

## Bundle Audit Assurance Committee - Open 29 May 2019

### Agenda

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- 1.1 Welcome & Introductions
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- 2.1 Presentation of Annual Accounts for 2018/19
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  - 2.10.1 Annual Report - HEIW - 2018-19.pdf
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- 2.11 Self-Assessment of the Committee
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- 3 PART 3 - Close
- 3.1 Any other Business
- 3.2 Date of Next Meeting: Monday, 15 July 2019 at 2.00pm in the HEIW Conference Room, Ty Dysgu, Nantgarw

## AUDIT AND ASSURANCE COMMITTEE

Wednesday, 29 May 2019

1.30pm – 3.40pm

HEIW, Conference Room

### AGENDA

<b>PART 1</b>	<b>PRELIMINARY MATTERS</b>	<b>1.30-1.45</b>
1.1	Welcome and Introductions	Chair/ Oral
1.2	Apologies for Absence	Chair/ Oral
1.3	Declarations of Interest	Chair/ Oral
1.4	Draft Minutes of the Audit Committee meeting held on 13 May 2019	Chair/ Attachment
1.5	Action Log following the meeting held on 13 May 2019	Chair/ Attachment
1.6	Matters Arising	Chair/ Oral
<b>PART 2</b>	<b>MATTERS FOR CONSIDERATION</b>	<b>1.45-3.30</b>
2.1	Presentation of Annual Accounts for 2018/19 including: <ul style="list-style-type: none"> <li>• Financial Statements for 2018/19</li> <li>• Audit of Financial Statements Report (ISA 260) and Letter of Representation</li> <li>• Recommendation to the Board</li> </ul>	Interim Director of Finance/ Attachment
2.2	Annual Accountability Report 2018/19	Board Secretary/ Attachment
2.3	Performance Report	Chief Executive/ Attachment
2.4	Head of Internal Audit Opinion and Annual Report for 2018/19	Internal Audit / Attachment

2.5	Update on Baseline Review - Structural Assessment	Wales Audit Office/ Oral
2.6	To review the Corporate Risk Register	Board Secretary/ Attachment
2.7	Governance Letter	Head of Financial Accounting/ Attachment
2.8	Internal Audit: <ul style="list-style-type: none"> <li>• Internal Audit Progress Report</li> <li>• Transition Management</li> <li>• Workforce Review</li> <li>• IT Baseline review</li> <li>• Risk Management</li> <li>• Performance Management</li> </ul>	Internal Audit/ Attachments
2.9	Audit Recommendations Tracker	Board Secretary/ Attachment
2.10	Counter Fraud <ul style="list-style-type: none"> <li>• Counter Fraud Annual Report 2018/19</li> <li>• Counter Fraud Self Review Tool 2018/19</li> <li>• Counter Fraud Work-Plan 2019/20</li> </ul>	Counter Fraud Manager (Cardiff & Vale UHB / Attachments
2.11	Self-Assessment of the Committee	Board Secretary/ Attachment
<b>PART 3</b>	<b>Close</b>	<b>3.30-3.40</b>
3.1	Any Other Business	Chair
3.2	Date of Next Meeting: Monday 15 July 2019 at 2.00pm, HEIW Conference Room	

**HEALTH EDUCATION AND IMPROVEMENT WALES (HEIW)  
AUDIT & ASSURANCE COMMITTEE**

**UNCONFIRMED MINUTES OF THE MEETING HELD ON  
MONDAY 13 May, 2019,  
Room 11, HEIW, TY DYSGU, NANTGARW**

**Present:**

John Hill Tout      Independent Member (Vice Chair HEIW) – Acting Committee Chair  
Ruth Hall            Independent Member

**In Attendance:**

Eifion Williams      Interim Director of Finance  
Dafydd Bebb        Board Secretary  
Martyn Pennell      Head of Financial Accounting  
Mike Usher          Engagement Director Wales Audit Office  
Helen Goddard      External Audit Manager Wales Audit Office  
Emma Samways      Deputy Head of Internal Audit  
Susan Marszalek     Secretariat

<b>PART 1</b>	<b>PRELIMINARY MATTERS</b>	<b>Action</b>
<b>AC: 13/05/1.1</b>	<b>WELCOME AND INTRODUCTIONS</b>	
	The Vice Chair welcomed everyone to the meeting and confirmed a quorum was present. A formal welcome was given to Eifion Williams, Interim Director of Finance, HEIW.	
<b>AC: 13/05/1.2</b>	<b>APOLOGIES FOR ABSENCE</b>	
	Apologies were received from Gill Lewis, Chair – Audit Committee.	
<b>AC: 13/05/1.3</b>	<b>DECLARATIONS OF INTEREST</b>	
	Eifion Williams declared that he is currently employed by Powys Health Board and he is also a member of the Finance Committee for Swansea University.	
<b>AC: 13/05/1.4</b>	<b>MINUTES OF THE MEETING HELD ON 29 MARCH 2019</b>	
	The Committee <b>RECEIVED</b> and <b>APPROVED</b> the minutes of the meeting held on the 29 March 2019, subject to the following change being made:	

	<ul style="list-style-type: none"> <li>Page numbers of the minutes to be reformatted.</li> </ul>	<b>DB</b>
<b>AC: 13/05/1.5</b>	<b>ACTION LOG FROM THE MEETING OF 29 MARCH 2019</b>	
	<p>The Committee discussed the action log, and <b>NOTED</b> the updates. The following was noted:</p> <p>29/03/2.3 - Self Assessment. Paper to be presented to the next meeting of the Audit Committee.</p> <p>29/03/2.4 - Baseline Structural Assessment will now be made by the WAO at the June Board Development Session.</p> <p>29/03/2.5 – Counter Fraud. It was confirmed that it has been agreed to increase the number of days provided by Counter Fraud per year from 20 to 50 days. This will be monitored and reviewed after 1 year.</p> <p>The Committee considered the allocation of responsibility between HEIW and a Health Board (HB) in the event that a student committed a fraud while working at a HB.</p> <p>It was clarified that allocation of responsibility would be determined by which entity was responsible for the subject matter of the fraud. By way of explanation it was confirmed that where a student attending a course were to commit a fraud for example by inappropriately claiming course fees or bursary from HEIW then that would then come to HEIW to investigate. If the fