07748181679 or by e-mail at mark.jones@audit.wales

Yours sincerely



John Herniman
Engagement Director

cc Chris Lewis, Deputy Director of Finance

Appendix 1

Matters in relation to fraud

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

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

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

What are we required to do?

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

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

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

Enquiries of management - in relation to fraud	
Question	2017-18 Response
1. What is management's assessment of the risk that the financial statements may be materially misstated due to fraud and what are the principal reasons?	The assessed risk is extremely low as management are not aware of any fraud or potential fraud that would materially impact on the financial statements. This assessment is made on the basis of a robust and comprehensive counter fraud and internal audit services. Any potential fraud cases are rigorously investigated and pursued by counter fraud. Internal Audit also undertake a detailed annual review of the main financial systems from which the financial statements are prepared which has been reviewed as giving substantial assurance.
2. What processes are employed to identify and respond to the risks of fraud more generally and specific risks of misstatement in the financial statements?	The Health Board has a year-end accounts closure process, including an analytical review which aims to mitigate against the risks of any financial misstatements. The Health Board's internal auditors also annually review the fundamental financial systems upon which the financial statements are based. This is also supported by a robust and well-resourced counter fraud programme. In addition, the Health Board has undertaken, through the Counter Fraud Department, a range of measures such as establishing a Post Payment Verification Panel which evaluates 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.
3. What arrangements are in place to report fraud issues and risks to the Audit Committee?	The Audit Committee agrees a Counter Fraud Work Plan at the start of the year. It then receives regular Counter Fraud progress reports at all of its normal business meetings. It also receives an annual counter fraud report which details the work that has been

	undertaken during the year, together with a Self-Risk Assessment that is required to be submitted to the NHS Counter Fraud Authority (formerly NHS Protect) 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.
4. 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 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.
5. Are you aware of any instances of actual, suspected or alleged fraud within the audited body since 1 April 2017?	Yes, this is fully reported to the Audit Committee at its regular business meeting in its private session via a counter fraud progress report. Also, as part of their private meetings, the Board receives minutes from the private meeting of the Audit Committee, which include reference and any significant points highlighted in the Counter Fraud Progress Reports.
6. Are you aware of any fraud within the NHS Wales Shared Services Partnership since 1 April 2017?	Yes, this is also fully reported to both the NWSSP and Velindre NHS Trust (as the hosting body) Audit Committees at its regular business meeting via a counter fraud progress report.

Enquiries of those charged with governance – in relation to fraud	
Question	2017-18 Response
1. How does the Board exercise oversight of management's processes for identifying and responding to the risks of fraud within the audited body and the internal control that management has established to mitigate those risks?	The Board has delegated the review and monitoring of management processes for identifying and responding to fraud risks to the Audit Committee. This monitoring is supported by the work of the Audit Committee and the internal audit and counter fraud functions for which the Finance Director is the lead Executive. 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. Are you aware of any instances of actual, suspected or alleged fraud with the audited body since 1 April 2017?	Yes, as part of their private meetings, the Board receives minutes from the private meeting of the Audit Committee, which includes any significant points highlighted in the Counter Fraud Progress Reports.

Appendix 2

Matters in relation to laws and regulations

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

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

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

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

What are we required to do?

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

Enquiries of management – in relation to laws and regulations	
Question	2017-18 Response
1. How have you gained assurance that all relevant laws and regulations have been complied with?	Assurances are gained via the appropriate Board Committees where these issues are discussed. Where relevant these are linked to the Corporate Risk and Assurance Framework for the Health Board.
2. Have there been any instances of non-compliance or suspected non-compliance with relevant laws and regulations since 1 April 2017, or earlier with an ongoing impact on the 2017-18 financial statements?	Yes, there has been a Health and Safety Executive notice of potential criminal action and this has been accounted for within the financial statements.
3. Are there any potential litigations or claims that would affect the financial statements?	There are some of Employment Tribunal cases involving the Health Board and these have been accounted for within the financial statements.
4. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	Whilst no reports have been issued, the Health Board has been reviewed by HRMC this year in respect of the employment status of its GP OOH service and for compliance with VAT regulations. These have been accounted for in the financial statements.
Enquiries of those charged with governance – in relation to laws and regulations	
Question	2017-18 Response
1. How does the Board, in its role as those charged with governance, obtain assurance that all relevant laws and regulations have been complied with?	Assurances are gained via the appropriate Board Committees where these issues are discussed. Where relevant these are linked to the Corporate Risk and Assurance Framework for the Health Board.
2. Are you aware of any instances of non-compliance with relevant laws and regulations?	No.
3. Are you aware of any non-compliance with laws and regulations within the NHS Shared Services Partnership since 1 April 2017?	No, but a breach in procurement regulations was reported in 2017/18 relating to prior years (as per WAO report).

Appendix 3

Matters in relation to related parties

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

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

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

What are we required to do?

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

Enquiries of management – in relation to related parties	
Question	2017-18 Response
<p>1. Confirm that you have disclosed to the auditor:</p> <ul style="list-style-type: none"> the identity of any related parties, including changes from the prior period; the nature of the relationships with these related parties; details of any transactions with these related parties entered into during the period, including the type and purpose of the transactions. 	Yes
<p>2. What controls are in place to identify, authorise, approve, account for and disclose related party transactions and relationships?</p>	<p>Staff are required to make declarations in accordance with the Standards of Behaviour Framework Policy, incorporating Gifts, Hospitality and Sponsorship. All Board members are asked to make a declaration on an annual basis, which is then recorded and published in the Declarations of Board Members' Interests. Where a Board Member's interests change during the year, they have a personal responsibility to declare this and inform the Board Secretary.</p> <p>These related party transactions are identified in the annual accounts and their materiality quantified.</p> <p>For all Committees and the Board we have a standing agenda item at the beginning of each meeting 'Declaration of Interest' in relation to items on the agenda.</p>
Enquiries of the those charged with governance – in relation to related parties	
Question	2017-18 Response
<p>1. How does the Board, in its role as those charged with governance, exercise oversight of management's processes to identify, authorise, approve, account for and disclose related party transactions and relationships?</p>	<p>The Audit Committee receives bi-annual reports relating to compliance with the policy and the Gifts, Hospitality and Sponsorship Register. It also scrutinises the Annual Accounts which contain details of related party transactions.</p>

Appendix 4

Recent years' replies: International Standard for Auditing (UK and Ireland) 240 – The auditor's responsibilities relating to fraud in an audit of financial statements

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?	<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. 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.</p>	<p>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.</p>

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?	<p>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.</p>	<p>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</p>

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?	<p>All staff have access to the Standards of Behaviours Framework Policy via the Intra and Internet plus this is included upon recruitment and at induction. Consultant Medical and Dental Staff are reminded of the need to declare interests etc, when completing their job plans. 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 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.</p>	<p>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 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.</p>

Enquiries of management		
Question	2016-17 Response	2015-16 Response
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

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?	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
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>Instances of non-compliance are:</p> <ul style="list-style-type: none"> • 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. • Breaches in 2016/17 of Welsh Government procurement rules, where action has been taken to correct processes. This is monitored by the Audit Committee. • Information Governance Breaches which are monitored by the People Performance and Delivery Committee (supported by the Information Governance sub group) which agree improvements plans. • Through the Committees this is then reported to the Board. • Health and Safety Executive (one 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. 	<p>Instances of non-compliance are:</p> <ul style="list-style-type: none"> • 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. • Breaches in 2016/17 of Welsh Government procurement rules, where action has been taken to correct processes. This is monitored by the Audit Committee. • Information Governance Breaches which are monitored by the People Performance and Delivery Committee (supported by the Information Governance sub group) which agree improvements plans. • Through the Committees this is then reported to the Board. • Health and Safety Executive (one 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.

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

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"> 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 appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the framework. 	Yes	Yes

Enquiries of the Board		
Question	2016-17 Response	2015-16 Response
3. 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.



Archwilydd Cyffredinol Cymru
Auditor General for Wales

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

Audit year: 2017-18

Date issued: May 2018

Document reference: 572A2018-19

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.

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 2018 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. 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 2017-18 financial statements of Health Board, which require reporting under ISA 260.

Status of the audit

- 5 We received the draft financial statements for the year ended 31 March 2018 on 27 April 2018, in line with the Welsh Government's agreed deadline, and have now substantially completed our work.
- 6 At the time of writing this report we were due to receive the Health Board's PDF document that combines the accountability report and financial statements. This is the final document that is to be signed by the Health Board and certified by the Audit General. It is subject to our audit checks for accuracy.
- 7 One matter for which we have failed to receive confirmation from the Health Board, is whether Mr Phil Evans and Mr Tony Young are/were associate members of the Health Board. We understand that the Health Board has no record of them having accepted the offer of appointment. However, they are recorded in the annual financial statements as being members since January 2017, as not having attended any Health Board meetings to 31 March 2018 (and we believe since that date), and although shown in the remuneration report, having nil remuneration.
- 8 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

- 9 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 2017-18 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 £56.028 million over for the three-year period 2015-16 to 2017-18, which therefore constitutes irregular expenditure.
- 10 The proposed audit certificate and report are set out in [Appendix 2](#), which the Auditor General is due to sign on 6 June 2018. The Auditor General will be issuing a substantive report (as opposed to a 'nil' report) that explains the financial duties applicable for 2017-18, the breach of the revenue resource-limit, and the Health Board's failure to meet its other financial duty to have an approved three-year integrated medium term plan in place for the period 2017-18 to 2019-20.
- 11 Before the Auditor General can certify the financial statements, the Health Board must provide us with a copy of the Welsh Government's letter appointing the Chief Executive, Leonard Richards, as the Health Board's Accounting Officer.

Significant issues arising from the audit

Uncorrected misstatements

- 12 There are no non-trivial 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 for approval and signing.
- 13 While there are no significant uncorrected misstatements, each year 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 each year against its rolling three-year resource limit.
- 14 For 2017-18 we are reporting two less significant misstatements, being:
- the overstatement of a purchase-order accrual by £5,600 due to the incorrect inclusion of VAT on a purchase order (to a supplier that does not charge VAT); and
 - the overstatement of pharmaceutical non-cash limited expenditure and understatement of pharmaceutical cash limited expenditure (Note 3.1) of £19,244.

- 15 Last year we reported 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).
- 16 For the 2016-17 and 2017-2018 audits we have therefore registered four less significant misstatements, which we will need to consider next year when we review the Health Board's out-turn against the three-year revenue resource limit to 31 March 2019.

Corrected misstatements

- 17 There are misstatements that management has corrected, 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

- 18 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. Our conclusions are as follows:
- **We have no concerns about the qualitative aspects of your accounting practices and financial reporting, although we do draw some matters to your attention.** 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.
- Later this year, alongside the Health Board's finance and governance teams we will review the processes in place and discuss our respective experiences of the 2017-18 audit. This cooperative work will enable both parties to identify and agree where further improvement can be made for 2018-19.
- As reported last year, we draw your attention to Note 10 to the financial statements that sets out the public sector payment performance. The Note discloses that the Health Board did not meet the Welsh Government Public Sector Payment Policy (PSPP) target of paying 95% of creditors within 30 days of delivery. By number, the Health Board paid 73.4% (59.7% last year) of its NHS creditors, and 92.3% (94.6% last year) of its non-NHS creditors, within the 30 days' target. This payment performance continues to be

potentially misstated due to the way the Health Board reports invoices in dispute. The Health Board considers that all disputed invoices as paid within 30 days, regardless of whether they had been. As such, the payment performance statistics disclosed in the financial statements could be misstated.

We have reported the past two years that the automated accounts-payable system feeder is continuing to produce spurious entries in the ledger, which greatly inflate both debit and credit postings. Last year we recommended that the Health Board seek to resolve this issue with NHS Wales Shared Services Partnership (NWSSP) and the supplier. We understand that while NWSSP have liaised with the supplier it has not been able to resolve the issue. For 2017-18 the most significant spurious entry was £5.5 billion.

- **We did not encounter any significant difficulties during the audit, although in a few instances the Health Board's accounting records and audit trail need to be far better.** We generally received good quality 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. The Health Board's finance team prepared a detailed closedown plan for 2017-18 that 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 did however have trouble with the audit of related party disclosures due to the absence of a significant number of 2017-18 related party returns, and also with the quality and relevance of some of the records supporting the Health's Board's primary care and continuing health care expenditure. We will be reporting on these matters separately, as highlighted at paragraph 19.

- **There were no significant matters discussed and corresponded upon with management, which we need to report to you.**
- **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 any material weaknesses in your internal controls.** While we did not identify any material weaknesses in your internal controls, we did identify some weaknesses, which we will be reporting separately in June. We comment further at paragraph 19.
- **There are no other matters specifically required by auditing standards to be communicated to those charged with governance.**

Recommendations arising from our 2017-18 financial audit work

- 19 We will soon be reporting separately on the Health Board's actions against last year's recommendations, which have been generally good, and our audit observations and recommendations from this year's audit. This year's recommendations will include management's responses and intended actions. The areas that we expect to cover will include:
- ongoing weakness in the Health Board's process for obtaining related party returns from former independent members and senior officers;
 - poor quality of some of the information that supports primary care and continuing health care expenditure; and
 - potential problems and risks relating to one of the electronic-portal-payment arrangements used by the Health Board.

Independence and objectivity

- 20 As part of the final stages of our audit we are required to provide you with further representations concerning our independence.
- 21 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

31 May 2018

Representations regarding the 2017-18 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 2018 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 2015-16 to 2017-18).

- 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 31 May 2018.

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.

Leonard Richards

Chief Executive

31 May 2018

Maria Battle

Chair

31 May 2018

Appendix 2

The proposed certificate and independent auditor's report of the Auditor General for Wales to the National Assembly for Wales

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

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements of Cardiff and Vale University Local Health Board for the year ended 31 March 2018 under Section 61 of the Public Audit (Wales) Act 2004. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Cash Flow Statement and Statement of Changes in Tax Payers Equity and related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and HM Treasury's Financial Reporting Manual based on International Financial Reporting Standards (IFRSs).

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 as at 31 March 2018 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 opinions

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the Cardiff and Vale University Local Health Board in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

Conclusions relating to going concern

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

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

Other information

The Chief Executive is responsible for the other information in the annual report and accounts. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

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

Basis for Qualified Opinion on Regularity

Cardiff and Vale University Local Health Board has breached its revenue resource limit by spending £56.028 million over the £2,585 million that it was authorised to spend in the three-year period 2015-16 to 2017-18. This spend constitutes irregular expenditure. Further detail is set out in my Report at page [x](#).

Qualified Opinion on Regularity

In my opinion, except for the irregular expenditure of £56.028 million explained in the paragraph below, 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.

Report on other requirements

Opinion on other matters

In my opinion, the part of the remuneration report to be audited has been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by Welsh Ministers.

In my opinion, based on the work undertaken in the course of my audit:

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

Matters on which I report by exception

In the light of the knowledge and understanding of the Cardiff and Vale University Local Health Board and its environment obtained in the course of the audit, I have not identified material misstatements in the Foreword and Accountability Report or the Governance Statement.

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

- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns;
- information specified by HM Treasury or Welsh Ministers regarding remuneration and other transactions is not disclosed; or
- I have not received all the information and explanations I require for my audit.

Please see my Report on page **x**.

Responsibilities

Responsibilities of Directors and the Chief Executive for the financial statements

As explained more fully in the Statements of Directors' and Chief Executive's Responsibilities set out on pages **x to x**, the Directors and the Chief Executive are responsible for the preparation of financial statements which give a true and fair view and for such internal control as the Directors and Chief Executive determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors and Chief Executive are responsible for assessing the Cardiff and Vale University Local Health Board's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Responsibilities for regularity

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

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

Huw Vaughan Thomas
Auditor General for Wales
6 June 2018

24 Cathedral Road
Cardiff
CF11 9LJ

Report of the Auditor General to the National Assembly for Wales

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

Introduction

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

For 2017-18 the Cardiff and Vale University Local Health Board (the LHB) failed to meet both the first and the 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 second three-year period under this duty is 2015-16 to 2017-18, and so it is measured this year for the second 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 £2,585 million by £56.028 million. The LHB therefore did not meet its first financial duty.

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

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 2017-18 if it submitted a 2017-18 to 2019-20 plan approved by its Board to the Welsh Ministers who then approved it by 30 June 2017.

As shown in Note 2.3 to the Financial Statements, the LHB did not meet its second financial duty to have an approved three-year integrated medium term plan in place for the period 2017-18 to 2019-20.

In September 2016 the Welsh Government placed the LHB in Targeted Intervention. In the absence of an approved integrated medium-term plan, with the agreement of the Welsh Government the LHB has operated under annual planning arrangements. In May 2017 the Board approved the LHB's Annual Operating Plan for 2017-18, which set out a planned annual deficit of £30.9 million. The LHB's actual deficit for 2017-18 was £26.853 million, as shown in Note 2.1 to the Financial Statements.

Huw Vaughan Thomas
Auditor General for Wales
6 June 2018

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
£47,116	Within Note 3.3 there was: <ul style="list-style-type: none"> an increase in 'Audit fees'; and a decrease in 'Other operating expenses'. 	The incorrect disclosure of the additional audit fee charged in respect of the Auditor General's public report in July 2017. This classification error did not affect the reported outturn for the year.
£2.182 million	Reduction in salaries and wages of the 'permanent staff' disclosure within Note 9.1 (employee costs).	Note 9.1 was overstated because the directors' employee costs had been included twice. This classification error did not affect the reported out-turn for the year.
£1.799 million	Within Note 3.1 there was: <ul style="list-style-type: none"> an increase in 'General Ophthalmic Services (cash limited); and a reduction in 'Other Primary Health Care expenditure' (cash limited). 	To correct the misstated classifications.
£54.1 million	Various re-analysis in the Note 11.1 categories of 'Land' and 'Buildings excluding dwellings'.	Within the two categories, to correct the analysis and disclosure of both the gross cost and accumulated depreciation on asset revaluations.

Value of correction	Nature of correction	Reason for correction
Disclosures only	<p>The inclusion of the following disclosures in Note 31 (related party transactions):</p> <ul style="list-style-type: none"> • Marcus Longley – Director of the Welsh Health Institute for Health and Social Care at the University of South Wales; • Elizabeth Treasure – Vice-Chancellor of Cardiff University, Also disclosure of leaving date from Cardiff and Vale UHB; • Sara Moseley – Executive Director of Mind and Mind Cymru; and • Margaret McLaughlin – Treasurer of Safer Wales. <p>The removal of the following disclosures in Note 31:</p> <ul style="list-style-type: none"> • Ruth Walker – member of the Cardiff and Vale Health Charity; and • Phillip Evans – Director of Social Services in the Vale of Glamorgan. 	To ensure the completeness and accuracy of the related party disclosures.
N/A	There have been a number of narrative and numerical corrections, which we have not set out individually above as they are less significant.	To improve the clarity or accuracy of the financial statements.

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CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2017-18

Accountability Report 2017-18

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CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2017-18

Part 1

Directors' Report

1.1 Composition of the University Health Board

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

Pages 9 to 13 set out details of the Chair, Chief Executive, Executive Directors and Independent Members and confirms Board and Committee membership for 2017-18, meetings attended during the tenure of the individual and any Champion roles performed.

The Annual Governance Statement also contains further information in respect of the UHB's Governance/Assurance Framework (page 7), Board and Committee Activity (pages 7-18) and system of internal control (page 17).

The Remuneration Report contains changes to Board Membership in 2017-18 at page 35.

1.2 Statement for Public Sector Information Holders

This is contained at 7.3 (page 47) of the National Assembly for Wales Accountability and Audit Report.

1.3 Register of Interests

The UHB has a Register of Interests which provides details of company directorships and other significant interests held by members of the management board which may conflict with their management responsibilities. The Register of Interests for 2017-18 is accessible via this link:

<http://www.cardiffandvaleuhb.wales.nhs.uk/register-of-interests/>

1.4 Personal Data Related Incidents

Information on personal data related incidents where formal reports have been made to the Information Commissioner's Office is contained in the Annual Governance Statement at page 19.

CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2017-18

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.

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

Signed by:

Len Richards
Chief Executive

Date: 31st May 2018

CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2017-18

Part 3

Statement of Directors' Responsibilities in respect of the accounts

The directors are required under the National Health Service Act (Wales) 2006 to prepare accounts for each financial year. The Welsh Ministers, with the approval of the Treasury, direct that these accounts give a true and fair view of the state of affairs of the LHB and of the income and expenditure of the LHB 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 authority and to enable them to ensure that the accounts comply with the requirements outlined in the above mentioned direction by the Welsh Ministers.

By Order of the Board

Signed:

On behalf of the Chairman:.....Dated: 31st May 2018

Chief Executive:.....Dated: 31st May 2018

Director of Finance:.....Dated: 31st May 2018

CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2017-18

Part 4

Annual Governance Statement

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CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2017-18

4.1 Scope of Responsibility

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

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 2017-18. 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 490,000 in Cardiff and the Vale of Glamorgan. It also serves a wider population across South and Mid Wales for a range of specialities.

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

The UHB has responsibility for every part of the local health system and has defined its mission as:

"Caring for people, keeping people well"

As illustrated below, the personal values of the Health Board are: kind and caring, respectful, trust and integrity, and personal responsibility.



CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2017-18

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. The Standing Orders 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".

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.

The UHB's Scheme of Delegation was reviewed in 2017-18 and the findings presented to the Audit Committee on 27 February 2018. With the exception of one issue, the review of the Scheme of Delegation did not reveal any weaknesses and was deemed to be appropriate to support good governance in the organization. The one exception related to the Scheme of Delegation not including the process that the UHB has put in place regarding procurement of off-payroll working; the Scheme of Delegation has now been revised to incorporate this process.

4.3 The Board and its Committees

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

The Board provides leadership and direction to the organisation and is responsible for governance, scrutiny and public accountability. It ensures

CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2017-18

that its work is open and transparent by holding its meetings in public and where private meetings are held the meeting agendas are also published.

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 (except the Remuneration and Terms of Service Committee), provide their minutes to each Board meeting. This enables all Board Members to be sighted on the major issues and contribute to assessment of assurance and provide scrutiny against the delivery of objectives.

Copies of the Board and Committee papers and minutes are available from the Director of Corporate Governance and are also published on the UHB's website a week prior to each meeting. The website also contains a summary of each Committee's responsibilities and Terms of Reference. All action required by the Board and Committees is included on an Action Log and at each meeting, progress is monitored. The Action Logs are also published on the UHB's website. The papers for Board meetings can be accessed [here](#) and the papers for Committee meetings can be accessed [here](#).

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.

Audit Committee

The Audit Committee's Annual Report provides the Board with a summary of matters considered during the year. As of 2017-18 the Director of Corporate Governance provides a written report to each Audit Committee which:

- Strengthens governance reporting to the Committee
- Escalates governance issues in an open and transparent manner
- Provides a forward plan for key governance issues and the Committee with an opportunity to influence these
- Ensures greater linkages and connectivity on governance issues between the Audit Committee and other Committees of the Board.

A key item monitored by the Audit Committee in 2017-18 was the detailed action plan produced in response to the Wales Audit Office review of the UHB's contractual relationships with RKC Associates Ltd and its Owner. The UHB Chair and Chief Executive attended the National Assembly for Wales Public Accounts Committee in September 2017 to provide it with assurance and continue to keep it updated as to our progress. Internal Audit has reviewed the progress made against the action plan and provided a finding of Substantial assurance. The UHB Board has also received regular assurance reports regarding progress with the action plan.

Finance Committee

During 2017-18, as part of targeted intervention, the Welsh Government commissioned Deloitte LLP to undertake an independent financial governance review of the development, adaptation and performance of

CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2017-18

the UHB's 2016-17 financial plans. There were 22 key findings and recommendations from this review. The UHB produced a detailed action plan and the Finance Committee monitored progress to provide the Board with appropriate assurances. Internal Audit have reviewed the robustness and accuracy of progress reporting against this action plan to the Finance Committee and have issued a report that gives Substantial assurance. This was reported to the Audit Committee at its meeting on 24 April 2018.

The Annual Quality Statement for 2017-18 will be published in July 2018 and will include a summary of the work undertaken during the year by the Quality, Safety and Experience Committee.

The Annual Quality Statement will be published at:

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

Information regarding the UHB's Health and Safety Committee can be found at page 44.

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>

The table below sets out details of the Chair, Chief Executive, Executive Directors and Independent Members and confirms Board and Committee membership for 2017-18, meetings attended during the tenure of the individual and any Champion roles performed. There were significant changes to Board Membership during the year as 6 experienced Independent Members completed their tenure of office and were replaced by new members. In addition, the Board appointed a new Chief

Executive, Chief Operating Officer and Director of Workforce and Organisational Development.

To mitigate the risk this change in personnel posed to the organisation, in addition to general induction programmes, Executive Directors and their teams provided more detailed information in bespoke training sessions to ensure that new Independent Members in particular, had the necessary knowledge to make informed decisions. This work continues as further knowledge and training needs are identified.

CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2017-18

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
Akmal Hanuk	Independent Member (from 16/01/17)	Community	Board	6/7	
			Quality, Safety and Experience Committee	4/6	
			Charitable Funds Committee	4/4	
			People, Performance and Planning Committee	1/1	
			Resource and Delivery Committee	2/3	
Alice Casey	Executive Programme Director Unscheduled Care (until 31/5/17)		Board	1/1	n/a
Charles Janczewski	Independent Member and Vice Chair (from 1/10/17)		Board	3/3	Mental Health and Primary Care Older People (from 14/11/17)
			Remuneration and Terms of Service Committee	1/1	
			(Chair) Mental Health and Capacity Legislation Committee	2/2	Wellbeing of Future Generations (from November 2017)
			(Chair) Resources and Delivery Committee	2/2	

			(Chair) Strategy and Delivery	1/1	
			Health and Safety Committee	1/2	
			Finance Committee	5/6	
Dawn Ward	Independent Member (from 1/2/18)		Board	0/1	
			Quality Safety and Experience Committee	0/1	
			Audit Committee	1/1	
			Strategy and Delivery Committee	1/1	
Eileen Brandreth	Independent Member	Information Communication Technology	Board	3/7	Caldicott/Data Protection (Independent Member Contact)
			Mental Health and Capacity Legislation Committee	2/3	
			Strategy and Engagement Committee	3/4	
			Strategy and Delivery Committee	1/1	
Elizabeth Treasure	Independent Member (Until 31/12/17)	University	Board	3/5	Patient Safety (Cleaning, Hygiene and Infection Management)
Fiona Jenkins	Director of Therapies and Health Sciences		Board	6/7	n/a
			Charitable Funds Committee	3/4	
Fiona Kinghorn	Interim Director of Public Health (until 16/8/17)		Board	2/2	n/a

CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2017-18

Gary Baxter	Independent Member (from 1/1/18)	University	Board	%	
			Quality Safety and Experience Committee	0/1	
			Strategy and Delivery Committee	0/1	
Graham Shortland	Medical Director		Board	6/7	Caldicott/Data Protection; Freedom of Information
Ivar Grey	Independent Member (until 30/9/17)	Finance	Board	4/4	n/a
			(Chair) Audit Committee	4/4	
			Quality, Safety and Experience Committee	2/3	
			Remuneration and Terms of Service Committee	3/4	
			People, Performance and Planning Committee	1/1	
			Strategy and Engagement Committee	2/2	
			Finance Committee	5/6	
John Antoniazzi	Independent Member (from 16/01/17)	Estates	Board	7/7	TBC
			(Chair from September) Audit Committee	6/6	
			Remuneration and Terms of Service Committee	0/1	
			Strategy and	3/3	

			Engagement Committee		
			Strategy and Delivery Committee	1/1	
			Finance Committee	6/12	
John Union	Independent Member (from 1.10.17)	Finance	Board	3/3	
			Resource and Delivery Committee	0/2	
			Audit Committee	1/2	
			(Chair from November) Finance Committee	6/6	
Julie Cassley	Interim Director of Workforce and OD (until 30.9.17)	Workforce and OD	Board	3/4	n/a
Lance Carver	Associate Member (from 28/11/17)		Associate Member of the Board	1/2	
Len Richards	Chief Executive (from 19/6/17)		Board	5/5	Public and Patient Involvement
					Reputation Management & Culture
Marcus Longley	Independent Member and Vice Chair (until 30/9/17)	Primary, Community and Mental Health Services	(Vice Chair) Board	4/4	Mental Health Primary and Care
			(Chair) Mental Health and Capacity Legislation Committee	1/1	
			(Chair) People Performance	1/1	

CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2017-18

			and Planning Committee		
			Remuneration and Terms of Service Committee	3/4	
			Finance Committee	5/6	
Margaret McLaughlin	Independent Member (until 30/9/17)	Third Sector	Board	4/4	Carers; Welsh Language; Equality and Human Rights
			Mental Health and Capacity Legislation Committee	1/13	
			Quality, Safety and Experience Committee	3/3	
			Charitable Funds Committee	2/2	
			Resource and Delivery Committee	1/1	
			Strategy and Engagement Committee	1/2	
			Finance Committee	4/6	
Maria Battle	Chair		(Chair) Board	6/7	Armed Forces and Veterans Children & Young People
			(Chair) Remuneration and Terms of Service Committee	4/5	Patient Safety (cleaning, hygiene & infection management) (from Feb 2018)
			(Chair) Quality, Safety and Experience Committee (until September 2017 then Member)	6/6	Public and Patient

			(Chair until October then "in attendance") Finance Committee	7/7	Involvement; Reputation Management & Culture;
			Strategy and Delivery Committee	0/1	
Martin Driscoll	Director of Workforce and OD (from 1.10.17)		Board	2/3	
Martyn Waygood	Independent Member (until 30/9/17)	Legal	Board	3/4	Health and Safety; Violence and Aggression
			(Chair) Health and Safety Committee	2/2	
			(Chair) Charitable Funds Committee	2/2	
			Mental Health and Capacity Legislation Committee	1/1	
			Quality, Safety and Experience Committee	2/3	
			Remuneration and Terms of Service Committee	2/4	
Michael Imperato	Independent Member (from 1/10/17)	Legal	Board	3/3	Health & Safety
			Quality Safety and Experience Committee	2/3	
			(Chair) Health and Safety Committee	2/2	
Paula Martyn	Associate Member	Stakeholder Reference Group (Chair)	Associate Member of the Board	4/7	n/a
Phil Evans	Associate Member		Associate Member of the	0/1	n/a

CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2017-18

	(until 31.5.17)		Board		
Robert Chadwick	Director of Finance		Board	7/7	n/a
			Charitable Funds Committee	0/4	
Ruth Walker	Executive Nurse Director		Board	7/7	Delayed Transfers of Care
Sara Moseley	Independent Member (from 1/10/17)	Third Sector	Board	3/3	Mental Health and Primary Care
			Mental Health and Capacity Legislation Committee	2/2	Welsh
			Strategy and Engagement Committee	0/1	
			Strategy and Delivery Committee	0/1	
Sharon Hopkins	Interim Chief Executive (until 18/6/17) then reverted Back to Director of Public Health		Board	5/7	Healthy Sustainable Wales; Immunisation and Vaccination
Steve Curry	Acting Chief Operating Officer (from 01/04/17 and substantive from November		Board	6/6	n/a
Stuart Egan	Independent Member (until 31/12/17)	Trade Union	Board	5/5	Armed Forces and Veterans
			Quality Safety and Experience Committee (Oct to Dec 2017)	1/2	
			Charitable Funds Committee	4/4	
			Health and	3/3	

			Safety Committee		
			Remuneration and Terms of Service Committee	1/4	
			Audit Committee	4/5	
			People, Performance and Planning Committee	1/1	
			Resource and Delivery	1/2	
Sue Bailey	Associate Member	Healthcare Professionals Forum (Chair)	Associate Member of the Board	1/7	n/a
Susan Elsmore	Independent Member	Local Authority Elected	Board (Chair from October 2017) Quality, Safety and Experience Committee	6/7	Older People (until 14/11/17)
				5/6	
Tony Young	Associate Member		Associate Member of the Board	0/7	n/a

CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2017-18

Board and Committee meetings held during 2017-18 – all were quorate

Board/ Committee	Dates of Meetings 2017-2018											
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Board		25/05/17	01/06/17	27/07/17		28/09/17		30/11/17		25/01/18		29/03/18
Audit	24/04/17	23/05/17	01/06/17			26/09/17					27/02/18	
Charitable Funds			13/06/17			19/09/17			19/12/17			20/03/18
Finance	26/04/17	31/05/17	29/06/17	26/07/17	30/08/17	28/09/17	31/10/17	30/11/17		03/01/18	28/02/18	28/03/18
Health & Safety	25/04/17			18/07/17			24/10/17			23/01/18		
Mental Health & Capacity Legislation		09/05/17						29/11/17			06/02/18	
People, Planning & Performance		16/05/17 Stood down										
Quality, Safety & Experience	18/04/17		20/06/17			12/09/17	17/10/17		06/12/17		13/02/18	
Remuneration & Terms of Service		10/05/17	13/06/17		17/08/17 31/08/17				13/12/17			
Resource & Delivery					08/08/17			07/11/17		30/01/18 Stood down		
Strategy & Engagement				25/07/17		05/09/17		28/11/17		30/01/18 stood down		
Strategy & Delivery												New 13/03/18

The People Planning and Performance Committee was stood down in May 2017 and replaced by two new Committees; the Resource and Delivery Committee and the Strategy and Engagement Committee, these held their first meetings in August and July respectively. It was agreed to review the new Committees after six months to assess their effectiveness; the review showed that the roles and responsibilities of each Committee required more clarity and that there was duplication across the Committees. A decision was therefore made to stand the two Committees down and establish a new Strategy and Delivery Committee to cover both work areas. This Committee met for the first time on 13 March 2018.

Items Considered by the Board in 2017-18 included:

- Patient Experience Stories and Patient Safety, Quality and Experience Reports - enabling the Board to reflect on the

experiences of staff and patients and to recommend improvements

- Financial and Operational Performance - ensuring the Board was briefed on performance throughout the year and to agree additional steps for improvement
- Integrated Medium Term Plan - the Board was cognisant that the Plan represented steps towards achieving the Strategy but as it did not balance, an Annual Plan was required
- Targeted Intervention and Transformation Programme - the Board was briefed on what this meant, conversations with Welsh Government and proposals for transforming services that are ongoing
- Corporate Risk and Assurance Framework - the Board approved review of the system, the proposals for change and received progress reports of the work being undertaken
- Annual Reports and specific reports received from Wales Audit Office, Healthcare Inspectorate Wales, Human Tissue Authority and Management Consultants – the Board was kept up to date with recommendations and ongoing work at Committee level to address these
- Parking Solutions and Traffic Management – a new supplier of the service was identified and agreed
- Integrated Winter Preparedness and Resilience Plan – the Board considered how the Board prepared for winter and reflected on lessons learned
- Regional Planning including Major Trauma Network (MTN), thoracic surgery, upper GI, new Velindre Cancer Centre – the Board approved planning for the MTN, made recommendations on public consultation and approved development of Velindre's Cancer centre
- Wellbeing and Future Generations Act and Local Wellbeing Plans – Plans were approved

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- Funded Nursing Care – along with other Welsh Health Boards, the proposals were accepted
- Paediatric Surgery and Interventional Radiology – the difficulties in both services were acknowledged along with all remedial action and plans to mitigate risks.

Charitable Funds Committee

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

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

The Committee is empowered with the responsibility to:

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

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

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

Internal Audit also undertakes annual reviews of charitable funds. This year they reviewed governance arrangements, including the management of expenditure and donations and gave a Substantial assurance rating.

The Internal Audit reports are presented to both the Charitable Funds Committee and the Audit Committee, and this is a key measure in assessing and mitigating any control risks.

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

Each year the Charitable Fund Accounts are subject to external audit review by the Wales Audit Office and certified by the Charity Commission's deadline of 31 January of the following year. The 2016-17 statements were certified as giving a true and fair view with an unqualified opinion on 26 January 2018.

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Advisory Groups

The UHB has a statutory duty to “take account of representations made by persons who represent the interests of the community it serves”. This is achieved in part by three Advisory Groups to the Board which are:

- The Stakeholder Reference Group (SRG);
- The Local Partnership Forum (LPF) and
- The Healthcare Professionals’ Forum (HPF)

Stakeholder Reference Group

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

This may include:

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

Significant issues upon which the SRG has been engaged during 2017-18 are:

- Thoracic Surgery – in a joint meeting with the HPF, the Group received a presentation from a local Clinical Lead on the Welsh Health Specialised Services Committee led regional engagement on the future shape of Thoracic Surgery Services and provided comments

- Major Trauma - in a joint meeting with the HPF, the Group received a presentation from a local Clinical Lead on the NHS Collaborative-led public consultation on the establishment of a Major Trauma Network for South Wales and provided comments
- Cardiff and Vale of Glamorgan Wellbeing Plans – the Group provided comments on the draft plans as part of formal consultation required under the Wellbeing of Future Generations (Wales) Act.

Local Partnership Forum

The LPF is co-chaired by the Chair of Staff Representatives and the Executive Director of Workforce and Organisational Development. Members are Staff Representatives (including the Independent Member for Trade Unions), the Executive team and Chief Executive, the Director of Corporate Governance, the Assistant Directors of Workforce and Organisational Development and the Head of Workforce Governance. The LPF meets 6 times a year.

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

In April 2017 LPF members took part in a workshop with the aim of:

- Ensuring the LPF served its original purpose
- Agreeing priorities and key agenda items
- Making sure that the right groups discussed the right items
- Avoiding duplication

This was achieved though examining the purpose of the LPF as set out in the Terms of Reference, and discussing what was done well, what needed

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to be improved, how these improvements could be made, and whether any other groups or meetings had a role to play. Following the workshop the feedback from participants was collated and an action plan developed.

Other significant issues which the LPF considered during 2017-18 are:

<p>Communication:</p> <ul style="list-style-type: none"> • Values into Action update reports • A regular verbal report from the Chief Executive on current 'hot topics' • Information on the Electronic Staff Record Portal and Paperless Payslips • Report from the Staff Benefits Group • Learning from Canterbury – the next steps 	<p>Consideration:</p> <ul style="list-style-type: none"> • Let's Talk Travel – engagement • Progress against the Workforce and OD Delivery Plan and Objectives • Introduction of the 'Healthy Workplace, Healthy You' initiative
<p>Consultation/Negotiation:</p> <ul style="list-style-type: none"> • Annual Equality Statement and Report • Dementia Strategy • Shaping Our Future Wellbeing: In Our Community Programme • Thoracic Service • Major Trauma Network 	<p>Appraisal:</p> <ul style="list-style-type: none"> • Finance Report • Workforce Key Performance Indicators • Integrated Medium Term Plan updates

In addition the LPF receives for noting regular reports relating to performance, patient safety, quality and experience, and strategic planning.

Healthcare Professionals' Forum

The HPF'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 HPF 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 2017-18 the HPF met twice, in two joint meetings with the SRG.

Significant issues upon which the HPF has been engaged during 2017-18 are:

- The UHB's Integrated Medium Term Plan
- The acceleration of the UHB's Shaping Our Future Wellbeing Strategy
- Consultation on the development of a Major Trauma Network for South and West Wales and South Powys
- Engagement on the future shape of Thoracic Surgery Services
- The draft Wellbeing Plans developed by both Cardiff and Vale of Glamorgan Public Service Boards.
- Key strategic change consultations

Minutes of the Advisory Groups are available via the following link: <http://www.cardiffandvaleuhb.wales.nhs.uk/board-committees-and-advisory-groups>

4.4 System of Internal Control

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives, to evaluate the likelihood of those risks being realised and

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the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place for the year ended 31 March 2018 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. Each Clinical Board and Corporate Department has responsibility for maintaining a comprehensive risk register and lead Executive Directors for highlighting 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.

Departments routinely review their Risk Registers and reports on risks included in the CRAF are presented to the Board and its Committees enabling review of the UHB's 'risk appetite'. 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.

On 27 April 2017, a Board Development session 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. This session highlighted the need to review and strengthen our corporate risk and assurance framework and this work has been progressing throughout 2017-18. A new process has been

developed and tested with Clinical Boards and Corporate areas to improve the identification, evaluation and control of corporate risk. A template has been produced to support consistent assessment and reporting of risks and to ensure actions being progressed are effectively monitored. Training sessions are being delivered in areas to support the detailed review of risk and the UHB CRAF is changing to more clearly define our risks as this work is progressing. The Board Development session on 28 June 2018 will formally launch the new process and the revised CRAF will be published to coincide with this.

Reports using the new template were presented to the Audit Committee in February 2018 (item 17) and Quality, Safety and Experience Committee in April 2018 (items 14 and 15) for three of the highest UHB risks on the current CRAF (risks relating to expired written control documents, care of the deteriorating patient and infection prevention and control). These risk evaluations and actions being taken can be viewed via the following links:

<http://www.cardiffandvaleuhb.wales.nhs.uk/sitesplus/documents/1143/Audit%20Boardbook%2027.02.18.pdf>

<http://www.cardiffandvaleuhb.wales.nhs.uk/sitesplus/documents/1143/QSE%20Boardbook%20April%2020181.pdf>

The SRG will continue to be used as a forum to brief public stakeholders regarding our risks.

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.

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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. The UHB's Head of Emergency Preparedness Resilience and Response is chair of the South Wales Local Resilience Forum Risk Group and leads on the multi-agency assessment, capability gap analysis and mitigation against nationally identified risks and threats.

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 Board in February 2018, with an Internal Audit Review scheduled for May 2018. 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 6 months.

Resilient activation systems, action cards and suitably trained and equipped staff to provide for a 24 hour major incident response are all in place. UHB staff have participated in a number of UHB specific, and multi-agency table-top and live/simulated training exercises during 2017. Additional training opportunities are routinely exploited.

Carbon Reduction Delivery Plans

The UHB operates an Environmental Management Policy, system and procedures and has achieved ISO14001 external accreditation. The program includes objectives and targets for waste management, energy and carbon reduction and the UHB also maintains an Energy/Environmental risk register.

The UHB Environmental Management Steering Group manages the Environmental Management System (EMS) and reports via the Capital Estates and Facilities Health and Safety Forum to the UHB's Health and Safety Committee.

The UHB participates in the Carbon Reduction Commitment and European Union Emission Trading scheme legislative programmes for carbon management.

Under the objectives of the Environmental Management Strategy and Policy the following actions are in progress:

- 1) The UHB operates a combined heat and power plant at UHW generating electricity, heat and steam for the site.
- 2) A range of energy and carbon reduction programmes have been implemented and are ongoing including:
 - LED lighting upgrades to various areas of the UHB.
 - Replacement/upgrade of ventilation system motors.
 - Improved control of building services.
 - Installation of 4 solar panel schemes.
 - Trial and installation of burner management controls for over 40 boiler systems.
- 3) The UHB is currently progressing with the REFIT strategic energy savings program with Local Partnerships.

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- 4) An Energy/Environmental Risk Register is maintained highlighting the UHB's key energy management risks.

Further information on key activities being undertaken will be contained in the Sustainability Report which will be published in July 2018.

4.6 The Control Framework

Quality Governance Arrangements

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

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

Data Security

The UHB has responded positively to major challenges in 2017-18 in relation to data security.

Whilst the Wannacry "ransomware" attack in May 2017 had no direct impact, it served as a timely reminder of the critical importance of maintaining the highest standards of vigilance in relation to cybersecurity at all times. The UHB participated in the external review of these

arrangements commissioned by Welsh Government via the National Wales Informatics Service.

As stated in the 2016-17 Annual Report the UHB formally notified the Information Commissioners Office (ICO) that there had been a breach of data involving some of its staff who had been issued with radiation protection shields. These details were held on the database of an external supplier, who administered this service on behalf of Velindre NHS Trust. The ICO has now completed its investigations into this incident based on reports submitted by Velindre NHS Trust and the Health Boards affected, including the UHB. Although it will not be taking any formal action in response to the issues raised, the ICO has encouraged Health Boards and Velindre NHS Trust to act on its conclusions that arrangements relating to the processing of personal data for the purpose of radiation dose monitoring need to be strengthened. This has been taken on board by Velindre NHS Trust in the reletting of the contract.

The UHB had 3 lapses in data security that warranted reporting to the ICO in 2017-18. All related to breaches of Section 55 of the Data Protection Act.

- A call centre handler inappropriately accessed the details of several staff members. No further action will be taken as the staff member has now been dismissed and the police are understood to be considering taking action against him.
- Several members of staff inappropriately accessed the details of a person subsequently convicted of a high profile terrorist incident who is a UHB patient.
- A member of staff was found to have inappropriately accessed the details of a significant number of patients and UHB clinicians involved in the treatment of these patients.

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The ICO did not take any formal action in response to these incidents. As part of its programme of work to prepare for the implementation of the General Data Protection Regulation (GDPR) the UHB is reinforcing awareness of key principles of Data Protection legislation. This includes the principle highlighted by the above cases that users must only handle data in accordance with people's data protection rights.

Two further incidents are under active investigation with a view to being reported to the ICO. Action taken will be included in the 2018-19 Accountability Report.

The UHB continues to respond to the "limited assurance" rating it received from the ICO in its follow up audit of compliance in relation to the Data Protection Act covering the following areas:

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

The implementation of the General Data Protection Regulations in May 2018 will provide a focus for the consolidation of this work. Progress is being made to achieve compliance with the Regulations however we recognise further actions are required in order for the UHB to move towards full compliance. An action plan setting out key next steps was presented to the Management Executive on 14 May 2018 and risks associated with non-compliance highlighted.

Health and Care Standards

Since 2015-16 the UHB 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.

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. The Health and Care Standards implementation and monitoring process has been subject to review from Internal Audit and was awarded Reasonable assurance. The review confirmed that the Health Board continues to make good progress with the embedding of the Standards across the organisation. The further development of the process for continuous monitoring of performance against the Standards through existing Groups and Committees is leading to more effective utilisation of the Standards to drive improvements in service delivery.

Eleven Standards have now been aligned to existing Groups and Committees 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>

Corporate Governance Code

The UHB has undertaken an assessment of its compliance with the Code as it relates to an NHS public sector organisation in Wales. The Board is in full compliance with the Code with the following non-material exceptions:

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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.

The 2017-18 Board self-assessment was constructed to reflect applicable elements of the Code. In addition, Board Members as part of the Board Development session in February 2018 assessed the quality of the data used by the Board, it was agreed that improvements could be made by reducing the volume of papers to enable a better level of scrutiny and that there could be a better use of exception reporting. These suggestions are being fed into the continuing Board/Committee effectiveness work (more detail contained in 4.8 Review of Effectiveness).

Equality, Diversity and Human Rights

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

The control measures for 2017-18 include:

- Strategic Equality Plan - Annual Delivery Framework
- Health Board Annual Equality Report
- Equality reports to the Strategy and Delivery Committee on the UHB's objectives and actions
- Reports/Updates to the Centre for Equality and Human Rights, when requested
- Outcome Report to the Welsh Government Equalities Team regarding sensory loss
- Provision of evidence to the Health and Care Standards self-assessment
- Equality and Health Impact Assessments

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

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 in to the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations.

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

Ministerial Directions

A list of Ministerial Directions issued by the Welsh Government during 2017-18 is available at:

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

<http://gov.wales/legislation/subordinate/nonsi/nhswales/2018/?lang=en>

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- The Directions to Local Health Boards as to the Statement of Financial Entitlements (Relaxation of Quality and Outcomes Framework) 2018 (2018 No.1)
- Primary Medical Services (Oral Anti-coagulation with Warfarin) Directed Enhanced Service (Wales) Directions 2017 (No.14)
- Directions to Local Health Boards as to the Statement of Financial Entitlements (Amendment) (No.3) Directions 2017 (2017 No.30)
- Directions to Local Health Boards and NHS Trusts in Wales 2003 and the Managed Introduction of New Medicines Into the National Health Service in Wales Directions 2009 (Amendment) (Wales) Directions 2017 (2017 No.17)
- Directions to Local Health Boards as to the Statement of Financial Entitlements (Amendment) (No.2) Directions 2017 (2017 No.28)
- The Primary Medical Services (Care Homes) Directed Enhanced Services (Wales) Directions 2017 (2017 No.9)
- Directions to Local Health Boards as to the General Dental Services Statement of Financial Entitlements (Amendment) Directions 2017 (2017 No.19)
- Directions to Local Health Boards as to the Personal Dental Services Statement of Financial Entitlements (Amendment) Directions 2017 (2017 No.20)

Welsh Health Circulars

A range of Welsh Health Circulars (WHCs) were published by Welsh Government during 2017-18 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. The tracking report does not currently include reports from Wales Audit Office or Internal Audit Services.

4.7 Integrated Medium Term Plans (IMTP)

The National Health Service Finance (Wales) Act 2014 came into effect on 1 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 2017-18 the UHB agreed with Welsh Government, through the formal Targeted Intervention process, that it would not submit an IMTP for approval. As the UHB was not in a position to deliver a financially balanced plan which could be approved by Welsh Ministers, it therefore failed to meet its financial duty under section 175(2A).

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Upon their request, the UHB submitted a one year operational plan to Welsh Government in March 2017 in line with the timetable set out in the IMTP guidance. Following negotiations with Welsh Government a one year operational plan was agreed in May 2017 and whilst no formal mechanism exists for its approval, the UHB has been working to and reporting against this operational plan in 2017-18. The operational plan for 2017-18 was to achieve a year-end, agreed out-turn position of a £30.9m deficit, whilst maintaining the quality and safety of services and delivering upon agreed performance measures. The UHB made good progress against this plan and during the year revised its forecast position to a year-end deficit of £26.9m. The actual out-turn position was £26.853m being £4.047m better than the one year operational plan and £0.047m better than the revised forecast position.

The UHB had a surplus of £0.068m in 2015-16 and a deficit of £29.243m in 2016-17. This means that over the three year period the aggregated deficit is £56.028m. 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 2018-19 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.

The 2017-18 Operational Plan was developed with clear direction from the UHB Executive team and continuous engagement through close working with the UHB Clinical Boards and appropriate corporate leads. This has ensured that the Plan was underpinned by integrated Corporate

and Clinical Board plans. In addition, the UHB has liaised closely as both a commissioner and provider of care services to ensure that the commissioner and provider components of our plan were aligned, as far as possible, with the priorities of our key stakeholders which includes:

- integrated partnership planning with Local Authority and other public and third sector colleagues;
- the Community Health Council;
- Stakeholder Reference Group;
- Acute Care Alliance Health Board colleagues; and
- other NHS partner organizations such as Welsh Ambulance Services NHS Trust, Welsh Health Specialist Services Committee, NHS Wales Informatics Service and Velindre NHS Trust.

In preparing the IMTP for 2017-18, additional scrutiny and support from Welsh Government was provided as part of 'targeted intervention' status. The emphasis was on maintaining commitment to our strategic objectives whilst delivering some very challenging improvements to service productivity, efficiency, as well as significantly reducing our costs through our transformation programme.

Through 2017-18 the UHB has been working to deliver the actions set out in the Plan and has in place a robust system of governance to monitor progress against the Plan. This includes quarterly scrutiny of progress by Clinical Boards including dedicated sessions with the Executive team and a monthly scrutiny of financial performance by the UHB's Finance Committee.

During 2017-18 the UHB has continued to successfully deliver improved referral to treatment performance, exceeding its IMTP profile in each quarter, now for twelve consecutive quarters with a 12% reduction in the number of patients waiting more than 36 weeks on the year end 2016-17 position. Diagnostic performance is also forecast to have improved significantly by the end of the 2017-18, reducing by 46% in comparison

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with the end of March 2017. Significant progress has also been made in primary care, in remodelling service models and further developing cluster working including developing new models for social prescribing and introducing cluster pharmacists and acute response teams in 2017-18.

The UHB has continued to work with partners on a regional basis. The Regional Partnership Board has completed an [Area Plan](#) in response to the requirements of section 14A of the Social Services and Well-being (Wales) Act 2014. The Plan has built on engagement undertaken during the production of the Population Assessment and has been developed alongside the Wellbeing Plans and the IMTP.

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

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

4.8 Review of Effectiveness

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

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

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

- 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
- Performance management reports	- Population Health Information
- Service change management reports	- Wales Audit Office
- Workforce information and surveys	- Welsh Risk Pool Assessment reports
- Benchmarking	- Healthcare Inspectorate Wales reports
- Internal and clinical audit reports	- Community Health Council visits and scrutiny reports
- Board and Committee reports	- Feedback from healthcare and third sector partners
- Local Counter Fraud work	- Royal College and Deanery visits
- Health and Care Standards assessments	- Regulatory, licensing and inspection bodies
- Executive and Independent Member Safety WalkRounds	- External benchmarking
- Results of internal	

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investigations and Serious Incident reports - Concerns and compliments - Whistleblowing and Safety Valve - Infection prevention and control reports - Information governance toolkit self-assessment - Patient experience surveys and reports - Compliance with legislation (e.g. Mental Health Act/Health and Safety, Data Protection)	and statistics - Accreditation Schemes - National audits - Peer reviews - Feedback from service users - Local networks (e.g. cancer networks) - Welsh Government reports and feedback
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Governance, Leadership and Accountability

In 2017-18 the Board has conducted a review of its effectiveness and that of its Committees, with improving Board and Committee efficiency and effectiveness being the focus of the Board Development session on 22 February 2018. The overall view was that whilst largely effective, improvements in Board and Committee working could be achieved by greater focus on the UHB strategy, reducing the volume of papers and improving the level of scrutiny and assurances being received. Following this a detailed action plan was produced, and presented at the Board Development session held on 26 April 2018 together with a suggested new Board reporting template. Progress on the action plan will continue to be presented in the Chair's report to the Board, with a final Board report in July 2018 on the changes implemented.

In addition Board members have also completed an electronic self-assessment constructed to reflect the criteria to meet the Health and Care Standard for Governance, Leadership and Accountability. The self-

assessment was shared with Internal Audit, and the results captured below will feed into the continuing Board effectiveness work and action plan.

The self-assessment asked a series of questions to assess the Board's opinion of the organisation's current position in terms of the following areas:

- Whether the Board is demonstrating effective leadership
- The UHB's strategy and its delivery
- Innovation and improvement within the UHB
- The UHB's learning culture

The self-assessment highlighted some strengths: the effective work carried out with stakeholders, the fact that all respondents agree that the UHB's values and behaviours drive the Board's priorities, and the UHB's credible and strong strategy. Some areas of weakness were also noted. Many respondents commented that more focus is needed on the implementation of the strategy. Furthermore, it was highlighted that more could be done to share good practice outside of and within the UHB.

The respondents were asked to rate the overall maturity level of the UHB using four options which were 'Level 1: Getting Started', 'Level 2: Getting There', 'Level 3: Meeting the Standard' and 'Level 4: Leading the Way'. As seen in the below diagram, the majority of respondents selected 'Level 3: Meeting the Standard'.



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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.

Head of Internal Audit Opinion

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

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

Reasonable assurance		<p>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. 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 over Reasonable assurance Opinion I have identified that the majority of reviews during the year concluded positively with sound control arrangements operating in some areas. As well as the overall opinion I have also concluded that overall, each of the individual eight domains would also be classified with a Reasonable assurance opinion.

During the year 10 Substantial assurance and 24 Reasonable assurance opinions were given. However it is important to highlight that six Limited assurance reports have been issued during the year and these were split across six of the eight assurance domains.

Furthermore it is important to that of those six Limited assurance reports, three were follow up audits to previous Limited assurance reports, highlighting that previously agreed management actions had not been implemented on a timely basis.

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Review Title	Objectives
Cleaning Standards	<p>The purpose of the review was to establish if the UHB has appropriate processes in place to enable it to comply with the National Standards for Cleaning in NHS Wales.</p> <p>A number of issues were identified that requires management action to address including, weakness in the current process for carrying out and scoring the technical audits; the lack of an appropriate multi-disciplinary group to oversee cleanliness; the need to develop a separate Cleaning Operational Plan and the need to carry out managerial audits.</p>
Medicine Clinical Board - PADR and Mandatory Training	<p>The purpose of the review was to establish if appropriate processes are in place within the Clinical Board to ensure that all staff members comply with statutory and mandatory training requirements and annual PADRs are effectively planned and completed.</p> <p>The key actions that required management action are: PADR compliance is low as well as staff not being set individual objectives or given Personal Development Plans and there is a lack of tracking being undertaken as part of the PADR to compare progress against the prior year.</p> <p>Statutory and Mandatory Training compliance levels are low and are not currently being recorded within ESR.</p>

Neurosciences - PatientCare IT system Follow up	<p>The purpose of this follow up audit was 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, specifically focusing on those issues raised in the original report.</p> <p>The key actions that required management action are: At the time of the audit there was still no formal contractual agreement for the ongoing maintenance of the system as a whole; the underlying database remains the old version of PostgreSQL which contains a number of security weaknesses, including some critical vulnerabilities; although a business continuity plan has been developed for the PatientCare system although from reviewing this it is a basic document and there was no process in place for testing the backups.</p>
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Deprivation of Liberty Safeguarding (DoLS) Follow up	<p>This follow up audit was to establish if adequate procedures are in place within the Health Board to ensure that DoLS are consistently complied with and authorisations are obtained for all relevant UHB patients, specifically focusing on those issues raised in the original report. The scope was limited to establishing the level of compliance with procedures and did not include any clinical review of the DoLS assessments.</p> <p>Two agreed actions, the levels of DoLS training and the timescales for completing DoLS assessments, hadn't been fully completed since the original report in 2016, with the position on one of the original findings having deteriorated. Further to this an additional finding has been identified, relating to the authorisation of completed assessments which also represents deterioration since the original review.</p>
Continuing Healthcare (CHC) Follow up	<p>The scope of this follow up audit 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, specifically focusing on those issues raised in the original report.</p> <p>Some progress had been made since the original audit however there were still areas requiring management action which include:</p> <p>Timeliness of the completions of the initial three month reviews, contracting arrangements, the development of a joint multi agency protocol for the management of Child CHC, development of KPIs and improvement in the completion rates for annual reviews.</p>

Consultants Job Planning	<p>The purpose of the review was to establish if Consultant Job Planning was undertaken, managed and monitored appropriately in order to ensure that sufficient activity was undertaken to meet the needs of the Health Board. The areas requiring management action included: There was little evidence of a robust job planning process being consistently undertaken on an annual basis. The quality of documentation reviewed was inconsistent, variable and generally poor, and for the majority of the sample tested the standard documentation recommended in the guidance was not being used. In addition, job plans were not provided to audit for all the sample of consultants selected for testing.</p>
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The UHB has not been issued with any No Assurance audit reports for 2017-18.

4.10 Wales Audit Office (WAO)

The Auditor General for Wales is the UHB's statutory auditor and the WAO undertakes audits on his behalf. WAO scrutinises the UHB's financial systems and processes, performance management, key risk areas and the Internal Audit function. The Audit Committee agreed the WAO Annual Plan for 2018 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.

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Title of Review	Date Issued	Date Considered By/To be Considered by Committee	Assurance Committee
Contractual Relationships with RKC Associates Ltd and its owner	1 July 2017	26 September 2017	Audit Committee and then at Board (28/09/17)
Discharge Planning	1 November 2017	5 December 2017	Audit Committee and forwarded to the Quality, Safety and Experience Committee (for 13/02/18)
Review of GP Out of Hours Service	1 September 2017	5 December 2017	Audit Committee and forwarded to the Quality, Safety and Experience Committee (for 13/02/18)
Review of Follow-Up Outpatients – Assessment of Progress	1 October 2017	5 December 2017	Audit Committee and forwarded to the Quality, Safety and Experience Committee (for 13/02/18)

Collaborative Arrangements for Managing Local Public Health Resources	1 October 2017	5 December 2017	Audit Committee
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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 2017 of the UHB's governance arrangements is included within the Annual Audit Report published in January 2018. This concluded:

1. The UHB now has effective arrangements in place to support the planning and monitoring of savings, but is facing an increased deficit position for the three-year period ending March 2018
2. Operational arrangements are generally effective but there are weaknesses in Board oversight and assurance, and it is unlikely that the new data protection regulations will be met in time
3. The UHB has responded well to the issues raised in my public interest report that highlighted governance failings around the awarding of certain HR contracts and the appointment of a Director
4. Performance audit work has identified some positive arrangements whilst also identifying some opportunities to secure better use of resources in a number of key areas

A delivery plan is being developed to respond to the recommendations set out in the Annual Audit Report and progress will be monitored through the Audit Committee during 2018-19.

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4.11 Conclusion

As Accountable Officer, based on the assurance process outlined above, I have reviewed the relevant evidence and assurances in respect of internal control. I can confirm that the Board and its Executive Directors are alert to their accountabilities in respect of internal control.

During 2017-18, 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.

Although the UHB has made good progress against the one year operational plan for 2017-18 submitted to Welsh Government, it has still failed to meet its financial duties. The UHB is working closely with Welsh Government on achieving long term financial sustainability and improved financial performance and continues to be supported as part of its “targeted intervention” status as set out in part 4.7.

The WAO public interest report relating to the Review of Contractual Relationships with RKC Associates Ltd and its Owner highlighted weaknesses in our governance and decision making arrangements. I am reassured by the progress of the associated action plan, Internal Audit Review of actions taken and WAO Annual Audit Report that lessons have been learned and our governance processes strengthened.

The Welsh Government commissioned Financial Governance Review produced 22 key findings and recommendations. Internal Audit has confirmed robust and accurate progress reporting to the Finance

Committee in respect of the action plan produced which further illustrates embedding of good governance and appropriate controls throughout the UHB.

In summary, my review confirms that the Board has sound systems of internal control in place to support the delivery of policy aims and objectives and that there are no significant internal control issues to report for 2017-18.

Signed by:

Len Richards

Chief Executive

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Part 5

Remuneration Report

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5.1 Salary and Pension Entitlements of Senior Managers 2017-18

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 Terms of Reference for the Committee are being reviewed and the suggested revisions will be discussed with the Committee during the early part of 2018-19.

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 2017-18, including the 1% pay award effective from 1 April 2017, are provided in the tables that follow:

CARDIFF AND VALE UNIVERSITY LOCAL HEALTH BOARD REMUNERATION REPORT 2017-2018

Salaries of Senior Managers

Name and title	31-Mar-2018					
	Salary (bands of £5,000)	Other Remuneration (bands of £5,000)	Bonus Payments (bands of £5,000)	Benefits in kind (Rounded to the nearest £00)	Pension Benefits (Rounded to the nearest £000)	Total (bands of £5,000)
	£000	£000	£000	£00	£000	£000
Cardiff and Vale University Local Health Board						
Officer Members						
Leonard Richards, Chief Executive (1)	155-160	10-15	0	0	220	390-395
Dr Sharon Hopkins, Interim Chief Executive (2)	40-45	0	0	0	0	40-45
Dr Sharon Hopkins, Executive Director of Public Health (2)	100-105	0	0	0	0	100-105
Ruth Walker, Executive Director of Nursing & Interim Deputy Chief Executive (3)	135-140	0	0	0	6	140-145
Steve Curry, Chief Operating Officer (4)	125-130	0	0	0	131	260-265
Abigail Harris, Executive Director of Planning	125-130	0	0	0	30	155-160
Robert Chadwick, Executive Director of Finance	165-170	0	0	0	0	165-170
Martin Driscoll, Executive Director of Workforce & Organisational Development (5)	60-65	0	0	0	15	75-80
Julie Cassley, Interim Executive Director of Workforce & Organisational Development (6)	60-65	0	0	0	18	80-85
Dr Fiona Jenkins, Executive Director of Therapies & Health Science	105-110	0	0	0	58	160-165
Dr Graham Shortland, Executive Medical Director	160-165	0	45-50	0	0	210-215
Fiona Kinghorn, Interim Executive Director of Public Health (7)	20-25	0	0	0	11	35-40
Other Directors						
Peter Welsh, Director of Corporate Governance	90-95	0	0	1	37	130-135
Alice Casey, Executive Programme Director	25-30	0	0	0	0	25-30
Unscheduled Care (8)						
Independent Members (IM)						
Maria Battle, Chair	65-70	0	0	0	0	65-70
Charles Janczewski, Vice Chair (10)	25-30	0	0	0	0	25-30
Marcus Longley, Vice Chair (9)	25-30	0	0	0	0	25-30
Ivar Grey, IM - Finance (9)	5-10	0	0	0	0	5-10
John Union - Finance (10)	5-10	0	0	0	0	5-10
Eileen Brandreth, IM - Information Communication & Technology	15-20	0	0	0	0	15-20
Professor Elizabeth Treasure, IM - University (12)	0	0	0	0	0	0-5
Professor Gary Baxter, IM - University (12)	0	0	0	0	0	0-5
Margaret McLaughlin, IM - Third (Voluntary) Sector (9)	5-10	0	0	0	0	5-10
Sara Moseley, IM - Third (Voluntary) Sector (10)	5-10	0	0	0	0	5-10
Councillor Susan Elsmore, IM - Local Authority	15-20	0	0	0	0	15-20
Martyn Waygood, IM - Legal (9)	5-10	0	0	0	0	5-10
Michael Imperato, IM - Legal (10)	5-10	0	0	0	0	5-10
Akmal Hanuk, IM - Local Community	15-20	0	0	0	0	15-20
John Antoniazzi, IM - Estates	15-20	0	0	0	0	15-20
Stuart Egan, IM - Trade Union (11)	0	25-30	0	0	0	25-30
Dawn Ward, IM - Trade Union (11)	0	5-10	0	0	0	5-10
Associate Members						
Paula Martyn, Chair, Stakeholder Reference Group	0	0	0	0	0	0
Susan Bailey, Chair, Health Professionals' Forum	0	75-80	0	0	0	75-80
Tony Young, Associate Member - Local Authority	0	0	0	0	0	0
Phil Evans, Associate Member - Local Authority (9)	0	0	0	0	0	0
Lance Carver, 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 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.

Between the 1st of April and the 13th November 2017 Steve Curry was Interim 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'. He was then appointed Chief Operating Officer with effect from 14th November and therefore his remuneration has been shown on one line. For her role as Executive Programme Director Unscheduled Care Alice Casey did not have voting rights from 31st March 2017 and therefore her remuneration for this role is shown within the heading of 'Other Directors'.

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CARDIFF AND VALE UNIVERSITY LOCAL HEALTH BOARD REMUNERATION REPORT 2017-2018

Salaries of Senior Managers

Name and title	31-Mar-2017					
	Salary (bands of £5,000)	Other Remuneration (bands of £5,000)	Bonus Payments (bands of £5,000)	Benefits in kind (Rounded to the nearest £00)	Pension Benefits (Rounded to the nearest £000)	Total (bands of £5,000)
	£000	£000	£000	£00	£000	£000
Cardiff and Vale University Local Health Board						
Officer Members						
Adam Cairns, Chief Executive	125-130	0	0	0	0	125-130
Dr Sharon Hopkins, Interim Chief Executive	65-70	0	0	0	37	100-105
Dr Sharon Hopkins, Executive Director of Public Health	80-85	0	0	0	64	145-150
Ruth Walker, Executive Director of Nursing & Interim Deputy Chief Executive	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	70-75	0	0	0	0	70-75
Alice Casey, Chief Operating Officer	75-80	0	0	0	0	75-80
Steve Curry, Acting Chief Operating Officer	20-25	0	0	0	27	45-50
Robert Chadwick, Executive Director of Finance	160-165	0	0	0	0	160-165
Raj Chiana, Executive Director of Workforce & Organisational Development	95-100	0	0	0	81	175-180
Julie Cassley, Interim Executive Director of Workforce & Organisational Development	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	40-45	0	0	0	28	65-70
Other Directors						
Peter Welsh, Director of Corporate Governance	95-100	0	0	0	10	105-110
Steve Curry, Interim Chief Operating Officer	55-60	0	0	0	77	135-140
Independent Members (IM)						
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	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	0-5	0	0	0	0	0-5
John Antoniazzi, IM - Estates	0-5	0	0	0	0	0-5
Stuart Egan, IM - Trade Union	0	25-30	0	0	0	25-30
Associate Members						
Paula Martyn, Chair, Stakeholder Reference Group	0	0	0	0	0	0
Susan Bailey, Chair, Health Professionals' Forum	0	75-80	0	0	0	75-80
Tony Young, Associate Member - Local Authority	0	0	0	0	0	0
Phil Evans, 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.

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'.

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.

Stuart Egan, Dawn Ward or Susan Bailey are not remunerated as Members of the Board, however they are employees of the UHB and their salary costs are shown in the Other Remuneration column.

The Chief Executive has been paid £13,000 relocation expenses and this amount has been included in the Other Remuneration column for the 2017-18 Remuneration table.

The Director of Corporate Governance was a member of the NHS Wales Lease Car Salary benefit scheme at the beginning of the financial year, 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 2017-18 the amount of £418 swapped for the use of the car has been included in the Salary column.

The Medical Director has joined the UHB's Bike Salary Sacrifice scheme which is open to all UHB Employees. An element of an employee's salary is 'swapped' for the use of a new bicycle. In the Remuneration table for

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2017-18 the amount of £413 swapped for the use of the bike has been included in the Salary column.

5.2 Changes to Board Membership in 2017-18

- (1) **Leonard Richards** commenced as Chief Executive on the 19 June 2017.
- (2) **Sharon Hopkins** ended as Interim Chief Executive on the 18 June 2017, she then reverted to her substantive role as Executive Director of Public Health/Deputy Chief Executive.
- (3) **Ruth Walker** ended as Interim Deputy Chief executive from 18 June 2017.
- (4) **Steve Curry** was Interim Chief Operating Officer until he was appointed permanent Chief Operating Office from the 14 November 2017.
- (5) **Martin Driscoll** commenced 1 October 2017.
- (6) **Julie Cassley** ended as Interim Executive Director of Workforce & Organisational Development on 30 September 2017.
- (7) **Fiona Kinghorn** ended as Interim Executive Director of Public Health on the 16 June 2017.
- (8) **Alice Casey** ended on 31 May 2017.
- (9) **Marcus Longley, Ivar Grey, Margaret McLaughlin and Martin Waygood** ended on 30 September 2017.
- (10) **Charles Janczewski, John Union, Sara Moseley and Michael Imperato** started on 1 October 2017.
- (11) **Stuart Egan** ended 31 December 2017. Dawn Ward started 1 February 2018.
- (12) **Elizabeth Treasure** ended 31 December 2017. Gary Baxter started 1 January 2018.
- (13) **Phil Evans** ended 31 May 2017. Lance Carver started 28 November 2017.

5.3 Remuneration Relationship

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

5.4 Pension Benefits

Name and title	Real increase in pension at pension age (bands of £2,500)	Real increase in pension lump sum at pension age (bands of £2,500)	Total accrued pension at pension age at 31/03/18 (bands of £5,000)	Lump sum at pension age related to accrued pension at 31/03/2018 (bands of £5,000)	Cash Equivalent Transfer Value at 31 March 2018	Cash Equivalent Transfer Value at 31 March 2017	Real increase (decrease) in Cash Equivalent Transfer Value	Employer's contribution to stakeholder pension
	£000	£000	£000	£000	£000	£000	£000	To nearest £100
Leonard Richards, Chief Executive	10-12.5	30-32.5	10-15	30-35	215	-	215	
Dr Sharon Hopkins - Interim Chief Executive / Executive Director of Public Health (Note 2)	NIL	NIL	NIL	NIL	NIL	865	NIL	
Ruth Walker - Executive Director of Nursing & Interim Deputy Chief Executive	0-2.5	2.5-5	50-55	160-165	1067	977	79	
Abigail Harris - Executive Director of Planning	0-2.5	0-2.5	35-40	85-90	580	516	58	
Robert Chadwick - Executive Director of Finance (Note 1)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	
Martin Driscoll - Executive Director of Workforce & Organisational Development	0-2.5	0	0-5	0	13	0	13	
Julie Cassley - Interim Executive Director of Workforce & Organisational Development	0-2.5	2.5-5	15-20	50-55	276	273	32	
Dr Fiona Jenkins, Executive Director of Therapies & Health Science	2.5-5	7.5-10	45-50	145-150	1105	977	118	
Dr Graham Shortland - Executive Medical Director (Note 1)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	
Fiona Kinghorn - Interim Executive Director of Public Health	0-2.5	0-2.5	35-40	90-95	647	565	16	
Peter Welsh - Director of Corporate Governance (Note 3)	0-2.5	2.5-5	45-50	135-140	-	-	-	
Steve Curry - Chief Operating Officer	5-7.5	12.5-15	50-55	135-140	963	794	162	

Note 1 - These individuals chose not to be covered by the NHS Pension arrangement for 2016-2017 and 2017-2018.

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Note 2 - This individual chose not to be covered by the NHS Pension arrangements during 2017-2018.

Note 3 - as this member of the NHS Pensions scheme is over normal pension age for the scheme a CETV Calculation is not applicable for 2016-2017 or 2017-2018. Peter Welsh left the NHS pension scheme during 2017/2018 and has joined the NEST pension scheme (see below). The figures above are for the NHS Pension scheme only.

The UHB is also contributing to the NEST (National Employment Savings Trust) Pension Scheme in respect of Alice Casey and Peter Welsh.

The UHB was unable to obtain pension benefit information from NEST in time for publication, however as the UHB has only paid £65 in Employers Pension Contributions to this scheme for Alice Casey and £339 for Peter Welsh it does not expect the pension benefit would have been material.

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

5.4.1 Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The 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 2017-18

Part 6

Staff Report

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CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2017-18

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 of 31 March 2018 were as follows:

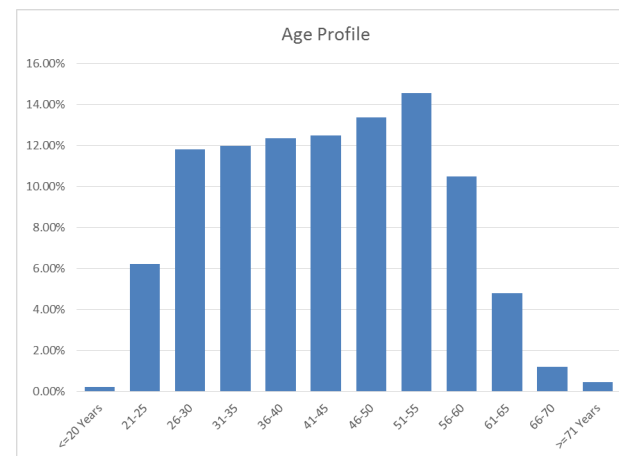
	Female	Male	Total
Director	12	9	21
Manager	147	62	209
Employee	11180	3477	14657
Total	11339	3548	14887

6.2 Staff Composition

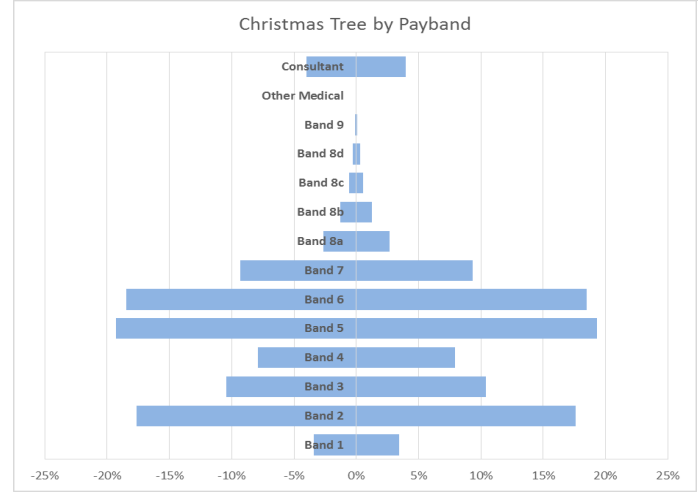
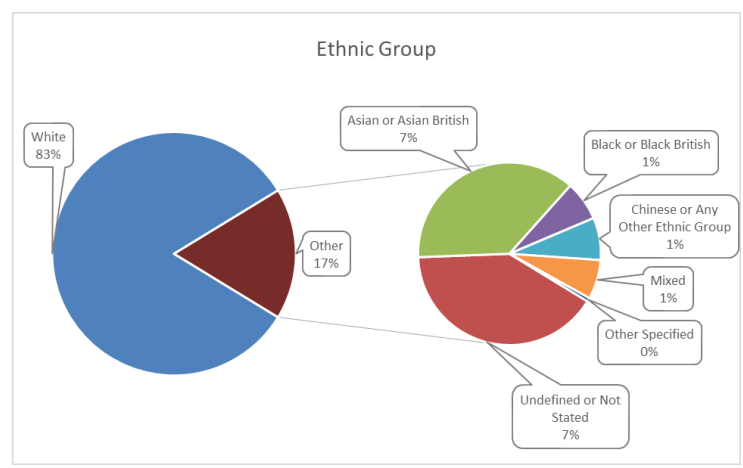
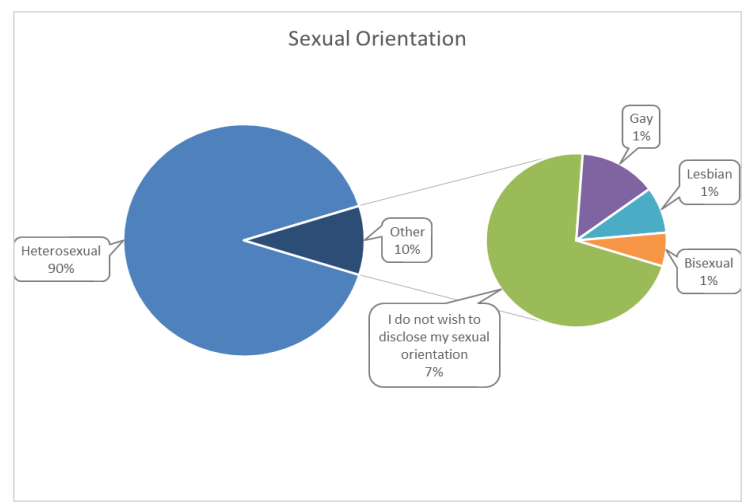
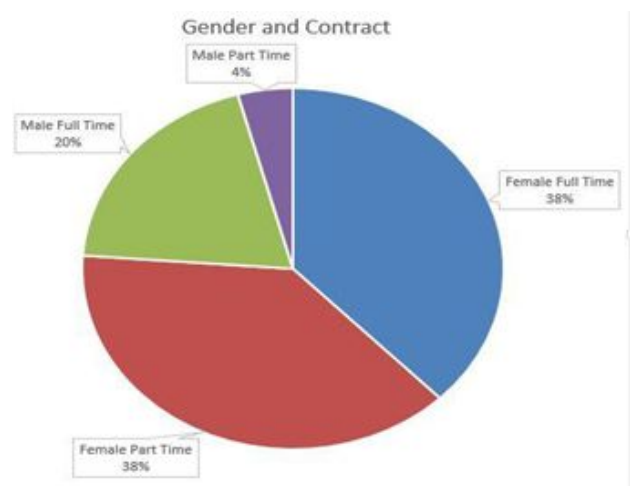
The charts below indicate the following challenges when determining optimal ways to deploy the current and future workforce and how to consider future supply against service priorities:

- The UHB has an aging workforce with the largest age categories being aged 46-50 years and 51-55 years (approximately 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 “Christmas 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.

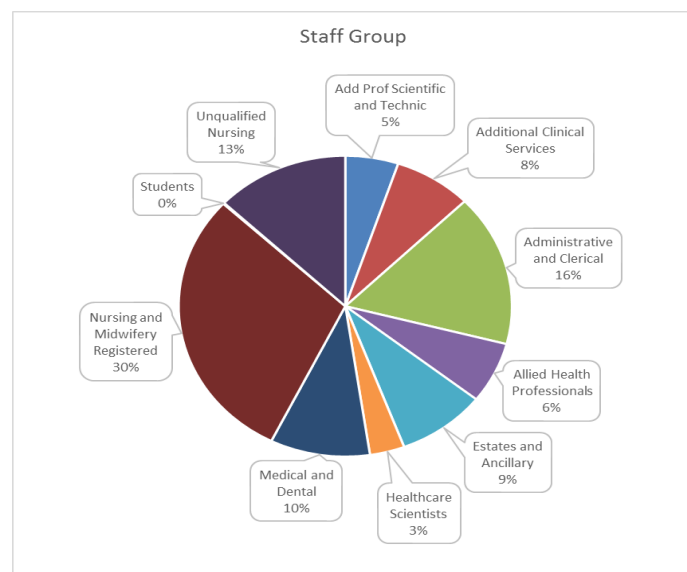
- The majority of the workforce is female (76%) with an even split in this group of full-time (38%) and part-time working (38%). Use of our employment policies, such as the Flexible Working policy, is crucial to retaining talent and keeping staff engaged.
- The majority of the workforce is white (83%) with 10% in Black and Minority Ethnic categories and 7% not stated. The Strategic Equality Plan has a number of actions to continue review of our workforce in this regard to ensure it strives to reflect the local population where relevant e.g. in recruiting practices.
- The nursing and midwifery registered staff and unqualified nursing staff make up 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.



CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2017-18



CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2017-18



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 2018 is 5.07% which is 0.87% above the 2017-18 year-end target of 4.20%.

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 2017-18 were Anxiety/Stress and Musculoskeletal.

The following table provides information on the number of days lost due to sickness during 2016-17 and 2017-18.

	2017-18	2016-17
	Number	Number
Days lost (long term)	162,020	152,338
Days lost (short term)	73,707	72,504
Total days lost	235,727	224,842
Total staff years	12,726	12,592
Average working days lost	11.56	11
Total staff employed in period (headcount)	14,170	14,743
Total staff employed in period with no absence (headcount)	5,248	5,200
Percentage staff with no sick leave	37.04%	37.37%

In 2017-18 the UHB achieved both the Gold and Platinum Corporate Health Standards. Every four years the UHB undergoes an independent assessment to determine whether it is meeting standards set by Welsh Government. The Gold assessment focuses on our internal health and wellbeing activity, and the Platinum assessment reviews the way in which we discharge our corporate social responsibilities.

Since receiving the Corporate Health Standard, the UHB has renewed its commitment to supporting mental health in the workplace and has refreshed its pledge to Mindful Employer. In February 2018 at the request of the Health and Wellbeing Advisory Group, a Time to Change Wales (TTCW) multi-disciplinary subgroup was convened, the aim of which is to develop a TTCW action plan and re-introduce the TTCW agenda and tackle any potential workplace discrimination within the UHB. The Board committed to this at its meeting on 29 March 2018.

CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2017-18

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.

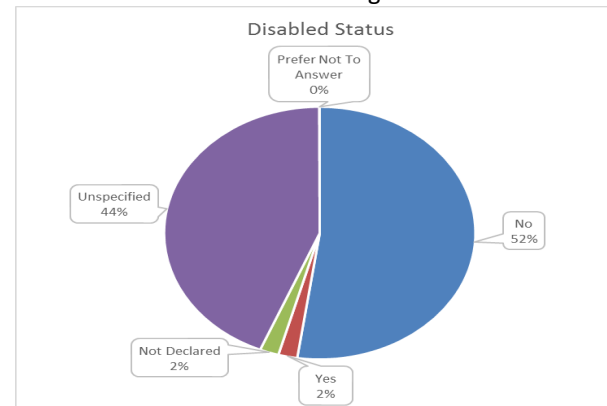
The UHB is committed to equal opportunities in recruitment, and demonstrates this by displaying the Disability Confident symbol (which replaces the ‘two ticks’ scheme) in all adverts, as well as Supporting Age Positive, Mindful Employer and Stonewall Cymru symbols.



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 2018 shows that 1.97% of staff consider themselves to have a disability, but this information is not known for a significant number of staff (45.68%).



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.

CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2017-18

By making reasonable adjustments for staff with disabilities we have been able to retain a number of valued employees in their substantive role. Typical changes include reviewing caseloads, changes to equipment used, purchase of specialist equipment and modifying their workplaces. We have worked with organisations such as Dyslexia Cymru, Access to Work and Sure Trust to support our disabled employees.

6.5 Other Employee Matters

2017-18 is Year 2 of our Strategic Equality Plan (SEP) 'Fair Care' 2016-20. The SEP sets out as plainly as we can the most important outcomes we want to achieve and some of the ways in which we will deliver improvements between April 2016 and March 2020. Communication, respect, access, quality of care and equality of pay are at the heart of this plan.

During the development of the Plan a number of key themes emerged and we have translated them into the following outcomes:

- People are and feel respected; this includes patients, carers and family members as well as staff;
- We communicate with people in ways that meet their needs (whether this is through written communication, face to face, signage, Welsh or other community languages including British Sign Language);
- More people receive care and access services that meet their individual needs;
- Gender and any other protected characteristic pay gaps are reduced.

This second year of the plan emphasised wider leadership and increased ownership of Equality, Diversity and Human Rights issues and saw us shifting efforts towards improved engagement work, working more

closely with patients through regular UHB activity operations. There has been solid progress on the plan over the past six months, mainly around issues of respect (Objective 1), which ties into our values agenda.

In January 2018 the results of the Stonewall Workplace Equality Index were released and the UHB went up over 30 places to achieve 51st place in the rankings. The network has been running since 2013 and the work we have achieved is shown by retaining our place in the top 100 for three years in a row. The UHB remains one of the two top health and social care organisations in Wales and is ranked joint second in the UK. It is in the Top 5 of all Welsh organisations named in the Index.

The UHB endeavours to communicate regularly and meaningfully with its staff through their managers and through the recognised staff organisations. Staff are encouraged to give their views and feedback to their appropriate manager, either personally or through the representative of the appropriate recognised staff organisation. Where members of staff have concerns they can raise them through the processes set out in the All-Wales Procedure for NHS Staff to Raise Concerns, the Freedom to Speak Up Helpline or, if they relate to patient safety, they can also contact the UHB Chair directly through the 'Safety Valve' system.

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

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

CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2017-18

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

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

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

Performance management and talent development were integral parts of our recruitment and retention plans for 2017-18. An action plan that drew upon the national work on talent development and succession planning was developed to ensure our local plan was built upon. Areas of focus included: recruiting talent; identifying and retaining talent; deploying talent; and succession planning. Outcomes include: a values-based recruitment process; a promotional plan for the UHB; an increase in our graduate-management scheme places; a post-graduate scheme; a talent-management tool for use across all Clinical Boards and Corporate Departments; a bespoke programme of development for those identified

through the talent management process; and a career-pathway brochure. Benefits will be identified through a reduction in hard-to-fill posts and a reduction in expenditure on interim staffing arrangements.

In 2017-18 we invested in our leadership development programmes to build leadership capability across the UHB, with an increase in the number of programmes being run. We will build on this in 2018-19, with a specific focus on leadership and management development for supervisors, experienced band 5 Nurses and Clinical Directors.

Nurse capability

Within the UHB, newly qualified nurses access an innovative Nurse Foundation Programme (NFP) for the first year of their qualified life. The programme outlines the core knowledge and skills with competences required of them and prepares them to undertake the role of a qualified nurse in their clinical area. The nurses will also offer a support system through a formalised preceptor role. In 2017-18 this programme has continued and been further developed in line with the post career framework and improving quality together will be a focus within the curriculum.

Non-registered nurse capability

In 2017-18 a model for training health care support workers (HCSW) has been developed in the UHB in line with the Welsh Government mandated HCSW skills Career Framework. A careers pathway is now available for HCSW to develop the skills to become a registered nurse either through a flexible route or Open University.

Coaching and mentoring are cornerstones of the leadership and management framework. Investment has been made in the number of coaches and clinical and non-clinical mentors available across the UHB.

CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2017-18

The Performance Appraisal Development Review (PADR) process is an organisational priority and reflects the UHB's commitment to invest in the on-going development of all its staff. This will help to ensure that staff are supported to be effective in their jobs and committed to developing and maintaining high quality services for the public. As part of the Pay Progression Policy, each year annual pay increments will be awarded to staff as a reward for performance. A discussion will take place between the manager and staff member at their annual PADR/ Pay Progression meeting, where performance will be agreed as either satisfactory or unsatisfactory.

The development review process is important as the delivery of high-quality patient care and service delivery critically depends on every member of staff:

- Having a clear understanding of their role and the part they play in their team and organisation;
- Having an agreed set of priorities and objectives for their work;
- Possessing and applying the knowledge and skills they need to perform the role effectively and to achieve their objectives.

Mandatory Training and PADR compliance are monitored monthly to ensure we are moving towards our 85% compliance target.

Health and Safety at Work

The Health and Safety Department reports directly to the Director of Corporate Governance. Its advisory team consists of Head of Health and Safety, Health and Safety Advisers, Environmental Adviser, Assistant Health and Safety Adviser, Manual Handling Advisers, Case Management Team and Trainers.

The Health and Safety Committee is a full Committee of the Board, ensuring robust governance and effective communication within the UHB. The Committee's membership includes Board Members, Management, Safety Specialists and Trade Union/staff representatives.

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

There is both a lead and deputy lead Health and Safety Staff Representative both of whom attend the Committee. All Unions have come together within the last 12 months to raise the profile of Health and Safety within the UHB.

To ensure Health and Safety Representatives participate at every level, the Lead and Deputy Lead Health and Safety Staff Side Representatives will attend the Health and Safety Committee, Operational Health and Safety Group, Personal Safety/Security Strategy Group and the Fire Safety Group.

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

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6.6 Consultancy Expenditure

As disclosed in note 3.3 of its annual accounts, the UHB spent £1.144m on consultancy services in 2017-18, which is a reduction of £1.173m from the amount incurred in 2016-17 which was £2.317m. The main areas of consultancy expenditure in 2017-18 were on research support with Welsh academic institutions and professional tax advice and recovery.

6.7 Tax Assurance for Off-payroll Appointees

For all off-payroll engagements as of 31 March 2018, for more than £245 per day and that last longer than six months.

	Employees engaged via other public sector bodies	Employed for tax and NI purposes only	Other Engagements	Total
No. of existing engagements as of 31 March 2018	50	8	2	60
Of which:				
No. that have existed for less than one year at time of reporting	1	8	0	9
No. that have existed for between one and two years at the time of reporting	3	0	0	3
No. that have existed for between two and three years at the time of reporting	0	0	1	1
No. that have existed for between three and four years at the time of reporting	2	0	0	2
No. that have existed for four or more years at the time of reporting	44	0	1	45

The "other engagements" shown above represent staff employed via recruitment agencies. While the UHB is not responsible for deducting tax and national insurance in respect of these engagements, we have written to the agencies concerned stating that we believe that our relationship

with the staff is one of employment and so they should be paying these employees under deduction of tax and national insurance.

For all new off-payroll engagements, or those that reached six months in duration between 1 April 2017 and 31 March 2018, for more than £245 per day and that last for longer than six months.

	Employees engaged via other public sector bodies	Employed for tax and NI purposes only	Other Engagements	Total
No. of new engagements, or those that reached six months in duration between 1 April 2017 & 31 March 2018	1	14	0	15
of which.....				
No. assessed as caught by IR35	0	14	0	14
No. assessed as not caught by IR35	1	0	0	1
No. engaged directly (via PSC contracted to department) and are on the departmental payroll	0	14	0	14
No. of engagements reassessed for consistency / assurance purposes during the year whom assurance has been requested but not received, and	0	0	0	0
No. of engagements that saw a change to IR35 status following the consistency review	0	0	0	0

While the UHB does not have the contractual right to request assurance that the appropriate tax and national insurance is being deducted in respect of staff supplied by public sector bodies, it has been agreed by the Welsh Government that this assurance can be obtained via written confirmation from the Director of Finance of the public body who is invoicing us for the staff concerned. This has been requested and received for all staff meeting the disclosure criteria in 2017-18.

CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2017-18

For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2017 and 31 March 2018.

	Employees engaged via other public sector bodies	Employed for tax and NI purposes only	Other Engagements	Total
No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	1	0	0	1
No. of individuals that have been deemed "board members, and/or senior officials with significant financial responsibility", during the financial year.	0	0	0	0

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

The person disclosed above was Acting Director of Public Health during 2017-18 and was on secondment during this time from another Welsh NHS Body. Written assurance has been received from this body that they were appropriately deducting tax and national insurance on her salary during this time.

CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2017-18

Part 7

National Assembly for Wales

Accountability and Audit

Report

7.1 Regularity of Expenditure

The UHB has a statutory financial duty to break even over a three year period. Despite increases in Welsh Government funding it has struggled to manage within the resources available. Whilst the UHB managed to break even in 2015-16, it had a deficit in 2016-17 and in 2017-18.

Unfortunately this has led to expenditure of £56.028m incurred in excess of its resource limit over that period and this is deemed to be irregular. The UHB plans to deliver annual improvements in its financial position with the intention of getting back into financial balance as soon as practically possible.

7.2 Fees and charges

The UHB levies charges or fees on its patients in a number of areas. Where the UHB makes such charges or fees, it does so in accordance with relevant Welsh Health Circulars and charging guidance. Charges are generally made on a full cost basis. None of the items for which charges are made are by themselves material to the UHB, however details of some of the larger items (Dental Fees, Private and Overseas Patient income) are disclosed within Note 4 of the Annual Accounts.

7.3 Managing public money

This is the required Statement for Public Sector Information Holders as referenced at 1.2 (page 2) of the Directors' Report. In line with other Welsh NHS bodies, the UHB has developed Standing Financial Instructions which enforce the principles outlined in HM Treasury on Managing Public Money. As a result the UHB should have complied with the cost allocation and charging requirements of this guidance and the UHB has not been made aware of any instances where this has not been done.

CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2017-18

7.4 Material remote contingent liabilities

The UHB has been informed by its legal advisors that £8.375m 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, £8.325m of this figure would be recoverable from the Welsh Risk Pool. Hence the net liability to the UHB regarding these is £0.050m

7.5 Audit Certificate and Report of the Auditor General to the National Assembly for Wales**Report on the audit of the financial statements****Opinion on financial statements**

I certify that I have audited the financial statements of Cardiff and Vale University Local Health Board for the year ended 31 March 2018 under Section 61 of the Public Audit (Wales) Act 2004. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Cash Flow Statement and Statement of Changes in Tax Payers Equity and related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and HM Treasury's Financial Reporting Manual based on International Financial Reporting Standards (IFRSs).

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 as at 31 March 2018 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 opinions

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the Cardiff and Vale University Local Health Board in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

Conclusions relating to going concern

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

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

CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2017-18

Other information

The Chief Executive is responsible for the other information in the annual report and accounts. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

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

Basis for Qualified Opinion on Regularity

Cardiff and Vale University Local Health Board has breached its revenue resource limit by spending £56.028 million over the £2,585 million that it was authorised to spend in the three-year period 2015-16 to 2017-18. This spend constitutes irregular expenditure. Further detail is set out in my Report at page 51.

Qualified Opinion on Regularity

In my opinion, except for the irregular expenditure of £56.028 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.

Report on other requirements**Opinion on other matters**

In my opinion, the part of the remuneration report to be audited has been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by Welsh Ministers. In my opinion, based on the work undertaken in the course of my audit:

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

Matters on which I report by exception

In the light of the knowledge and understanding of the Cardiff and Vale University Local Health Board and its environment obtained in the course of the audit, I have not identified material misstatements in the Foreword and Accountability Report or the Governance Statement.

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

- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns;
- information specified by HM Treasury or Welsh Ministers regarding remuneration and other transactions is not disclosed; or

CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2017-18

- I have not received all the information and explanations I require for my audit.

Please see my Report on page 51.

Responsibilities

Responsibilities of Directors and the Chief Executive for the financial statements

As explained more fully in the Statements of Directors' and Chief Executive's Responsibilities set out on pages 3 to 4, the Directors and the Chief Executive are responsible for the preparation of financial statements which give a true and fair view and for such internal control as the Directors and Chief Executive determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors and Chief Executive are responsible for assessing the Cardiff and Vale University Local Health Board's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material

if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Responsibilities for regularity

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

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

Huw Vaughan Thomas
Auditor General for Wales
6 June 2018

24 Cathedral Road
Cardiff
CF11 9LJ

CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2017-18

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

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

For 2017-18 the Cardiff and Vale University Local Health Board (the LHB) failed to meet both the first and the 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 second three-year period under this duty is 2015-16 to 2017-18, and so it is measured this year for the second 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 £2,585 million by £56.028 million. The LHB therefore did not meet its first financial duty.

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

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 2017-18 if it submitted a 2017-18 to 2019-20 plan approved by its Board to the Welsh Ministers who then approved it by the 30th June 2017.

As shown in Note 2.3 to the Financial Statements, the LHB did not meet its second financial duty to have an approved three-year integrated medium term plan in place for the period 2017-18 to 2019-20.

In September 2016 the Welsh Government placed the LHB in Targeted Intervention. In the absence of an approved integrated medium-term plan, with the agreement of the Welsh Government the LHB has operated under annual planning arrangements. In May 2017 the Board approved the LHB's Annual Operating Plan for 2017-18, which set out a planned annual deficit of £30.9 million. The LHB's actual deficit for 2017-18 was £26.853 million, as shown in Note 2.1 to the Financial Statements.

Huw Vaughan Thomas

Auditor General for Wales

6 June 2018

CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2017-18

Financial Statements

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 October 2009.

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.

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

CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2017-18

**Statement of Comprehensive Net Expenditure
for the year ended 31 March 2018**

	Note	2017-18 £'000	2016-17 £'000
Expenditure on Primary Healthcare Services	3.1	228,347	226,115
Expenditure on healthcare from other providers	3.2	264,950	237,637
Expenditure on Hospital and Community Health Services	3.3	820,035	838,031
		<u>1,313,332</u>	<u>1,301,783</u>
Less: Miscellaneous Income	4	(387,394)	(366,303)
LHB net operating costs before interest and other gains and losses		925,938	935,480
Investment Revenue	5	0	0
Other (Gains) / Losses	6	(7,840)	(52)
Finance costs	7	1,386	1,388
Net operating costs for the financial year		<u>919,484</u>	<u>936,816</u>

See note 2 on page 20 for details of performance against Revenue and Capital allocations.

The notes on pages 6 to 57 form part of these accounts.

Other Comprehensive Net Expenditure

	2017-18 £'000	2016-17 £'000
Net gain / (loss) on revaluation of property, plant and equipment	(6,679)	4,711
Net gain / (loss) on revaluation of intangibles	0	0
Net gain / (loss) on revaluation of available for sale financial assets	0	0
(Gain) / loss on other reserves	499	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>(6,180)</u>	<u>4,711</u>
Total comprehensive net expenditure for the year	<u>925,664</u>	<u>932,105</u>

The Gain on other reserves reflects the adjustment in respect of assets transferred over from Abertawe Bro Morgannwg LHB in year as described in note 34 of these accounts.

CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2017-18

Statement of Financial Position as at 31 March 2018			
		31 March	31 March
		2018	2017
	Notes	£'000	£'000
Non-current assets			
Property, plant and equipment	11	657,424	628,042
Intangible assets	12	2,245	1,601
Trade and other receivables	15	57,469	42,437
Other financial assets	16	0	0
Total non-current assets		717,138	672,080
Current assets			
Inventories	14	15,697	15,129
Trade and other receivables	15	166,189	137,493
Other financial assets	16	0	0
Cash and cash equivalents	17	1,856	881
		183,742	153,503
Non-current assets classified as "Held for Sale"	11	0	1,815
Total current assets		183,742	155,318
Total assets		900,880	827,398
Current liabilities			
Trade and other payables	18	(180,290)	(157,516)
Other financial liabilities	19	0	0
Provisions	20	(120,512)	(102,277)
Total current liabilities		(300,802)	(259,793)
Net current assets/ (liabilities)		(117,060)	(104,475)
Non-current liabilities			
Trade and other payables	18	(9,635)	(10,207)
Other financial liabilities	19	0	0
Provisions	20	(60,471)	(44,615)
Total non-current liabilities		(70,106)	(54,822)
Total assets employed		529,972	512,783
Financed by :			
Taxpayers' equity			
General Fund		417,207	399,057
Revaluation reserve		112,765	113,726
Total taxpayers' equity		529,972	512,783

The financial statements on pages 2 to 5 were approved by the Board on 31st May 2018 and signed on its behalf by:

Signed by:

Len Richards
Chief Executive

Date: 31st May 2018

The notes on pages 6 to 57 form part of these accounts.

CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2017-18

**Statement of Changes in Taxpayers' Equity
For the year ended 31 March 2018**

	General Fund £000s	Revaluation Reserve £000s	Total Reserves £000s
Changes in taxpayers' equity for 2017-18			
Balance at 1 April 2017	399,057	113,726	512,783
Net operating cost for the year	(919,484)	-	(919,484)
Net gain/(loss) on revaluation of property, plant and equipment	0	(6,679)	(6,679)
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	(5,595)	5,595	0
Release of reserves to SoCNE	0	0	0
Transfers to/from LHBS	376	123	499
Total recognised income and expense for 2017-18	(924,703)	(961)	(925,664)
Net Welsh Government funding	942,853	-	942,853
Balance at 31 March 2018	417,207	112,765	529,972

A part of the movement between reserves arises from the UHB's decision to hold its revaluation reserve at a building level for buildings and dwellings (instead of at a site level as had been our previous practice). In line with the recommendation of the NHS Wales Technical Accounting Group, the UHB has calculated the adjustment required on the basis that the change had been applied at the time of the NHS Wales Estate Valuation in April 2012. While the subsequent correction is significant, we do not believe it to be material enough to warrant a prior period adjustment. The adjustment concerned increased the UHB's Revaluation Reserve by £7.043m and reduced its General Fund by the same figure.

The notes on pages 6 to 57 form part of these accounts.

CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2017-18

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

	General Fund £000s	Revaluation Reserve £000s	Total Reserves £000s
Changes in taxpayers' equity for 2016-17			
Balance at 1 April 2016	416,459	109,891	526,350
Net operating cost for the year	(936,816)		(936,816)
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
Total recognised income and expense for 2016-17	(935,940)	3,835	(932,105)
Net Welsh Government funding	918,538		918,538
Balance at 31 March 2017	399,057	113,726	512,783

The notes on pages 6 to 57 form part of these accounts.

Statement of Cash Flows for year ended 31 March 2018

	2017-18 £'000	2016-17 £'000
Cash Flows from operating activities	notes	
Net operating cost for the financial year	(919,484)	(936,816)
Movements in Working Capital	27 (23,495)	(58,237)
Other cash flow adjustments	28 63,623	126,049
Provisions utilised	20 (24,828)	(15,348)
Net cash outflow from operating activities	(904,184)	(884,352)
Cash Flows from investing activities		
Purchase of property, plant and equipment	(45,906)	(35,377)
Proceeds from disposal of property, plant and equipment	9,929	672
Purchase of intangible assets	(1,499)	(505)
Proceeds from disposal of intangible assets	208	0
Payment for other financial assets	0	0
Proceeds from disposal of other financial assets	0	0
Payment for other assets	0	0
Proceeds from disposal of other assets	0	0
Net cash inflow/(outflow) from investing activities	(37,268)	(35,210)
Net cash inflow/(outflow) before financing	(941,452)	(919,562)
Cash Flows from financing activities		
Welsh Government funding (including capital)	942,853	918,538
Capital receipts surrendered	0	0
Capital grants received	0	0
Capital element of payments in respect of finance leases and on-SoFP	(426)	(790)
Cash transferred (to)/ from other NHS bodies	0	0
Net financing	942,427	917,748
Net increase/(decrease) in cash and cash equivalents	975	(1,814)
Cash and cash equivalents (and bank overdrafts) at 1 April 2017	881	2,695
Cash and cash equivalents (and bank overdrafts) at 31 March 2018	1,856	881

The notes on pages 6 to 57 form part of these accounts.

CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2017-18

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

The Cabinet Secretary for Health and Social Services has directed that the financial statements of Local Health Boards (LHB) in Wales shall meet the accounting requirements of the NHS Wales Manual for Accounts. Consequently, the following financial statements have been prepared in accordance with the 2017-18 Manual for Accounts. The accounting policies contained in that manual follow the European Union version of the International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the LHB Manual for Accounts permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the UHB for the purpose of giving a true and fair view has been selected. The particular policies adopted by the UHB are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets and inventories.

1.2 Acquisitions and discontinued operations

Activities are considered to be 'acquired' only if they are taken on from outside the public sector. Activities are considered to be 'discontinued' only if they cease entirely. They are not considered to be 'discontinued' if they transfer from one public sector body to another.

1.3 Income and funding

The main source of funding for the 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 UHB and is not funded directly by the Welsh Government. This includes payment for services uniquely provided by the UHB for the Welsh Government such as funding provided to agencies and non-activity costs incurred by the UHB in its provider role. Income received from UHBs transacting with other UHBs 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.

CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2017-18

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.

Retirement benefit costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

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 UHB 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 UHB'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 UHB has to offer an alternative pensions scheme for employees not eligible to join the NHS Pensions 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 UHB;
- it is expected to be used for more than one financial year;

CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2017-18

- the cost of the item can be measured reliably; and
- the item has cost of at least £5,000; or
- collectively, a number of items have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
- items form part of the initial equipping and setting-up cost of a new building, ward or unit, irrespective of their individual or collective cost.

Where a large asset, for example a building, includes a number of components with significantly different asset lives, the components are treated as separate assets and depreciated over their own useful economic lives.

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 UHB'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 2017-18 a formal revaluation exercise was applied to land and properties. The carrying value of existing assets at that date will be written off over their remaining useful lives and new fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value.

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit should be taken to expenditure.

References in IAS 36 to the recognition of an impairment loss of a revalued asset being treated as a revaluation decrease to the extent that the impairment does not exceed the amount in the revaluation surplus for the same asset, are adapted such that only those impairment losses

CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2017-18

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.

From 2015-16, the UHB 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 FReM, for non-specialised assets in operational use, current value in existing use is interpreted as market value for existing use which is defined in the RICS Red Book as Existing Use Value (EUW).

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 UHB 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 UHB's business

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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 UHB; where the cost of the asset can be measured reliably, and where the cost is at least £5,000.

Intangible assets acquired separately are initially recognised at fair value. Software that is integral to the operating of hardware, for example an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software that is not integral to the operation of hardware, for example application software, is capitalised as an intangible asset. Expenditure on research is not capitalised: it is recognised as an operating expense in the period in which it is incurred. Internally-generated assets are recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use
- the intention to complete the intangible asset and use it
- the ability to use the intangible asset
- how the intangible asset will generate probable future economic benefits
- the availability of adequate technical, financial and other resources to complete the intangible asset and use it
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Measurement

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the criteria above are initially met. Where no internally-generated intangible asset can be recognised, the expenditure is recognised in the period in which it is incurred.

Following initial recognition, intangible assets are carried at fair value by reference to an active market, or, where no active market exists, at amortised replacement cost (modern equivalent assets basis), indexed for relevant price increases, as a proxy for fair value. Internally-developed software is held at historic cost to reflect the opposing effects of increases in development costs and technological advances.

1.8 Depreciation, amortisation and impairments

Freehold land, assets under construction and assets held for sale are not depreciated.

Otherwise, depreciation and amortisation are charged to write off the costs or valuation of property, plant and equipment and intangible non-current assets, less any residual value, over their estimated useful lives, in a manner that reflects the consumption of economic benefits or service potential of the assets. The estimated useful life of an asset is the period over which the UHB expects to obtain economic benefits or service potential from the asset. This is specific to the UHB 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 UHB 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.

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Impairment losses that do not result from a loss of economic value or service potential are taken to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to the SoCNE. Impairment losses that arise from a clear consumption of economic benefit are taken to the SoCNE. The balance on any revaluation reserve (up to the level of the impairment) to which the impairment would have been charged under IAS 36 are transferred to retained earnings.

1.9 Research and Development

Research and development expenditure is charged to operating costs in the year in which it is incurred, except insofar as it relates to a clearly defined project, which can be separated from patient care activity and benefits there from can reasonably be regarded as assured. Expenditure so deferred is limited to the value of future benefits expected and is amortised through the SoCNE on a systematic basis over the period expected to benefit from the project.

1.10 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met when the sale is highly probable, the asset is available for immediate sale in its present condition and management is committed to the sale, which is expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Fair value is open market value including alternative uses.

The profit or loss arising on disposal of an asset is the difference between the sale proceeds and the carrying amount and is recognised in the 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.

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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 UHB net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the UHB'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 UHB has a present legal or constructive obligation as a result of a past event, it is probable that the UHB 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 UHB 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.

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A restructuring provision is recognised when the UHB has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with ongoing activities of the entity.

1.14.1 Clinical negligence and personal injury costs

The Welsh Risk Pool (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 2017-18. The WRP is hosted by Velindre NHS Trust.

1.15 Financial assets

Financial assets are recognised on the Statement of Financial Position when the UHB 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

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effective interest method, less any impairment. Interest is recognised using the effective interest method.

Fair value is determined by reference to quoted market prices where possible, otherwise by valuation techniques.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the net carrying amount of the financial asset.

At the Statement of Financial Position date, the UHB 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 UHB 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.

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1.17 Value Added Tax

Most of the activities of the UHB are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

1.18 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 UHB has no beneficial interest in them. Details of third party assets are given in Note 29 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 UHB accounts for all losses and special payments gross (including assistance from the WRP). The UHB 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 arrangement with Cardiff and The Vale of Glamorgan Local Authorities, as permissible under section 33 of the NHS (Wales) Act 2006 for the operation of a Joint Equipment Store (JES). The purpose of the JES is the provision and delivery of common equipment and consumables to patients which are resident in the localities of the partners to the pooled budget. The pooled budget arrangement became operational from 1st January 2012.

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During 2017-18 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 2017-18 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.

Details of the operational and accounting arrangements in place can be found in Note 32 to these accounts on page 54.

1.22 Critical Accounting Judgements and key sources of estimation uncertainty

In the application of the UHB'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 UHB provides for potential bad debts both as a result of specific disputes and based on historic collectability patterns. As a result of this, the UHB is carrying a bad debt provision of £6.604m re non NHS organisations and a credit note provision of £0.408m 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 UHB has provided for some £168.443m within note 20 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 UHB'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 UHB'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 UHB has reviewed the level of annual leave taken by its staff to March 31st 2018. Based on a sample the UHB has accrued £0.656m re untaken annual leave. This is based on a sample of the leave records of 63% of all UHB staff and reflects the UHB's policy of only allowing annual leave to be carried forward into 2018/19 under exceptional circumstances or when this has been necessary to help the UHB achieve service performance targets.

D) The UHB has estimated a liability of £3.227m in respect of retrospective claims for continuing healthcare funding. The estimated

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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 UHB at the time of these accounts and could be subject to significant change as outcomes are determined. Accordingly the UHB is disclosing a contingent liability of £14.189m in respect of such cases within note 21.1 of these Accounts.

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 31 different wards has now been counted. This represents 813 beds out of a possible 1,867 across the UHB. In this way a figure of £0.681m 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 1st 2010. In 2016/17 a significant exercise was 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 was included within payables in the annual accounts. During 2017/18 some areas of the staff concerned have started to be paid the amounts due. However, as at 31st March 2018, the UHB is still providing for £0.812m in respect of staff who have yet to receive their payment.

H) The UHB has accrued £2.865m for expected back dated Funded Nursing Care Liabilities as a result of the Supreme Court Judgement in August 2017. The UHB feels sufficiently confident over the value of its obligation, the identity of the bodies that the obligation is owed to and that there should not be a significant time period before the obligation is settled to allow this liability to be recorded as an accrual in its accounts as opposed to a provision.

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

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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'.

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 UHBs 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 UHBs 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.

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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 UHBs Statement of Financial Position.

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 intangible assets if they are not realised within twelve months and otherwise as current assets. The asset should be measured initially at

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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.

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

IFRS 14 Regulatory Deferral Accounts

IFRS 15 Revenue from contracts with customers

IFRS 16 Leases

See Note 34 for further information in respect of if IFRS 9 and IFRS 15 had been implemented in 2017-18.

1.29 Accounting standards issued that have been adopted early

During 2017-18 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 April 2014. The Act amended the financial duties of Local Health Boards under section 175 of the National Health Service (Wales) Act 2006. From 1 April 2014 section 175 of the National Health Service (Wales) Act places two financial duties on Local Health Boards.

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- A duty under section 175 (1) to secure that its expenditure does not exceed the aggregate of the funding allotted to it over a period of 3 financial years.
- A duty under section 175 (2A) to prepare a plan in accordance with planning directions issued by the Welsh Ministers, to secure compliance with the duty under section 175 (1) while improving the health of the people for whom it is responsible, and the provision of health care to such people, and for that plan to be submitted to and approved by the Welsh Ministers.

The first assessment of performance against the 3 year statutory duty under section 175 (1) was at the end of 2016-17, being the first 3 year period of assessment.

Welsh Health Circular WHC/2016/054 “Statutory and Financial Duties of Local Health Boards and NHS Trusts” clarifies the statutory financial duties of NHS Wales bodies effective from 2016-17.

2.1 Revenue Resource Performance

	Annual financial performance			
	2015-16	2016-17	2017-18	Total
	£'000	£'000	£'000	£'000
Net operating costs for the year	853,594	936,816	919,484	2,709,894
Less general ophthalmic services expenditure and other non-cash limited expenditure	(24,547)	(21,567)	(19,396)	(65,510)
Less revenue consequences of bringing PFI schemes onto SoFP	(1,028)	(1,028)	(1,028)	(3,084)
Total operating expenses	828,019	914,221	899,060	2,641,300
Revenue Resource Allocation	828,087	884,978	872,207	2,585,272
Under / (over) spend against Allocation	68	(29,243)	(26,853)	(56,028)

Cardiff and Vale University LHB has not met its financial duty to break-even against its Revenue Resource Limit over the 3 years 2015-16 to 2017-18.

The Health Board received £25.389m repayable cash only support in 2017-18. The accumulated cash only support provided to the Health Board by the Welsh Government is £45.524m as at 31 March 2018. The cash only support is provided to assist the Health Board with ensuring payments to staff and suppliers, there is no interest payable on cash only support. Repayment of this cash assistance will be in accordance with the Health Boards future Integrated Medium Term Plan submissions.

2.2 Capital Resource Performance

	2015-16	2016-17	2017-18	Total
	£'000	£'000	£'000	£'000
Gross capital expenditure	41,935	44,061	55,936	141,932
Add: Losses on disposal of donated assets	3	9	0	12
Less: NBV of property, plant and equipment and intangible assets disposed	(33)	(621)	(2,297)	(2,951)
Less: capital grants received	0	0	0	0
Less: donations received	(938)	(1,423)	(6,606)	(8,967)
Charge against Capital Resource Allocation	40,967	42,028	47,033	130,028
Capital Resource Allocation	41,027	42,104	47,121	130,252
(Over) / Underspend against Capital Resource Allocation	60	78	88	226

The UHB met its financial duty to break-even against its Capital Resource Limit over the 3 years 2015-16 to 2017-18.

2.3 Duty to prepare a 3 year plan

The NHS Wales Planning Framework for the period 2017-18 to 2019-20 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 2017-18 to 2019-20 in accordance with NHS Wales Planning Framework.

The Cabinet Secretary for Health and Social Services approval status

2017-18 to 2019-20
Not approved

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The UHB has therefore not met its statutory duty to have an approved financial plan for the period 2017-18 to 2019-20.

In the absence of an approved Integrated Medium Term Plan with the agreement of the Welsh Government, the UHB has operated under an annual operating plan that was approved by the Board in May 2017.

The UHB's Integrated Medium Term Plan was not approved in 2016-17.

3. Analysis of gross operating costs

3.1 Expenditure on Primary Healthcare Services				
	Cash	Non-cash	2017-18	2016-17
	limited	limited	Total	
	£'000	£'000	£'000	£'000
General Medical Services	72,250		72,250	72,499
Pharmaceutical Services	21,682	14,222	35,904	38,185
General Dental Services	31,854		31,854	31,646
General Ophthalmic Services	1,799	5,174	6,973	5,139
Other Primary Health Care expenditure	7,160		7,160	4,530
Prescribed drugs and appliances	74,206		74,206	74,116
Total	208,951	19,396	228,347	226,115

The Total expenditure above includes £13.208m in respect of staff costs (£11.860m 2016-17).

In 2017-18 other Primary Care expenditure was netted down by £2.955m re retrospective rate rebates on GP surgeries (£5.997m 2016-17).

3.2 Expenditure on healthcare from other providers				2017-18	2016-17
				£'000	£'000
Goods and services from other NHS Wales Health Boards				25,866	25,707
Goods and services from other NHS Wales Trusts				25,366	22,954
Goods and services from other non Welsh NHS bodies				1,433	1,307
Goods and services from WHSSC / EASC				119,424	110,635
Local Authorities				5,666	5,143
Voluntary organisations				7,810	7,580
NHS Funded Nursing Care				10,811	7,776
Continuing Care				55,920	47,414
Private providers				12,654	9,121
Specific projects funded by the Welsh Government				0	0
Other				0	0
Total				264,950	237,637

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3.3 Expenditure on Hospital and Community Health Services			2017-18	2016-17
			£'000	£'000
Directors' costs			2,182	2,187
Staff costs			575,399	561,771
Supplies and services - clinical			165,455	164,238
Supplies and services - general			6,108	7,431
Consultancy Services			1,144	2,317
Establishment			10,650	12,068
Transport			642	574
Premises			29,831	31,881
External Contractors			0	0
Depreciation			25,686	24,649
Amortisation			658	635
Fixed asset impairments and reversals (Property, plant & equipment)			(7,033)	26,673
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			(56)	0
Audit fees			451	411
Other auditors' remuneration			8	5
Losses, special payments and irrecoverable debts			5,391	4,915
Research and Development			0	0
Other operating expenses			3,519	(1,724)
Total			820,035	838,031

3.4 Losses, special payments and irrecoverable debts:			2017-18	2016-17
charges to operating expenses			£'000	£'000
Increase/(decrease) in provision for future payments:				
Clinical negligence			51,613	83,835
Personal injury			1,649	598
All other losses and special payments			180	756
Defence legal fees and other administrative costs			1,028	1,353
Gross increase/(decrease) in provision for future payments			54,470	86,542
Contribution to Welsh Risk Pool			0	0
Premium for other insurance arrangements			0	0
Irrecoverable debts			1,834	1,251
Less: income received/due from Welsh Risk Pool			(50,913)	(82,878)
Total			5,391	4,915

Personal injury includes £972k (2016-17 £396k) in respect of permanent injury benefits.

Clinical Redress expenditure during the year was £608k in respect of 60 cases (2016-17 £250k re 27 cases).

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4. Miscellaneous Income

	2017-18	2016-17
	£'000	£'000
Local Health Boards	69,442	70,788
WHSSC /EASC	204,324	190,724
NHS trusts	4,745	3,695
Other NHS England bodies	5,540	5,751
Foundation Trusts	69	71
Local authorities	8,824	8,218
Welsh Government	2,668	2,172
Non NHS:		
Prescription charge income	95	149
Dental fee income	5,739	5,659
Private patient income	831	1,016
Overseas patients (non-reciprocal)	91	90
Injury Costs Recovery (ICR) Scheme	2,748	3,081
Other income from activities	2,051	1,952
Patient transport services	0	0
Education, training and research	46,752	46,306
Charitable and other contributions to expenditure	2,686	1,979
Receipt of donated assets	6,606	1,423
Receipt of Government granted assets	0	0
Non-patient care income generation schemes	1,880	1,603
NWSSP	0	0
Deferred income released to revenue	243	210
Contingent rental income from finance leases	0	0
Rental income from operating leases	0	0
Other income:		
Provision of laundry, pathology, payroll services	6,238	6,095
Accommodation and catering charges	2,344	2,109
Mortuary fees	326	332
Staff payments for use of cars	0	0
Business Unit	0	0
Other	13,152	12,880
Total	387,394	366,303

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	4,209	4,015
Creche Fees	658	681
Site User Facilities SLAs & Pass through costs	521	640
Pharmacy sales	1,751	1,430
Equipment Evaluation Income	737	746
NHS Non Patient Care Income	2,029	1,670
Total	9,905	9,182

5. Investment Revenue

	2017-18	2016-17
	£000	£000
Rental revenue :		
PFI Finance lease income		
planned	0	0
contingent	0	0
Other finance lease revenue	0	0
Interest revenue :		
Bank accounts	0	0
Other loans and receivables	0	0
Impaired financial assets	0	0
Other financial assets	0	0
Total	0	0

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6. Other gains and losses

	2017-18	2016-17
	£000	£000
Gain/(loss) on disposal of property, plant and equipment	244	(11)
Gain/(loss) on disposal of intangible assets	0	0
Gain/(loss) on disposal of assets held for sale	7,596	63
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
Total	7,840	52

7. Finance costs

	2017-18	2016-17
	£000	£000
Interest on loans and overdrafts	0	0
Interest on obligations under finance leases	10	21
Interest on obligations under PFI contracts		
main finance cost	1,303	1,317
contingent finance cost	0	0
Interest on late payment of commercial debt	1	0
Other interest expense	0	0
Total interest expense	1,314	1,338
Provisions unwinding of discount	72	50
Other finance costs	0	0
Total	1,386	1,388

8. Operating leases**LHB as lessee**

As at 31st March 2018 the UHB had 23 operating leases agreements in place for the leases of premises, 1 arrangement in respect of equipment and 50 in respect of vehicles, with 2 premises, 1 equipment and 14

vehicle leases having expired in year.

The periods in which the remaining 74 agreements expire are shown below:

Payments recognised as an expense	2017-18	2016-17		
	£000	£000		
Minimum lease payments	1,566	1,308		
Contingent rents	0	0		
Sub-lease payments	0	0		
Total	1,566	1,308		
Total future minimum lease payments				
Payable	£000	£000		
Not later than one year	1,388	1,367		
Between one and five years	3,043	3,019		
After 5 years	2,621	3,128		
Total	7,052	7,514		
Number of operating leases expiring	Land & Buildings	Vehicles	Equipment	Total
Not later than one year	0	4	1	5
Between one and five years	9	46	0	55
After 5 years	14	0	0	14
Total	23	50	1	74
Charged to the income statement (£000)	1,169	209	6	1,384

There are no future sublease payments expected to be received.

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LHB as lessor

Rental revenue	£000	£000
Rent	0	0
Contingent rents	0	0
Total revenue rental	0	0

Total future minimum lease payments	£000	£000
Receivable	£000	£000
Not later than one year	0	0
Between one and five years	0	0
After 5 years	0	0
Total	0	0

9. Employee benefits and staff numbers

9.1 Employee costs	Permanent Staff	Staff on Inward Secondment	Agency Staff	Other Staff	Total	2016-17
	£000	£000	£000	£000	£000	£000
Salaries and wages	469,883	2,101	8,728	9,586	490,298	478,499
Social security costs	44,141	0	0	0	44,141	43,068
Employer contributions to NHS Pension Scheme	56,817	0	0	0	56,817	54,704
Other pension costs	35	0	0	0	35	27
Other employment benefits	0	0	0	0	0	0
Termination benefits	154	0	0	0	154	334
Total	571,030	2,101	8,728	9,586	591,445	576,632
Charged to capital					913	833
Charged to revenue					590,532	575,799
					591,445	576,632
Net movement in accrued employee benefits (untaken staff leave accrual included above)					(253)	49

9.2 Average number of employees	Permanent Staff	Staff on Inward Secondment	Agency Staff	Other Staff	Total	2016-17
	Number	Number	Number	Number	Number	Number
Administrative, clerical and board members	1,981	8	5	12	2,006	1,940
Medical and dental	1,292	13	3	47	1,355	1,370
Nursing, midwifery registered	3,769	2	103	2	3,876	3,843
Professional, Scientific, and technical staff	581	2	0	13	596	572
Additional Clinical Services	2,444	0	13	0	2,457	2,463
Allied Health Professions	796	2	5	25	828	820
Healthcare Scientists	463	0	5	3	471	465
Estates and Ancillary	1,083	0	12	0	1,095	1,094
Students	11	0	0	0	11	10
Total	12,420	27	146	102	12,695	12,577

9.3. Retirements due to ill-health

During 2017-18 there were 20 early retirements from the UHB agreed on the grounds of ill-health (17 in 2016-17 - £1,038,219). The estimated additional pension costs of these ill-health retirements (calculated on an average basis and borne by the NHS Pension Scheme) will be £1,142,043.

9.4 Employee benefits

The UHB does not have an employee benefit scheme.

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9.5 Reporting of other compensation schemes - exit packages

Exit packages cost band (including any special payment element)	2017-18	2017-18	2017-18	2017-18	2016-17 restated
	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	1	1	1	2
£10,000 to £25,000	0	2	2	2	7
£25,000 to £50,000	0	1	1	1	3
£50,000 to £100,000	1	0	1	0	1
£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
Total	1	4	5	4	13

Exit packages cost band (including any special payment element)	2017-18	2017-18	2017-18	2017-18	2016-17 restated
	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	528	528	528	16,565
£10,000 to £25,000	0	46,402	46,402	46,402	134,018
£25,000 to £50,000	0	35,578	35,578	35,578	114,854
£50,000 to £100,000	71,156	0	71,156	0	66,829
£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
Total	71,156	82,508	153,664	82,508	332,266

Redundancy costs have been paid in accordance with the NHS Redundancy provisions, other departure costs have been paid in accordance with the provisions of the NHS Voluntary Early Release

Scheme (VERS). Where the 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 pensions scheme and are not included in the table.

In 2017/2018 the guidance for reporting exit packages has changed from reporting the number and value of exit packages taken by staff leaving in the year, to reporting the number and value of exit packages agreed in year. 2016/2017 figures have been re-stated in accordance with the new guidance.

All 4 special payments are severance payments, the highest payment was £35,578, the lowest payment was £528 and the median payment was for £23,201.

9.6 Remuneration Relationship

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in the UHB in the financial year 2017-18 was £210,000 - £215,000 (2016-17, £210,000 - £215,000). This was 7.47 times (2016-17 (Restated), 7.52) the median remuneration of the workforce, which was £28,535 (2016-17 (Restated), £28,245). In both 2017-18 and 2016-17 the highest paid director was the Medical Director.

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	2017-18	2016-17 Restated
Band of Chief Executive Remuneration	200-205	185-190
Median Total Remuneration £	28,435	28,245
Ratio	7.12	6.64
Band of Highest Paid Director's Remuneration	210-215	210-215
Median Total Remuneration £	28,435	28,245
Ratio	7.47	7.52

The banded remuneration for the Chief Executive (CEO) has increased as the UHB has appointed a CEO during 2017/2018. In 2016/2017 the CEO remuneration figure shown above was the salary earned by the Interim CEO during her tenure extrapolated to a full year cost. The lower remuneration of the Interim CEO was a significant factor in the lower pay ratio of 6.64 for 2016-17.

In 2017-18, 3 (2016-17, 4) employees received remuneration in excess of the highest-paid director. Remuneration for these staff ranged from £215,000 to £235,000 (2016-17 £210,000 to £245,000). All three 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. During 2016-17 the UHB did not have the relevant information to include agency staff in the calculation, the UHB now has that information and the 2017/2018 figures include agency staff, the comparatives for 2016/2017 have also been restated to include this information. The guidance also suggests that this information should include benefits-in-kind, 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.

9.7 Pension costs

Past and present employees are covered by the provisions of the two NHS Pension Schemes. Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. 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. 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

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of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and is accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2018, is based on valuation data as 31 March 2017, updated to 31 March 2018 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FRM interpretations, and the discount rate prescribed by HM Treasury have also been used.

The latest assessment of the liabilities of the scheme is contained in the report of the scheme actuary, which forms part of the annual NHS Pension Scheme Accounts. These accounts can be viewed on the NHS Pensions website and are published annually. Copies can also be obtained from The Stationery Office.

b) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the schemes (taking into account recent demographic experience), and to recommend contribution rates payable by employees and employers.

The 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 employee and employer representatives as deemed appropriate.

The next actuarial valuation is to be carried out as at 31 March 2016 and is currently being prepared. The direction assumptions are published by

HM Treasury which are used to complete the valuation calculations, from which the final valuation report can be signed off by the scheme actuary. 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's a non-departmental public body (NDPB) that operates at arm's length from government and is accountable to Parliament through the Department for Work and Pensions (DWP).

NEST Corporation has agreed a loan with the Department for Work and Pensions (DWP). This has paid for the scheme to be set up and will cover expected shortfalls in scheme costs during the earlier years while membership is growing.

NEST Corporation aims for the scheme to become self-financing while providing consistently low charges to members.

Using qualifying earnings to calculate contributions, currently the legal minimum level of contributions is 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 due to increase to 8% in April 2019.

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The earnings band used to calculate minimum contributions under existing legislation is called qualifying earnings. Qualifying earnings are currently those between £5,876 and £45,000 for the 2017-18 tax year (2016-17 £5,824 and £43,000).

Restrictions on the annual contribution limits were removed on 1st April 2017.

10. Public Sector Payment Policy – Measure of Compliance

10.1 Prompt payment code – measure of compliance

The Welsh Government requires that Health Boards pay all their trade creditors in accordance with the CBI prompt payment code and Government Accounting rules. The Welsh Government has set as part of the Health Board financial targets a requirement to pay 95% of the number of non-NHS creditors within 30 days of delivery.

The figures for 2017-18 and 2016-17 exclude both the number and value of non-NHS bills paid to primary care services and contractor services.

	2017-18	2017-18	2016-17	2016-17
NHS	Number	£000	Number	£000
Total bills paid	6,889	219,335	6,648	216,435
Total bills paid within target	5,056	208,588	3,968	197,973
Percentage of bills paid within target	73.4%	95.1%	59.7%	91.5%
Non-NHS				
Total bills paid	271,953	534,405	275,431	520,263
Total bills paid within target	250,865	505,636	258,984	492,463
Percentage of bills paid within target	92.2%	94.6%	94.0%	94.7%
Total				
Total bills paid	278,842	753,740	282,079	736,698
Total bills paid within target	255,921	714,224	262,952	690,436
Percentage of bills paid within target	91.8%	94.8%	93.2%	93.7%

The above performance was achieved after the UHB received £26.988m of non-recurrent cash support from WG. £25.389m of this is repayable.

10.2 The Late Payment of Commercial Debts (Interest) Act 1998

	2017-18	2016-17
	£	£
Amounts included within finance costs (note 7) from claims made under this legislation	340	138
Compensation paid to cover debt recovery costs under this legislation	197	0
Total	537	138

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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
Cost or valuation at 1 April 2017	127,304	512,382	5,553	6,479	111,874	937	19,400	180	784,109
Indexation	0	0	0	0	0	0	0	0	0
Additions									
- purchased	0	10,802	0	21,706	13,507	0	1,816	0	47,831
- donated	0	5,945	0	0	591	0	59	0	6,595
- government granted	0	0	0	0	0	0	0	0	0
Transfer from/into other NHS bodies	110	396	0	0	0	0	0	0	506
Reclassifications	0	7,674	(130)	(7,544)	0	0	0	0	0
Revaluations	(23,560)	0	(1,336)	0	0	0	0	0	(24,896)
Reversal of impairments	0	(17,072)	0	0	0	0	0	0	(17,072)
Impairments	(519)	(23,972)	0	0	0	0	0	0	(24,491)
Reclassified as held for sale	(280)	0	0	0	0	0	0	0	(280)
Disposals	0	0	0	0	(5,496)	(67)	(2,609)	0	(8,172)
At 31 March 2018	103,055	496,155	4,087	20,641	120,476	870	18,666	180	764,130
Depreciation at 1 April 2017	0	65,449	795	0	74,824	858	13,961	180	156,067
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	6	(6)	0	0	0	0	0	0
Revaluations	0	(17,423)	(794)	0	0	0	0	0	(18,217)
Reversal of impairments	0	(34,704)	0	0	0	0	0	0	(34,704)
Impairments	0	(14,004)	0	0	0	0	0	0	(14,004)
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	(5,446)	(67)	(2,609)	0	(8,122)
Provided during the year	0	15,034	108	0	8,336	33	2,175	0	25,686
At 31 March 2018	0	14,358	103	0	77,714	824	13,527	180	106,706
Net book value at 1 April 2017	127,304	446,933	4,758	6,479	37,050	79	5,439	0	628,042
Net book value at 31 March 2018	103,055	481,797	3,984	20,641	42,762	46	5,139	0	657,424
Net book value at 31 March 2018 comprises :									
Purchased	103,055	465,566	3,984	20,641	38,744	46	5,021	0	637,057
Donated	0	16,231	0	0	4,018	0	118	0	20,367
Government Granted	0	0	0	0	0	0	0	0	0
At 31 March 2018	103,055	481,797	3,984	20,641	42,762	46	5,139	0	657,424
Asset financing :									
Owned	95,525	443,768	2,925	20,641	42,486	46	5,139	0	610,530
Held on finance lease	0	1,485	0	0	276	0	0	0	1,761
On-SoFP PFI contracts	7,530	36,544	1,059	0	0	0	0	0	45,133
PFI residual interests	0	0	0	0	0	0	0	0	0
At 31 March 2018	103,055	481,797	3,984	20,641	42,762	46	5,139	0	657,424
The net book value of land, buildings and dwellings at 31 March 2018 comprises :									
									£000
Freehold									542,218
Long Leasehold									21,330
Short Leasehold									25,288
									588,836

The land and buildings were revalued by the Valuation Office Agency with an effective date of 1st April 2017. The valuation has been prepared in accordance with the terms of the Royal Institute of Chartered Surveyors Valuation Standards, 6th Edition. LHBs are required to apply the revaluation model set out in IAS 16 and value its capital assets to fair value. Fair value is defined by IAS 16 as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. This has been undertaken on the assumption that the property is sold as part of the continuing enterprise in occupation.

Of the totals at 31st March 2018, £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: Rookwood Hospital which has been earmarked for closure, £0.562m.

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	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
Cost or valuation at 1 April 2016	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)
At 31 March 2017	127,304	512,382	5,553	6,479	111,874	937	19,400	180	784,109
Depreciation at 1 April 2016	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	(1,258)	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
At 31 March 2017	0	65,449	795	0	74,824	858	13,961	180	156,067
Net book value at 1 April 2016	122,948	384,621	4,917	82,328	32,365	137	4,697	0	632,013
Net book value at 31 March 2017	127,304	446,933	4,758	6,479	37,050	79	5,439	0	628,042
Net book value at 31 March 2017 comprises :									
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
At 31 March 2017	127,304	446,933	4,758	6,479	37,050	79	5,439	0	628,042
Asset financing :									
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
At 31 March 2017	127,304	446,933	4,758	6,479	37,050	79	5,439	0	628,042
The net book value of land, buildings and dwellings at 31 March 2017 comprises :									
									£000
Freehold									536,537
Long Leasehold									16,877
Short Leasehold									25,581
									578,995

Of the totals at 31st 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.

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Additional disclosures re Property, Plant and Equipment

i) Donated additions 2017/2018

Of the donated additions shown in Note 11.1, £5.500m relates to the contribution by the Ronald McDonald House Charity towards the cost of building accommodation to facilitate the stay of parents whose children are patients of the Noah's Ark Children's Hospital for Wales. The Noah's Ark Charity also funded £0.630m of equipment for the Children's Hospital. The UHB's Charitable Fund contributed £0.260m towards the purchase of building and equipment during the year. Other donors funded building costs & equipment worth £0.205m.

ii) Professional valuations are carried out by the District Valuer Service (which as the commercial arm of the Valuation Office Agency, is part of HMRC). The valuations are carried out in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Assembly and HM Treasury.

During the year the Welsh Government has commissioned the District Valuer Service to provide a valuation of the entire Welsh NHS Estate, the UHB's estate was revalued as at 1st April 2017 and the effect is included in the Statement of Financial Position values as at 31st March 2018. The valuation has been prepared in accordance with the terms of the Royal Institute of Chartered Surveyors Valuation Standards, 6th Edition. LHBS are required to apply the revaluation model set out in IAS 16 and value its capital assets to fair value. Fair value is defined by IAS 16 as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. This has been undertaken on the assumption that the property is sold as part of the continuing enterprise in occupation.

As part of the revaluation as at 1st of April the value of the UHB Estate increased by £7.428m of which: upward revaluations set against reserves were £20.433m, downward revaluations (Impairments) set against reserves were (£27.163m), impairments written off via the Statement of Comprehensive Net Expenditure (SoCNE) were (£3.474m) and reversals of Impairments set against the SoCNE in prior periods were £17.632m. The impairment figure of (£3.474m) includes (£0.056m) impairment relating to a property held for sale and this figure is shown in note 11.2 (see note (v) below).

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 7 such revaluations the total effect of which were:

- Impairments written off via the Statement of Comprehensive Net Expenditure (SoCNE) were (£6.572m).

The significant schemes brought into use were:

- UHW Ronald McDonald House (£2.479m) was written off the carrying value via the SoCNE.
- UHL Modular Theatre (£1.196m) was written off the carrying value via the SoCNE.
- UHW Ward Block B (£1.005m) was written off the carrying value via the SoCNE.
- In addition four minor schemes were brought into use and (£1.892m) 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

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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 impairment to assets charged to the SoCNE and this Allocation is included in our Revenue Resource Limit.

v) During the year the Board approved the sale of one of its properties, this property has been revalued accordingly by the District Valuer and an impairment of (£0.497m) has been charged to the SoCNE, see Note 11.2 for further detail. The valuation of the estate as at 1st April 2017 resulted in an impairment of (£0.056m) on a property already held for sale, this impairment figure is included in Note 11.2.

vi) Transfers of Land & Buildings within NHS Wales. On the 1st of April 2017 Abertawe Bro Morgannwg University Health Board (ABMU) transferred Llantwit Major Health Clinic to the UHB. As ABMU is inside the whole of government boundary this transaction is shown within the Transfers from other NHS Bodies line in Note 11.1.

vii) 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
Balance brought forward 1 April 2017	1,815	0	0	0	0	1,815
Plus assets classified as held for sale in the year	280	0	0	0	0	280
Revaluation	0	0	0	0	0	0
Less assets sold in the year	(2,039)	0	0	0	0	(2,039)
Add reversal of impairment of assets held for sale	0	0	0	0	0	0
Less impairment of assets held for sale	(56)	0	0	0	0	(56)
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	0
Balance carried forward 31 March 2018	0	0	0	0	0	0
Balance brought forward 1 April 2016	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
Balance carried forward 31 March 2017	1,815	0	0	0	0	1,815

Assets sold in the period

The UHB sold three properties in 2017/2018 - a profit of £7.596m was made on the sales.

Assets classified as held for sale during the year

As mentioned on page 35 during 2017/18, the UHB obtained the appropriate approvals to sell one of its properties, the property was classified as held for sale and was sold during the year.

At the time the property was classified as Held for Sale it was revalued appropriately and any adjustments for this property has been included in Note 11.1

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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
Cost or valuation at 1 April 2017	5,203	0	112	0	0	0	5,315
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	852	0	0	0	0	573	1,425
Additions- internally generated	0	0	0	0	74	0	74
Additions- donated	11	0	0	0	0	0	11
Additions- government granted	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0
Disposals	(212)	0	0	0	0	(208)	(420)
Gross cost at 31 March 2018	5,854	0	112	0	74	365	6,405
Amortisation at 1 April 2017	3,677	0	37	0	0	0	3,714
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	620	0	38	0	0	0	658
Reclassified as held for sale	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0
Disposals	(212)	0	0	0	0	0	(212)
Amortisation at 31 March 2018	4,085	0	75	0	0	0	4,160
Net book value at 1 April 2017	1,526	0	75	0	0	0	1,601
Net book value at 31 March 2018	1,769	0	37	0	74	365	2,245
At 31 March 2018							
Purchased	1,643	0	37	0	0	365	2,045
Donated	126	0	0	0	0	0	126
Government Granted	0	0	0	0	0	0	0
Internally generated	0	0	0	0	74	0	74
Total at 31 March 2018	1,769	0	37	0	74	365	2,245

	Software (purchased)	Software (internally generated)	Licences and trademarks	Patents	Development expenditure- internally generated	Carbon Reduction Commitments	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2016	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)
Gross cost at 31 March 2017	5,203	0	112	0	0	0	5,315
Amortisation at 1 April 2016	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)
Amortisation at 31 March 2017	3,677	0	37	0	0	0	3,714
Net book value at 1 April 2016	1,546	0	112	0	0	0	1,658
Net book value at 31 March 2017	1,526	0	75	0	0	0	1,601
At 31 March 2017							
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
Total at 31 March 2017	1,526	0	75	0	0	0	1,601

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Additional disclosures re Intangible Assets

i) On initial recognition Intangible non-current assets are measured at cost. Following initial recognition, intangible assets are carried at fair value by reference to an active market, or, where no active market exists, at amortised replacement cost (modern equivalent asset basis), indexed for relevant price increases, as a proxy for fair value.

ii) The useful economic life of Intangible non-current assets are assigned on an individual basis based on the professional judgement and past experience of clinicians, finance staff and other UHB professionals. The appropriateness of these lives is reviewed on an annual basis.

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

iv) The UHB's Charitable Fund contributed £0.011m to the purchase of intangible assets during the year.

13. Impairments

	2017-18		2016-17	
	Property, plant & equipment	Intangible assets	Property, plant & equipment	Intangible assets
	£000	£000	£000	£000
Impairments arising from :				
Loss or damage from normal operations	0	0	0	0
Abandonment in the course of construction	0	0	0	0
Over specification of assets (Gold Plating)	0	0	0	0
Loss as a result of a catastrophe	0	0	0	0
Unforeseen obsolescence	0	0	0	0
Changes in market price	30,637	0	0	0
Others (specify)	7,069	0	26,673	0
Reversal of impairments	(17,632)	0	0	0
Total of all impairments	20,074	0	26,673	0
Analysis of impairments charged to reserves in year :				
Charged to the Statement of Comprehensive Net Expenditure	(7,089)	0	26,673	0
Charged to Revaluation Reserve	27,163	0	0	0
	20,074	0	26,673	0

During the year the Welsh Government has commissioned the District Valuer Service to provide a valuation of the entire Welsh NHS Estate, the UHB's estate was revalued as at 1st April 2017 and the effect is included in the Statement of Financial Position values as at 31st March 2018.

As part of the revaluations as at 1st of April the value of the UHB Estate increased by £7.428m of which: upward revaluations set against reserves were £20.433m, downward revaluations (Impairments) set against reserves were (£27.163m), impairments written off via the Statement of Comprehensive Net Expenditure (SoCNE) were (£3.474m) and reversals of Impairments set against the SoCNE in prior periods were £17.632m. The impairment figure of (£3.474m) includes (£0.056m) impairment relating to a property held for sale and this figure is shown in note 11.2.

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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 7 such revaluations the total effect of which were:

- Impairments written off via the Statement of Comprehensive Net Expenditure (SoCNE) were (£6.572m).
- The significant schemes brought into use were:
- UHW Ronald McDonald House (£2.479m) was written off the carrying value via the SoCNE.
- UHL Modular Theatre (£1.196m) was written off the carrying value via the SoCNE.
- UHW Ward Block B (£1.005m) was written off the carrying value via the SoCNE.
- In addition four minor schemes were brought into use and (£1.892m) was written off the carrying value via the SoCNE.

During the year the UHB has received Non Cash Allocation from the Welsh Government for impairment to assets charged to the SoCNE and this Allocation is included in our Revenue Resource Limit.

During the year the Board approved the sale of one of its properties, this property has been revalued accordingly by the District Valuer and an impairment of (£0.497m) has been charged to the SoCNE, see Note 11.2 for further detail.

14. Inventories

14.1 Inventories		31 March	31 March
		2018	2017
		£000	£000
Drugs		4,541	4,214
Consumables		11,094	10,867
Energy		62	48
Work in progress		0	0
Other		0	0
Total		15,697	15,129
Of which held at realisable value		0	0

14.2 Inventories recognised in expenses		31 March	31 March
		2018	2017
		£000	£000
Inventories recognised as an expense in the period		1,898	2,112
Write-down of inventories (including losses)		61	72
Reversal of write-downs that reduced the expense		0	0
Total		1,959	2,184

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15. Trade and other Receivables

Current	31 March 2018 £000	31 March 2017 £000
Welsh Government	2,379	154
WHSSC / EASC	5,009	3,302
Welsh Health Boards	4,085	4,406
Welsh NHS Trusts	2,403	1,829
Non - Welsh Trusts	2,472	2,048
Other NHS	184	126
Welsh Risk Pool	131,876	106,560
Local Authorities	2,002	1,563
Capital debtors	0	0
Other debtors	17,324	16,151
Provision for irrecoverable debts	(5,427)	(3,602)
Pension Prepayments	0	0
Other prepayments	3,882	4,956
Other accrued income	0	0
Sub total	166,189	137,493
Non-current		
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	55,130	39,886
Local Authorities	0	0
Capital debtors	0	0
Other debtors	3,516	3,823
Provision for irrecoverable debts	(1,177)	(1,272)
Pension Prepayments	0	0
Other prepayments	0	0
Other accrued income	0	0
Sub total	57,469	42,437
Total	223,658	179,930
Receivables past their due date but not impaired		
By up to three months	5,278	6,103
By three to six months	1,175	694
By more than six months	4,498	5,180
	10,951	11,977

Of the debtors past due (but not impaired) which are greater than six months old, £4.959m relates to RTA and personal injury income (2016-17 £4.731m).

Provision for impairment of receivables			
Balance at 1 April		(5,244)	(4,146)
Transfer to other NHS Wales body		0	0
Amount written off during the year		67	153
Amount recovered during the year		0	0
(Increase) / decrease in receivables impaired		(1,835)	(1,251)
Bad debts recovered during year		0	0
Balance at 31 March		(7,012)	(5,244)

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		1,494	1,990
Total		1,494	1,990

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16. Other Financial Assets

	Current		Non-current	
	31 March	31 March	31 March	31 March
	2018	2017	2018	2017
	£000	£000	£000	£000
Financial assets				
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
Total	0	0	0	0

17. Cash and cash equivalents

	2017-18	2016-17
	£000	£000
Balance at 1 April	881	2,695
Net change in cash and cash equivalent balances	975	(1,814)
Balance at 31 March	1,856	881
Made up of:		
Cash held at GBS	1,704	688
Commercial banks	20	113
Cash in hand	132	80
Current Investments	0	0
Cash and cash equivalents as in Statement of Financial Position	1,856	881
Bank overdraft - GBS	0	0
Bank overdraft - Commercial banks	0	0
Cash and cash equivalents as in Statement of Cash Flows	1,856	881

18. Trade and other payables

	31 March	31 March
	2018	2017
	£000	£000
Welsh Government	36	1
WHSSC / EASC	4,030	1,990
Welsh Health Boards	5,670	4,913
Welsh NHS Trusts	3,205	3,668
Other NHS	14,013	13,682
Taxation and social security payable / refunds	5,448	5,224
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	6,794	6,341
Non-NHS creditors	26,941	24,590
Local Authorities	13,944	9,297
Capital Creditors	17,095	15,170
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases, HP contracts	296	294
Imputed finance lease element of on SoFP PFI contracts	175	132
Pensions: staff	0	0
Accruals	57,084	47,699
Deferred Income:		
Deferred Income brought forward	1,011	939
Deferred Income Additions	291	282
Transfer to / from current/non current deferred income	0	0
Released to SoCNE	(243)	(210)
Other creditors	23,496	22,703
PFI assets –deferred credits	104	108
Payments on account	900	693
Total	180,290	157,516

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Non-current		
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	601	897
Imputed finance lease element of on SoFP PFI contracts	8,933	9,108
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	101	202
Payments on account	0	0
Total	9,635	10,207

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-18	31-Mar-17
	£000	£000
Between one and two years	542	781
Between two and five years	1,413	1,303
In five years or more	7,680	8,123
Sub-total	9,635	10,207

19. Other financial liabilities

Financial liabilities	Current		Non-current	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
	£000	£000	£000	£000
Financial Guarantees:				
At amortised cost	0	0	0	0
At fair value through SoCNE	0	0	0	0
Derivatives at fair value through SoCNE	0	0	0	0
Other:				
At amortised cost	0	0	0	0
At fair value through SoCNE	0	0	0	0
Total	0	0	0	0

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20. Provisions

	At 1 April 2017	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 2018
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Current									
Clinical negligence	95,442	(535)	(3,427)	12,105	52,198	(20,971)	(25,458)	(2,473)	106,881
Personal injury	1,054	0	(127)	(10)	3,484	(1,137)	(2,512)	62	814
All other losses and special payments	0	0	0	0	180	(180)	0	0	0
Defence legal fees and other administration	2,492	0	0	229	2,468	(1,014)	(1,792)		2,383
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	200			134	28	(194)	0	21	189
Restructuring	0			0	0	0	0	0	0
Other	3,089		(126)	(391)	9,408	(889)	(846)		10,245
Total	102,277	(535)	(3,680)	12,067	67,766	(24,385)	(30,608)	(2,390)	120,512
Non Current									
Clinical negligence	38,848	0	0	(12,105)	48,434	(370)	(20,368)	(722)	53,717
Personal injury	3,184	0	0	10	690	0	0	0	3,884
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	734	0	0	(229)	384	(73)	(52)		764
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	1,306			(134)	0	0	0	0	1,172
Restructuring	0			0	0	0	0	0	0
Other	543		0	391	0	0	0		934
Total	44,615	0	0	(12,067)	49,508	(443)	(20,420)	(722)	60,471
TOTAL									
Clinical negligence	134,290	(535)	(3,427)	0	100,632	(21,341)	(45,826)	(3,195)	160,598
Personal injury	4,238	0	(127)	0	4,174	(1,137)	(2,512)	62	4,698
All other losses and special payments	0	0	0	0	180	(180)	0	0	0
Defence legal fees and other administration	3,226	0	0	0	2,852	(1,087)	(1,844)		3,147
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	1,506			0	28	(194)	0	21	1,361
Restructuring	0			0	0	0	0	0	0
Other	3,632		(126)	0	9,408	(889)	(846)		11,179
Total	146,892	(535)	(3,680)	0	117,274	(24,828)	(51,028)	(3,112)	180,983

Expected timing of cash flows:	In year			Total
	to 31 March 2019	Between 1 April 2019 and 31 March 2023	Thereafter	
				£000
Clinical negligence	106,881	53,717	0	160,598
Personal injury	814	885	2,999	4,698
All other losses and special payments	0	0	0	0
Defence legal fees and other administration	2,383	764	0	3,147
Pensions relating to former directors	0	0	0	0
Pensions relating to other staff	189	739	433	1,361
Restructuring	0	0	0	0
Other	10,245	541	393	11,179
Total	120,512	56,646	3,825	180,983

The Clinical Negligence provision includes £0.226m in respect of 26 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 £0.383m.

The expected timing of cash flows 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 £187.006m has been shown within note 15 (Trade and Other receivables) in respect of such expected reimbursements.

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On Monday 27th February 2017 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 20th 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 2016-17, it was not been possible for Legal & Risk Services to assess the effect of this change on a case by case basis. Instead they developed a model in conjunction with Welsh Government which was used to estimate the effect of the discount rate change for all NHS Wales bodies in the 2016-17 Annual Accounts.

In respect of Cardiff & Vale we were advised to increase our Clinical Negligence provision by £16.820m and increase our Personal Injury provision by £0.058m and these amounts were consequently included in Note 20. During 2017/18 all cases outstanding have been worked through by Legal & Risk Services and the liability of each has been amended accordingly. As a result the general provision held in the 2016/17 accounts in respect of this issue has been reversed.

Other Provisions include:

- Continuing Healthcare IRP & Ombudsman claims £3.227m
- Potential Payments to staff in respect of time off in lieu £0.380m
- Employment Tribunal Litigation Cases £0.940m
- Carbon Reduction Commitments £0.209m
- Other provisions considered commercially sensitive £6.342m

Continuing Healthcare Cost uncertainties

Liabilities for continuing healthcare costs continue to be a significant financial issue for the UHB. Various annual deadlines for the submission

of new claims, effected since 31st July 2014, have increased the number of claims registered each financial year.

Cardiff and Vale University Health Board is responsible for post 1st April 2003 costs and the financial statements include the following amounts relating to those uncertain continuing healthcare costs:

Note [20] sets out the £3.227m provision made for probable continuing care costs relating to 204 claims received;

Note [21.1] sets out the £14.189 contingent liability for possible continuing care costs relating to 204 claims received;

The UHB is providing £0.401m in respect of 20 Phase 2 claims received between 16th August 2010 and 30th April 2014.

The UHB is providing £2.607m in respect of 159 Phase 3 claims received between 1st May 2014 and 31st July 2014.

The UHB is providing £0.177m in respect of 6 Phase 4 claims received between 1st August 2014 and 31st October 2015.

The UHB is providing £0.041m in respect of 19 Phase 5 claims received between 1st November 2015 and 31st October 2016.

For Phase 6 claims received between 1st November 2016 and 31st October 2017, and Phase 7 claims received between 1st November 2017 and 31st March 2018, due to the low number of claims completed the UHB does not currently have sufficient information available regarding the likelihood of claim success to calculate a provision for these Phases.

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	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
Current									
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
Total	76,190	(9,871)	(2,081)	3,979	67,749	(14,427)	(18,112)	(1,150)	102,277
Non Current									
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
Total	10,191	0	0	(3,979)	39,979	(921)	(629)	(26)	44,615
TOTAL									
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
Total	86,381	(9,871)	(2,081)	0	107,728	(15,348)	(18,741)	(1,176)	146,892

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.

On Monday 27th 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 20th 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 & 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.

In respect of Cardiff & Vale we have been advised to increase our Clinical Negligence provision by £16.820m and increase our Personal Injury

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provision by £0.058m and these amounts have consequently been included in Note 20. 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 & 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 18 Trade & Other Payables.

Other Provisions include:

- Continuing Healthcare IRP & 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 31st July 2014 deadline for the submission of any claims for continuing healthcare costs dating back to 1st April 2003 has resulted in a large increase in the number of claims registered this financial year.

Cardiff and Vale University Health Board is responsible for post 1st April 2003 costs and the financial statements include the following amounts relating to those uncertain continuing healthcare costs:

Note [20] sets out the £1.084m provision made for probable continuing care costs relating to 54 claims received;

Note [21.1] 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 31st 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 1st August 2014 and 31st 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.

A further 46 claims received after 31st 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.

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21. Contingencies**21.1 Contingent liabilities**

	2017-18	2016-17
Provisions have not been made in these accounts for the following amounts :	£'000	£'000
Legal claims for alleged medical or employer negligence	71,533	78,291
Doubtful debts	0	0
Equal Pay costs	0	0
Defence costs	897	950
Continuing Health Care costs	14,189	3,636
Other	0	0
Total value of disputed claims	86,619	82,877
Amounts recovered in the event of claims being successful	69,411	75,892
Net contingent liability	17,208	6,985

Other litigation claims could arise in the future due to known incidents. The expenditure which may arise from such claims cannot be determined and no provision has been made for them. Liability for Permanent Injury Benefit under the NHS Injury Benefit Scheme lies with the employer. Individual claims to the NHS Pensions Agency could arise due to known incidents. The amounts disclosed as contingent liabilities in relation to potential clinical negligence or personal injury claims against the UHB arise where legal opinion as to the possibility of the claims success has deemed this to be possible, rather than remote, and no provision has already been made for such items within note 20. The UHB is assuming that all such costs would be reimbursed by the Welsh Risk Pool (subject to a £25k excess per claim). The net contingent liability contains £1.991m re clinical negligence and £1.028m re personal injury.

Continuing Healthcare Cost uncertainties

Liabilities for continuing healthcare costs continue to be a significant financial issue for the UHB. Various annual deadlines for the submission of new claims, effected since 31st July 2014, have increased the number of claims registered each financial year.

Cardiff and Vale University Health Board is responsible for post 1st April 2003 costs and the financial statements include the following amounts relating to those uncertain continuing healthcare costs:

Note [20] sets out the £3.227m provision made for probable continuing care costs relating to 204 claims received;

Note [21.1] sets out the £14.189 contingent liability for possible continuing care costs relating to 204 claims received;

The UHB is providing £0.401m in respect of 20 Phase 2 claims received between 16th August 2010 and 30th April 2014.

The UHB is providing £2.607m in respect of 159 Phase 3 claims received between 1st May 2014 and 31st July 2014.

The UHB is providing £0.177m in respect of 6 Phase 4 claims received between 1st August 2014 and 31st October 2015.

The UHB is providing £0.041m in respect of 19 Phase 5 claims received between 1st November 2015 and 31st October 2016.

For Phase 6 claims received between 1st November 2016 and 31st October 2017, and Phase 7 claims received between 1st November 2017 and 31st March 2018, due to the low number of claims completed the UHB does not currently have sufficient information available regarding the likelihood of claim success to calculate a provision for these Phases.

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21.2 Remote Contingent liabilities		2017-18	2016-17
		£'000	£'000
Please disclose the values of the following categories of remote contingent liabilities :			
Guarantees		0	0
Indemnities		50	93
Letters of Comfort		0	0
Total		50	93

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.

21.3 Contingent assets		2017-18	2016-17
		£'000	£'000
		0	0
		0	0
		0	0
Total		0	0

22. Capital commitments

Contracted capital commitments at 31 March		2017-18	2016-17
		£'000	£'000
Property, plant and equipment		7,591	4,736
Intangible assets		158	0
Total		7,749	4,736

23. Losses and special payments

Losses and special payments are charged to the Statement of Comprehensive Net Expenditure in accordance with IFRS but are recorded in the losses and special payments register when payment is made. Therefore this note is prepared on a cash basis.

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Gross loss to the Exchequer				
Number of cases and associated amounts paid out or written-off during the financial year				
	Amounts paid out during		Approved to write-off	
	period to 31 March 2018		to 31 March 2018	
	Number	£	Number	£
Clinical negligence	151	22,155,456	101	7,439,742
Personal injury	81	1,136,991	48	896,610
All other losses and special payments	316	453,389	316	453,389
Total	548	23,745,836	465	8,789,741
Analysis of cases which exceed £300,000 and all other cases				
		Amounts paid out in year	Cumulative amount	Approved to write-off in year
Cases exceeding £300,000	Case type	£	£	£
09RWMN0026	Clinical Negligence	0	1,270,000	
10RWMN0004	Clinical Negligence	870,500	987,500	987,500
10RWMN0013	Clinical Negligence	0	1,916,250	
11RWMN0027	Clinical Negligence	15,000	675,000	675,000
12RWMN0025	Clinical Negligence	850,000	1,012,000	
13RWMN0023	Clinical Negligence	0	1,690,000	
13RWMN0046	Clinical Negligence	0	1,780,787	
13RWMN0047	Clinical Negligence	30,000	488,971	
14RWMN0009	Clinical Negligence	5,955,000	6,285,000	
14RWMN0019	Clinical Negligence	100,000	550,000	
14RWMN0046	Clinical Negligence	125,000	1,001,031	1,001,031
14RWMN0072	Clinical Negligence	870,000	915,000	
14RWMN0126	Clinical Negligence	68,000	473,750	473,750
14RWMN0141	Clinical Negligence	1,300,000	1,325,000	
15RWMN0032	Clinical Negligence	667,663	667,663	667,663
15RWMN0118	Clinical Negligence	557,152	607,152	
15RWMN0119	Clinical Negligence	1,176,994	1,176,994	
16RWMN0062	Clinical Negligence	330,000	330,000	
16RWMN0063	Clinical Negligence	440,855	506,099	506,099
16RWMN0072	Clinical Negligence	1,270,000	1,270,000	
16RWMN0074	Clinical Negligence	425,000	425,000	
16RWMN0084	Clinical Negligence	1,400,000	1,400,000	
16RWMN0136	Clinical Negligence	690,000	690,000	
17RWMN0019	Clinical Negligence	674,482	674,482	
Sub-total		17,815,646	28,117,679	4,311,043
All other cases		5,930,190	17,211,144	4,478,698
Total cases		23,745,836	45,328,823	8,789,741

24. Finance leases

24.1 Finance leases obligations (as lessee)

As at 31st March 2018 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 2018	31 March 2017
		£000	£000
Minimum lease payments			
Within one year		0	0
Between one and five years		0	0
After five years		0	0
Less finance charges allocated to future periods		0	0
Minimum lease payments		0	0
Included in:			
Current borrowings		0	0
Non-current borrowings		0	0
		0	0
Present value of minimum lease payments			
Within one year		0	0
Between one and five years		0	0
After five years		0	0
Present value of minimum lease payments		0	0
Included in:			
Current borrowings		0	0
Non-current borrowings		0	0
		0	0

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Amounts payable under finance leases:			
Buildings		31 March	31 March
		2018	2017
		£000	£000
Minimum lease payments			
Within one year		210	210
Between one and five years		420	630
After five years		0	0
Less finance charges allocated to future periods		(11)	(18)
Minimum lease payments		619	822
Included in:			
Current borrowings		205	203
Non-current borrowings		414	619
		619	822
Present value of minimum lease payments			
Within one year		198	196
Between one and five years		381	559
After five years		0	0
Present value of minimum lease payments		579	755
Included in:			
Current borrowings		0	0
Non-current borrowings		0	0
		0	0
Other		31 March	31 March
		2018	2017
		£000	£000
Minimum lease payments			
Within one year		94	94
Between one and five years		188	283
After five years		0	0
Less finance charges allocated to future periods		(5)	(8)
Minimum lease payments		277	369
Included in:			
Current borrowings		91	91
Non-current borrowings		186	278
		277	369
Present value of minimum lease payments			
Within one year		89	88
Between one and five years		171	250
After five years		0	0
Present value of minimum lease payments		260	338
Included in:			
Current borrowings		0	0
Non-current borrowings		0	0
		0	0

24.2 Finance leases obligations (as lessor)

The Local Health Board has no finance leases receivable as a lessor.

Amounts receivable under finance leases:			
		31 March	31 March
		2018	2017
		£000	£000
Gross Investment in leases			
Within one year		0	0
Between one and five years		0	0
After five years		0	0
Less finance charges allocated to future periods		0	0
Minimum lease payments		0	0
Included in:			
Current borrowings		0	0
Non-current borrowings		0	0
		0	0
Present value of minimum lease payments			
Within one year		0	0
Between one and five years		0	0
After five years		0	0
Present value of minimum lease payments		0	0
Included in:			
Current borrowings		0	0
Non-current borrowings		0	0
		0	0

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25. Private Finance Initiative contracts**25.1 PFI schemes off-Statement of Financial Position**

The UHB has no PFI schemes which are deemed to be off-statement of financial position.

Commitments under off-SoFP PFI contracts	Off-SoFP PFI contracts	Off-SoFP PFI contracts
	31 March 2018 £000	31 March 2017 £000
Total payments due within one year	0	0
Total payments due between 1 and 5 years	0	0
Total payments due thereafter	0	0
Total future payments in relation to PFI contracts	0	0
Total estimated capital value of off-SoFP PFI contracts	0	0

25.2 PFI schemes on-Statement of Financial Position

On 31st March 2000, a 31 year Private Finance Initiative (PFI) Contract was signed between the former Cardiff & Vale Trust and IMC (Impregilio/Macob consortium) for the provision of a new hospital to be built on the former St. David's site. The hospital, which opened on 1st March 2002 provides a range of services but primarily services linked to the care for older people.

The estimated capital value of the scheme at the time of construction was £13.847m and the annual payments to be made for the provision of the site and for a range of facilities management services is £3.630m.

Total obligations for on-Statement of Financial Position PFI contracts due:			
	On SoFP PFI Capital element 31 March 2018 £000	On SoFP PFI Imputed interest 31 March 2018 £000	On SoFP PFI Service charges 31 March 2018 £000
Total payments due within one year	175	1,282	2,293
Total payments due between 1 and 5 years	1,282	4,786	8,932
Total payments due thereafter	7,651	5,371	16,978
Total future payments in relation to PFI contracts	9,108	11,439	28,203
	On SoFP PFI Capital element 31 March 2017 £000	On SoFP PFI Imputed interest 31 March 2017 £000	On SoFP PFI Service charges 31 March 2017 £000
Total payments due within one year	132	1,303	2,198
Total payments due between 1 and 5 years	1,032	4,940	8,560
Total payments due thereafter	8,076	6,499	18,122
Total future payments in relation to PFI contracts	9,240	12,742	28,880
Total present value of obligations for on-SoFP PFI contracts	£21.748m		

The capital value of the scheme included in property, plant and equipment (note 11) is £18.206m.

25.3 Charges to expenditure	2017-18 £000	2016-17 £000
Service charges for On Statement of Financial Position PFI contracts (excl interest costs)	2,195	2,108
Total expense for Off Statement of Financial Position PFI contracts	0	0
The total charged in the year to expenditure in respect of PFI contracts	2,195	2,108
The LHB is committed to the following annual charges		
	31 March 2018	31 March 2017
PFI scheme expiry date:	£000	£000
Not later than one year	2,293	2,198
Later than one year, not later than five years	8,932	8,560
Later than five years	16,978	18,122
Total	28,203	28,880

The estimated annual payments in future years will vary from those which the UHB is committed to make during the next year by the impact of movement in the Retail Prices Index.

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has been credited to operating expenses in 2017/18 was £0.087m.

Llandough Hospital Staff Accommodation

On 28th October 1999, the former University Hospital and Llandough NHS Trust entered into an agreement with Charter Housing for the design, construction, fit out and the subsequent operation of its staff accommodation at Llandough Hospital. The contract period is 25 years; however Charter Housing have since undergone a restructure which has seen a transfer of its interest in the contract to Fairlake Properties Limited. This transfer was completed during 2007/8.

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 £1.059m and the land at £0.580m 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 2017/18 was £0.018m.

26. Financial risk management

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. The 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

UHBs 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.

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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.

27. Movements in working capital

	2017-18	2016-17
	£000	£000
(Increase)/decrease in inventories	(568)	(20)
(Increase)/decrease in trade and other receivables - non-current	(15,032)	(34,577)
(Increase)/decrease in trade and other receivables - current	(28,696)	(23,308)
Increase/(decrease) in trade and other payables - non-current	(572)	(753)
Increase/(decrease) in trade and other payables - current	22,879	6,386
Total	(21,989)	(52,272)
Adjustment for accrual movements in fixed assets - creditors	(1,925)	(6,756)
Adjustment for accrual movements in fixed assets - debtors	0	0
Other adjustments	419	791
	(23,495)	(58,237)

28. Other cash flow adjustments

	2017-18	2016-17
	£000	£000
Depreciation	25,686	24,649
Amortisation	658	635
(Gains)/Loss on Disposal	(7,840)	(52)
Impairments and reversals	(7,089)	26,673
Release of PFI deferred credits	(105)	(292)
Donated assets received credited to revenue but non-cash	(6,606)	(1,423)
Government Grant assets received credited to revenue but non-cash	0	0
Non-cash movements in provisions	58,919	75,859
Total	63,623	126,049

29. Third Party assets

The UHB held £209,598 cash at bank and in hand at 31 March 2018 (31 March 2017, £195,589) 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 2017-18 or 2016-17. 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 31 March 2018 was £11,847,383 (£12,628,816 31st March 2017).

30. 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.

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31. Related Party Transactions

The Welsh Government is regarded as a related party. During the accounting period the Cardiff and Vale University Local Health Board 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 @ 31/3/18	Creditor @ 31/3/18	Income	Expenditure
	£'000s	£'000s	£'000s	£'000s
Welsh Government	2,379	36	981,228	44
Abertawe Bro Morgannwg University LHB	1,484	1,927	11,203	15,933
Aneurin Bevan Health Board	893	2,368	30,442	3,458
Betsi Cadwaladr LHB	38	303	678	868
Cwm Taf LHB	1,406	582	23,786	8,379
Hywel Dda LHB	114	436	5,773	559
Powys LHB	149	54	1,553	352
Velindre NHS Trust	1,820	1,793	7,031	30,397
Public Health Wales NHS Trust	576	1,104	4,327	6,119
Welsh Ambulance Trust	7	308	62	3,621
Welsh Health Specialised Services Committee	5,010	4,030	204,418	119,537
Total £'000s	13,876	12,941	1,270,501	189,267

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 Cardiff and Vale University Health Board. She is also a Council Member of **Cardiff University**.

Dr Sharon Hopkins was Acting Chief Executive Officer until 18th June 2017 and then reverted back to her role as Executive Director of Public Health. In July 2015 she was appointed Chair of the Public Health Advisory Committee **NICE**. Her husband retired from his private

cardiology practice at Spire in Cardiff in December 2017.

Mrs Abigail Harris is the Executive Director of Planning. She has a relative who is a Trustee of the **Teenage Cancer Trust**. She is also a Non-Executive Director of **Social Care Wales**.

Mr Peter Welsh is Director of Corporate Governance for Cardiff and Vale University Local Health Board and his wife is an optician at **RN Roberts and GL Rees Opticians**.

Mrs Eileen Brandreth is an Independent Member of Cardiff and Vale University Health Board. She is also Director of Information Technology at **Cardiff University**.

Mr Stuart Egan was an Independent Member of Cardiff and Vale University Local Health Board up to 31st December 2017. He is a County Councillor for **Vale of Glamorgan Council**.

Mrs Susan Elsmore is an Independent member of Cardiff and Vale University Health Board. She is also an elected member for Health Housing & Wellbeing for the **City of Cardiff Council**.

Lance Carver is an Associate Member of Cardiff and Vale University Health Board and the Director of Social Services in the **Vale of Glamorgan Council**.

Mrs Margaret McLaughlin was an Independent Member of Cardiff and Vale University Local Health Board up to 30th September 2017. She is also Treasurer of **Safer Wales** and provides assistance to **Cardiff and Vale Action for Mental Health** and **Glamorgan Voluntary Services**. Her husband is a professor of Human Molecular Genetics at **Cardiff University**.

CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2017-18

31. Related Party Transactions (continued)

Mrs Elizabeth Treasure was an Independent Member of Cardiff and Vale University Local Health Board up to 31st December 2017. During this time she held positions as Vice Chancellor at **Cardiff University** and **Aberystwyth University**.

Gary Baxter is an Independent Member of Cardiff and Vale University Local Health Board. He is also Vice Chancellor, of the College of Biomedical and Life Sciences at **Cardiff University**.

Mrs Paula Martyn is an Associate Member of Cardiff and Vale University Health Board. She is also Chair of the Stakeholder Reference Group and Associate Board Member for **Hywel Dda Local Health Board**.

John Union is an Independent member and is an ambassador for **Blake Morgan Solicitors**.

Sara Moseley is an Independent Member and is an Executive Director of **MIND & MIND Cymru**.

Charles Janczewski is Vice Chair of Cardiff & Vale University Health Board and is also Chair of a Subcommittee of **WHSCC**.

Professor Marcus Longley was Vice Chair of Cardiff and Vale University Health Board until 30th September 2017. He is also a Director of the Welsh Health Institute for Health and Social Care at the **University of South Wales**.

The material transactions involving the related parties were as follows unless shown in the table re NHS Bodies above:

	Payments to related party £'000	Receipts from related party £'000	Amounts owed to related party £'000	Amounts due from related party £'000
Aberystwyth University		2		
Blake Morgan LLP	684	25	35	
Cardiff & Vale Health Charity	349	785	11	47
National Institute for Health and Care Excellence (NICE)		902		
University of South Wales	195		25	
Safer Wales	15		5	
Social Care Wales		6		1
Cardiff & Vale Action for Mental Health	135			
Glamorgan Voluntary Service	110			
MIND/MIND Cymru	185		41	
Cardiff University	10,973	8,236	3,015	2,442
Vale of Glamorgan Council	5,859	878	4,066	339
Cardiff City and County Council	16,893	6,239	9,843	1,626
Teenage Cancer Trust		68	0	19
Spire Healthcare	1,134	67	34	13
RN Roberts and GL Rees Opticians	395			
Total £'000s	36,927	17,208	17,075	4,487

We bring to your attention that during 2017/18 five invoices to Cardiff University were written-off to the value of £0.022m and four invoices to Spire Healthcare were written-off to the value of £0.007m. The Write-Off's were due to normal operational issues and were not influenced by the related parties named above.

The UHB has close links with Cardiff University which includes the sharing of staff as well as sharing accommodation on the University Hospital of Wales site. The University is therefore treated as a related party and their transactions are shown above.

CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2017-18

The UHB is a member of the Welsh Risk Pool for Clinical Negligence and Personal Injury claims. The UHB has received settlement payments of £9.852m in respect of claims made. In addition as at March 31st the UHB had a debtor balance of £187.005m in respect of amounts due from the risk pool.

The UHB Board is the Corporate Trustee of the Cardiff & Vale Health Charity. The UHB Board are responsible for the management of the Charitable Fund in the period.

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

32. Pooled budgets

The Health Board has entered into a pooled budget arrangement with Cardiff and Vale of Glamorgan Local Authorities, as permissible under section 33 of the NHS (Wales) Act 2006 for the operation of a Joint Equipment Store (JES). The purpose of the JES is the provision and delivery of common equipment and consumables to patients who are resident in the localities of the partners to the pooled budget. The pooled budget arrangement became operational from 1st January 2012.

The pool is hosted by Cardiff Council, who are the lead body and act as principal for this scheme. The financial operation of the pool is governed by a pooled budget agreement between Cardiff Council, Vale of Glamorgan Council and the Health Board. Currently the Health Board will make payments to Cardiff Council on receipt of an invoice in line with the agreed contributions to the pooled budget as set out in the agreement. Expenditure incurred will be subject to regular review by the partners to the agreement. Any expenditure incurred by Cardiff Council above the agreed contributions in respect of NHS equipment and consumables will

be invoiced separately. As the funding for the UHB's contribution to the pooled budget has not yet been topsliced and is being provided via invoicing, then no adjustment in respect of the income and expenditure arising from the activities of the pooled budget is required in these accounts. In addition as the UHB's proportion of the assets and liabilities held by the pool are not material in relation to the UHB, they have therefore not been consolidated within these financial statements.

The JES service had an agreed budget for the 2017-18 of £1.715m of which Cardiff & Vale UHB's contribution was £1.196m. In addition Cardiff and Vale made an agreed contribution of £0.041m towards the cost of two drivers/installers.

Overall the Pooled Budget was overspent by £0.053m in the year. The Health element of the overspend was £0.025 and Cardiff & Vale has accounted for this in its annual accounts for the year ended 31/3/18.

During the year the UHB received £7.511m of revenue income and a capital allocation of £0.198 from the Welsh Government integrated care fund. The Regional Partnership Board (RPB) leads on the planning and use of the funding to ensure delivery and to maximise outcomes for the use of this resource. The delivery mechanism provides assurance that the objectives for the use of this fund are met as outlined in the Welsh Government guidance. The planning and delivery of the programmes has the involvement of the social services, housing and third independent sector. The RPB has established a programme Board to monitor measurable performance outcomes and financial returns. A results based accountability (outcome) methodology is used for this purpose. The expenditure for the year was £7.511m and the capital expenditure was £0.198m, which is in line with funding allocated.

Also during 2017-18 Welsh Government passed funding for Integrated Families First Services directly to Cardiff Council. From this allocation,

CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2017-18

£99,760 was passed to Cardiff & Vale 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.

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.
- (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 2017/18 these accounts contain income of £2.865m and expenditure of £2.587m 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 1st October 2009 the UHB inherited an interest in a joint venture which had been entered into by one of its predecessor organisations (South Glamorgan Health Authority) in 1992. Our original partners in this venture are Cardiff Council, Cardiff University and the Welsh Government. The purpose of the venture was to provide dedicated business incubation facilities for start-up and spin-out companies operating in the medical healthcare and life sciences. On 1st April 2016 Welsh Government and Cardiff Council withdrew from the joint venture and sold their shares in it to Cardiff University.

The UHB does not make any direct financial contribution into the venture and ordinarily does not ordinarily directly benefit financially from its operations. Given the immaterial amount involved, no adjustment has been made to these accounts to reflect the UHB's share of the joint venture. For illustrative purposes, had the UHB fully applied 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 £0.368m.

2) Transfer of Llantwit Major Health Clinic from Abertawe Bro Morgannwg UHB

On 1st April 2017 the responsibility for the provision of services from Llantwit Major Health Clinic was transferred to ourselves from Abertawe Bro Morgannwg Health Board (ABMU). As a result £0.506m of Land and Buildings, a revaluation reserve of £0.123m in respect of the Land and Buildings and £0.007m of trade payables were transferred to ourselves. The transfer has been accounted for under absorption accounting.

CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2017-18

3) Accounting Standards to be Adopted 2018-19

The UHB along with all other NHS Bodies will adopt two new Accounting Standards in 2018-19.

IFRS 9

IFRS 9 Financial Instruments is effective from the 1st January 2018 and will be applicable for public sector reporting as adapted in the Financial Reporting Manual (FRoM) for the 2018/19 financial year.

Initial application impacts for the 2018/19 accounts will be recognised in opening retained earnings, as mandated by the FRoM.

The principal impact of IFRS9 adoption will be to change the calculation basis for bad debt provisions, changing from an incurred loss basis to a lifetime expected credit loss basis. The FRoM mandates the application of the simplified approach to impairment under the standard, requiring for short and long term receivables the recognition of a loss allowance for an amount equal to lifetime expected credit losses.

The impact of adopting IFRS9 in 2018/19 is not expected to have a material impact. Disclosure and presentation requirements of IFRS9 will be applied as required by the FRoM and in accordance with the principles of streamlining and materiality.

IFRS15

IFRS 15 Revenue from Contracts with Customers is effective from the 1st January 2018 and will be applicable for public sector reporting as adapted in the Financial Reporting Manual (FRoM) for the 2018/19 financial year.

The NHS Wales Technical Accountants Group and the Welsh Government (as a Relevant Authority) are considering the detail of application of IFRS15 for Local Health Boards and NHS Trusts in Wales. Final application guidance will be issued in the NHS Wales Manuals for Accounts for 2018/19.

Any initial application impacts arising for the 2018/19 accounts will be recognised in opening retained earnings, as mandated by the FRoM.

No material impacts are anticipated as a consequence of IFRS15 becoming effective in the FRoM for 2018/19.

CARDIFF AND VALE UNIVERSITY HEALTH BOARD ACCOUNTABILITY REPORT 2017-18

**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)¹, 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

Cardiff and Vale University Health Board

HEAD OF INTERNAL AUDIT OPINION & ANNUAL REPORT 2017/18

May 2018

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

HEAD OF INTERNAL AUDIT OPINION & ANNUAL REPORT 2017/18
Cardiff and Vale University Health Board

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Report status:	Final v1
Draft report issued:	May 2018
Final report issued:	May 2018
Author:	Head of Internal Audit
Executive:	Director of Corporate Governance and Executive Director of Finance
Audit Committee:	22 rd May & 31 st May

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 External Quality Assessment (EQA), conducted by the Chartered Institute of Internal Auditors, and our Quality Assurance and Improvement Programme have both confirmed that our internal audit work 'generally conforms' to the requirements of the Public Sector Internal Audit Standards for 2017/18. We are now able to state that our service 'conforms to the IIA's professional standards and to PSIAS.

1.4 Summary of Audit Assignments

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

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

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

- Neurosciences IT System Follow up;
- Medicine Clinical Board – PADRs and Mandatory Training;
- Cleaning Standards;
- Deprivation of Liberty Safeguards follow up;
- Continuing Healthcare follow up;
- Consultants Job Planning.

It can be seen from the Limited Assurance reports listed above that three of these are follow up audits to previous limited assurance reports highlighting that previously agreed actions has not been implemented on a timely basis.

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.

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

Annual Report

2.4

Please note that our assessment across each of the domains has also taken into account, where appropriate, the number and significance of any audits that have been deferred during the course of the year (see also Sections 2.4.1 and 5.7).

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. In 2016/17, following further discussion with stakeholders, it was amended to remove the weighting given to three of the eight domains when judging the overall opinion. The framework applied in 2016/17 has been used again to guide the forming of the opinion for 2017/18.

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

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

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

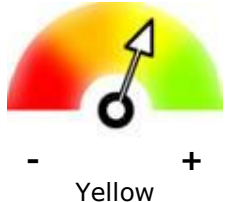
A quality assurance review process has been applied by the Director of Audit & Assurance and the Head of Internal Audit in the annual reporting process to ensure the assurance domain ratings and overall opinion are consistent with the underlying audit evidence and in accordance with the criteria for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

2.4 Head of Internal Audit Opinion

2.4.1 Scope of opinion

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

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

Reasonable assurance		<p>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. 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 over Reasonable Assurance Opinion I have identified that the majority of reviews during the year concluded positively with sound control arrangements operating in some areas. As well as the overall opinion I have also concluded that overall each of the individual eight domains would also be classified with a reasonable assurance opinion.

During the year 10 Substantial Assurance and 24 reasonable assurance opinions were given. However it is important to highlight that six Limited assurance reports have been issued during the year and these were split across six of the eight assurance domains.

Furthermore it is important to that of those six limited assurance reports, three were follow up audits to previous limited assurance reports, highlighting that previously agreed management actions had not been implemented on a timely basis.

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

2.4.2 Basis for Forming the Opinion

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

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

The audit work undertaken during 2017/18 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 Audit of Claims Reimbursement was given substantial assurance, with the review Health and Care Standards being given reasonable assurance. The additionally requested audits to assess the progress reported with the implementation of both the Wales Audit Office and Human Tissue Authority Action Plans, highlighted a positive picture in both cases.

The audit of Board Working was deferred at the request of the UHB and, as such, assurance could not be provided.

The UHB's assessment against the Governance, Leadership and Accountability Standard has also been reviewed for reasonableness, along with the Annual Governance Statement.

Strategic Planning, Performance Management & Reporting

The audits of the IMTP, Research & Development, EU 12 hour targets, RTT and preparation for the meeting its requirement of the Wellbeing Future Generations Act were each given reasonable assurance.

The follow up audit of Continuing Health Care (CHC) remained at Limited assurance as whilst some improvements had been made there were several areas where further improvements were required.

The follow up audit of Business Continuity Planning (BCP) identified that some improvements had been made, although highlighting further work is required to ensure there are consistent documented BCP arrangements and plans at Clinical Board Level. The audit was given Reasonable Assurance.

Financial Governance and Management

The audit of the main financial systems was given substantial assurance although improvements were noted around reconciliations.

The audit of Charitable Funds and the audit to assess progress made with the Deloitte Financial Governance Action plan were both given Substantial Assurance.

The Costing audit has identified a number of findings including some high priority matters which require attention, but was given Reasonable Assurance.

The audit of Cost Improvement Plans was deferred at the request of the UHB and, as such, assurance could not be provided.

Clinical Governance Quality & Safety

The follow up audit of Quality & Safety Governance structures in each Clinical Board highlighted progress had been made in many of the areas previously highlighted. All Clinical Boards had positive individual ratings of reasonable or substantial.

The audit of the Annual Quality Statement was given Substantial assurance, whilst the audit of Serious Incident Management was given Reasonable Assurance.

The Deprivation Liberty Safeguarding (DoLS) follow audit identified that whilst some progress had been made there, further improvements were still required with one further areas of weakness identified resulting in the Assurance Rating remaining at Limited Assurance.

The audit of Mortality Reviews concluded with Reasonable Assurance, although some areas of improvement were identified.

Information Governance & IT Security

The audits of IT Strategy MTED and the Welsh Patient Referral System were given Substantial Assurance, with the audit of Virtualisation receiving Reasonable Assurance.

However, the follow up audit of the IT system within Neurosciences received Limited assurance with weakness still identified with system security, business continuity and the overall governance of the system.

The audit of Cyber Security was deferred at the request of the UHB and, as such, assurance could not be provided.

Operational Service and Functional Management

The follow up audit of PCIC Community Stock identified a number of areas of improvement with an increase of the assurance rating to Reasonable.

Five reviews were carried out across several of the clinical boards covering a range of workforce related topics including Absence management, PADRs & Training, study leave and rotas. Four audits received Reasonable Assurance, however the Medicine Clinical Board received Limited Assurance.

The audit of PCIC Clinical Board Incident Reporting was deferred at the request of the UHB and, as such, assurance could not be provided.

Workforce Management

Both the Nurse Revalidation and Organisational Values audits were given Reasonable Assurance. However, the audit of Consultants Job Planning has identified a number of areas for improvement resulting in a Limited assurance rating.

The workforce related audits in the Clinical Boards received Reasonable assurance in four cases with one Limited assurance.

It is as a result of taking in to account the assurance available on workforce issues from the Clinical Board audits that has allowed the domain to be rated as Reasonable, as otherwise the significance of the Consultants' Job Planning audit would have resulted in a lower domain opinion being given.

Capital & Estates Management

The audits of Sustainability Reporting, Carbon Reduction Commitment and the Model Ward Pilot were each given Reasonable Assurance.

The audit of the Cleanliness Standards identified several areas for improvement in the management and audit processes resulting in a Limited Assurance rating.

The audits of two Capital Schemes both concluded reasonable Assurance.

The Commercial Outlets audit was deferred at request of the UHB and, as such, assurance could not be provided.

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 2017/18 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 July 2018. 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 2016/17 Annual Report and Quality Statement, together with the preliminary results of any audit work already undertaken in relation to the 2017/18 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 Claims Reimbursement.

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

Please note that there are discussions ongoing with Welsh Government as to whether this work will be required in 2018/19 and future years.

2.6 Statement of Conformance

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

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

The NWSSP Audit and Assurance Services can assure the Audit Committee that it has conducted its audit at Cardiff and Vale University Health Board in conformance with the Public Sector Internal Audit Standards for 2017/18.

Our conformance statement for 2017/18 is based upon:

- the results of our internal Quality Assurance and Improvement Programme (QAIP) for 2017/18 which will be reported formally in the Summer of 2018;
- the results of the work completed by Wales Audit Office; and
- the results of the External Quality Assessment undertaken by the IIA.

We have set out, in **Appendix A**, the key requirements of the Public Sector Internal Audit Standards and our assessment of conformance against these requirements. The full results and actions from our QAIP will be included in the 2017/18 QAIP report. There are no significant matters arising that need to be reported in this document.

2.7 Completion of the Annual Governance Statement

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

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- 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

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 Payments – Substantial
- Procurement - Accounts Payable – Reasonable
- Employment Services – Payroll -Reasonable (draft)

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

- Governance Framework and Action Plan (Reasonable)
- Prioritisation Process (Reasonable)
- Mental Health Services (Reasonable)
- Financial Systems (Substantial)

Emergency Ambulance Services Committee

- Emergency medical retrieval and transfer system (Reasonable)
- Follow up of the Wales Audit Office review of EASC commissioning (Reasonable)

NHS WALES INFORMATICS SERVICE (NWIS)

A report was produced for NWIS, with support from Welsh Government and Velindre NHS Trust, which was received by and discussed with the Velindre Audit Committee. The report was entitled 'Independent Review' and our review covered three areas: compliance with the terms and conditions of the annual business plan; compliance with the funding agreement; and a high level consideration of value for money. Our review was not given an assurance rating. Our review was referenced in the Wales Audit Office report on NWIS "Informatics Systems in NHS Wales" at, for example:

"...The NHS Wales Internal Audit Services carried out a review of aspects of NWIS's governance and delivery. Where appropriate, we draw on the findings of that work to inform our conclusions (para. 10 in the Summary Report); and

"The NHS Wales internal audit report reflects our own findings in key areas, including the need to strengthened oversight arrangements" (para. 1.38 on governance arrangements).

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 2018/19 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 2017/18. The key performance indicators are summarised in the **Appendix C**.

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.

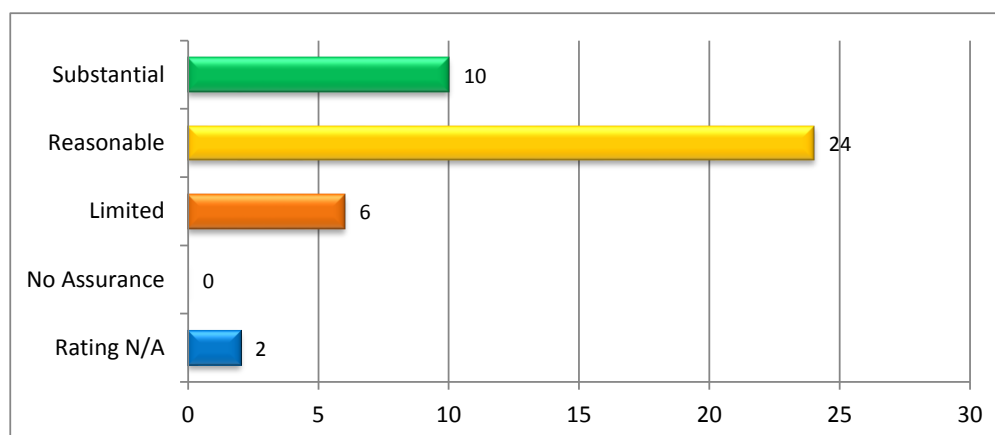
5. RISK BASED AUDIT ASSIGNMENTS

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 42 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 five 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



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	The areas that the review sought to provide the Health Board with assurance on compliance with Area for Assessment 23 of the Welsh Risk Pool (WRP) Concerns and Compensation Claims Management Standard.
Annual Quality Statement	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. 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.
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.
HTA Action Plan	The main purpose of our review was to establish if appropriate actions were being taken by the Health Board to address the shortfalls identified following the HTA inspection.
Deloitte Action Plan	The main purpose of our review was to establish if the reported improvements being made by the Health Board are occurring as stated to enable completion and closure of the agreed actions.

Review Title	Objective
WAO Action Plan	The main purpose of our review was to establish if the reported improvements being made by the Health Board are occurring as stated to enable completion and closure of the agreed actions.
IT System – Welsh Patient Referral System	The purpose of the review is to provide assurance that that the WPRS is subject to appropriate governance and testing and that data is securely transferred between systems.
IT Strategy- MTeD Deployment	The purpose of the review is to provide assurance that that the roll out of MTeD is subject to appropriate governance and testing and that anticipated benefits are realised.
Charitable Funds	The purpose of the review was to establish if the Health Board has appropriate processes in place to ensure that the Charitable Funds are appropriately managed and administered in accordance with relevant legislation and Charity Commission guidance.
Statutory Compliance (from 16/17 plan)	The audit was undertaken to evaluate the processes and procedures put in place by the University Health Board (UHB) to support the progression of the Estates statutory compliance programme.

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
Localities Stock Follow up	Follow up work was undertaken to determine whether progress/full implementation had been made relating to the agreed management responses.

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Review Title	Objective
Waiting List Initiative Payments Follow up	Follow up work was undertaken to determine whether progress/full implementation had been made relating to the agreed management responses.
Residences	The purpose of the audit was to establish if residences are effectively managed across the Health Board in compliance with relevant legal and regulatory requirements and income is maximised.
Surgery Clinical Board Anaesthetics Rotas	The purpose of the review is to establish if anaesthetic staff rotas are effectively planned and managed and the use of bank and agency staff is appropriately assessed and utilised.
Model Ward	The purpose of the audit was to establish if the Pilot Model Ward project was appropriately planned and implemented and the outcomes were effectively assessed and met the objectives of the project.
IT Server Virtulisation	The purpose of the review is to provide assurance that the virtualisation infrastructure is appropriately set up, secure and that benefits are maximised.
Organisational Values	The purpose of the audit was to establish if the Health Board has developed an appropriate set of organisational values and these are effectively embedded across the organisation.
Wellbeing Future Generations	The purpose of the audit was to ensure the UHB is preparing to implement its obligations under the WFGA,
Children & Women Clinical Board Medical Staff Study Leave	The purpose of the review was to provide assurance that Medical staff rotas are effectively developed to ensure appropriate coverage and hours worked and study leave provided to Medical Staff complies with BMA guidance, is of value to the Doctor and the UHB and is processed appropriately.

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Review Title	Objective
Serious Incidents Management	The purpose of the review was to establish if the Health Board has appropriate processes in place to ensure that all recorded Serious Incidents are appropriately investigated, acted upon and reported.
Research and Development	The scope of the review was to establish if there is an appropriate process that ensures that guidance is in place for R&D and that research is approved and of an appropriate quality and relevance to the UHB.
Mental Health Clinical Board - management of sickness absence and rostering	The purpose of the review was to establish if sickness absence is effectively managed, ward rosters are effectively planned and managed and the use of bank and agency nursing staff is appropriately assessed and utilised.
Nurse Revalidation	The purpose of the review was to provide assurance to the Audit Committee that there are adequate processes in place within the Health Board for monitoring Nurse Revalidation compliance for registered nurses.
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.
IMTP	The purpose of the audit is to provide assurance that the IMTP developed and delivery in line with the WG planning Framework; is aligned with the UHB long term strategy; clinical board plans are aligned to the UHB strategy and that the UHB has ensured plans are subject to rigorous internal scrutiny and assurance.
Data Quality EU 12hr target	The purpose of the audit is to establish if stop clocks are being appropriately applied in accordance with Welsh Government guidance.

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Review Title	Objective
Neo Natal Capital Scheme	This is the second interim audit of the development and focused on the works included within the second business justification case and the addendum for the MRI and sought to gain assurance that appropriate arrangements were established to deliver these elements of the project.
Health and Care Standards	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.
BCP Follow up	The purpose of the follow-up review is to provide assurance that previously agreed management actions have been implemented ensuring the UHB has adequate arrangements to provide continuity of service, in the event of an emergency, significant event or adverse conditions.
Mortality Reviews	The purpose of the audit is to establish if the appropriate level of mortality reviews are being completed for all deaths within the Health Board.
Rook Wood Relocation Scheme	The review was undertaken to determine the adequacy of, and operational compliance with, the systems and procedures of the University Health Board for the management of capital projects, taking account of relevant NHS and other supporting regulatory and procedural requirements, as appropriate.
RTT (inc. cancer) draft	The purpose of the audit is to provide assurance over the accuracy of the RTT performance figures (inc. Cancer) reported within the Health Board's Performance Report

Review Title	Objective
Costing (draft)	The objective of the audit is to review costing activity, allocation methods, apportionment, and IT systems to provide assurance on the quality of costs produced and submitted on Welsh Costing Returns submissions. We will seek to identify best practice that can be adopted by the Health Board

5.4 Limited Assurance



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

Review Title	Objectives
Cleaning Standards	The purpose of the review was to establish if the Health Board has appropriate processes in place to enable it to comply with the National Standards for Cleaning in NHS Wales.
Medicine Clinical Board - PADR and Mandatory Training	The purpose of the review was to establish if appropriate processes are in place within the Clinical Board to ensure that all staff members comply with statutory and mandatory training requirements and annual PADRs are effectively planned and completed.
Neurosciences - Patient Care IT system Follow up	The purpose of this follow up audit was 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, specifically focusing on those issues raised in the original report.

Review Title	Objectives
Deprivation of Liberty Safeguarding Follow up	This follow-up audit was to establish if adequate procedures are in place within the Health Board to ensure that DoLS are consistently complied with and authorisations are obtained for all relevant UHB patients, specifically focusing on those issues raised in the original report. The scope was limited to establishing the level of compliance with procedures and did not include any clinical review of the DoLS assessments.
Continuing Healthcare (CHC) Follow up	The scope of this follow up audit 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.
Consultants Job Planning	The purpose of the review was to establish if Job Planning was undertaken, managed and monitored appropriately in order to ensure that sufficient activity was undertaken to meet the needs of the Health Board.

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
Quality & Safety Governance Follow up	Follow up of the actions from the previous audit across the eight Clinical Boards.

Review Title	Objective
CD&T Additional Payments Follow up	Follow up of the actions from the previous 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	
Cyber Security	UHB requested that review was deferred as external work being undertaken. Potential impact on the domain.
Cost Improvement Plans	UHB requested that review was deferred as external work being undertaken. Potential impact on the domain.
Board Working	UHB requested that review was deferred as the committee structure was being revised. Potential impact on the domain.
PCIC Incident management	Limited impact on domain opinion.
Commercial outlets	Limited 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 2017/18 plan.

James Johns

Head of Internal Audit

Audit and Assurance Services

NHS Wales Shared Services Partnership

May 2018

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Appendix A

Cardiff and Vale University Health Board

Conformance with Audit Standards

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

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Conformance with Audit Standards

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2100 Nature of work	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.
2200 Engagement planning	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.
23000 Performing the engagement	The Audit Quality Manual guides the performance of each audit assignment and report is quality reviewed before issue.
2400 Communicating results	Assignment reports are issued at draft and final stages. The report includes the assignment scope, objectives, conclusions and improvement actions agreed with management. An audit progress report is presented at each meeting of the Audit Committee. An annual report and opinion is produced for the Audit Committee giving assurance on the adequacy and effectiveness of the organisation's framework of governance, risk management and control.
2500 Monitoring progress	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.
2600 Communicating the acceptance of risks	If Internal Audit considers that a level of inappropriate risk is being accepted by management it would be discussed and will be escalated to Board level for resolution.

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Appendix B
Audit Results Grouped by Assurance Domain

2.4




AUDIT RESULTS GROUPED BY ASSURANCE DOMAIN

Assurance domain	Audits	Overall rating	Not rated	No assurance	Limited assurance	Reasonable assurance	Substantial assurance
Corporate Governance, Risk and Regulatory Compliance	4					<ul style="list-style-type: none"> ● H&C standards 	<ul style="list-style-type: none"> ● Claims ● HTA Action Plan ● WAO action plan
Financial Governance and Management	6		<ul style="list-style-type: none"> ● CDT Additional payments f-up 			<ul style="list-style-type: none"> ● Waiting List Initiative Payments follow up ● <i>Costing (draft)</i> 	<ul style="list-style-type: none"> ● Financial Systems ● Charitable Funds ● Deloitte Action plan.
Clinical Governance, Quality and Safety	5		<ul style="list-style-type: none"> ● Clinical Board Q&S Governance follow up 		<ul style="list-style-type: none"> ● DOLS follow up 	<ul style="list-style-type: none"> ● Serious Incident Management ● Mortality Reviews 	<ul style="list-style-type: none"> ● Annual Quality Statement
Strategic Planning, Performance Management and Reporting	7				<ul style="list-style-type: none"> ● Continuing Health Care (CHC) follow up 	<ul style="list-style-type: none"> ● IMTP ● EU 12 Hour targets ● <i>RTT Targets (inc. Cancer targets)- (draft)</i> ● Wellbeing Future Generations ● Research and Development ● BCP Follow up 	

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Appendix B
Audit Results Grouped by Assurance Domain

2.4

Assurance domain	Audit count	Overall rating	Not rated	No assurance	Limited assurance	Reasonable assurance	Substantial Assurance
Information Governance and Security	4				<ul style="list-style-type: none"> ● IT System Neuroscience – follow up 	<ul style="list-style-type: none"> ● Virtualisation. 	<ul style="list-style-type: none"> ● IT Strategy - MTED ● IT System - WPRS
Operational Service and Functional Management	6				<ul style="list-style-type: none"> ● Medicine CB – PADRs and Training 	<ul style="list-style-type: none"> ● PCIC Community Stock ● Surgery CB – Anesthetists Rotas ● Mental Health, PADRs and Rotas ● Children and Women CB – Medical Staff Study Leave ● Residences 	
Workforce Management	3				<ul style="list-style-type: none"> ● Consultants Job Planning 	<ul style="list-style-type: none"> ● Organisational Values ● Nurse Revalidation 	
Capital and Estates Management	7				<ul style="list-style-type: none"> ● Cleanliness Standards 	<ul style="list-style-type: none"> ● Sustainability Reporting ● Model Ward Pilot ● Carbon Reduction ● Neo Natal Scheme ● Rookwood Relocation 	<ul style="list-style-type: none"> ● Statutory Compliance (16/17)

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Appendix B
Audit Results Grouped by Assurance Domain

2.4

Assurance domain	Audit count	Overall rating	Not rated	No assurance	Limited assurance	Reasonable assurance	Substantial Assurance
	42		2	0	6	24	10

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

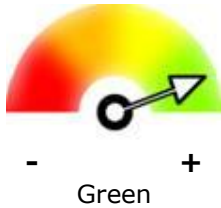
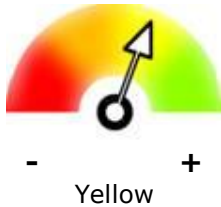
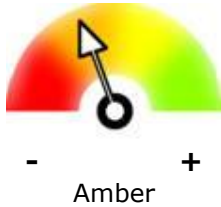
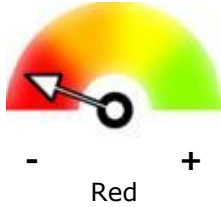
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PERFORMANCE INDICATORS

Indicator Reported to Audit Committee	Status	Actual	Target	Red	Amber	Green
Operational Audit Plan agreed for 2017/18	G	April 2017	By 30 June	Not agreed	Draft plan	Final plan
Total assignments reported against adjusted plan for 2017/18	G	(42/43) 97%	100%	v>20%	10%<v<20%	v<10%
Report turnaround: time from fieldwork completion to draft reporting [10 working days]	A	(33/42) 78%	80%	v>20%	10%<v<20%	v<10%
Report turnaround: time taken for management response to draft report [15 working days]	R	(22/40) 55%	80%	v>20%	10%<v<20%	v<10%
Report turnaround: time from management response to issue of final report [10 working days]	G	(39/40) 98%	80%	v>20%	10%<v<20%	v<10%

Key: v = percentage variance from target performance

Audit Assurance Ratings

RATING	INDICATOR	DEFINITION
Substantial assurance		<p>The Board can take substantial assurance 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 low impact on residual risk exposure.</p>
Reasonable assurance		<p>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. Some matters require management attention in control design or compliance with low to moderate impact on residual risk exposure until resolved.</p>
Limited assurance		<p>The Board can take 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.</p>
No assurance		<p>The Board has no assurance 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 high impact on residual risk exposure until resolved.</p>

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

Appendix E
Overall Opinion Criteria

2.4

Overall opinion assessment matrix
Supporting criteria for the overall opinion

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

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

Confidentiality

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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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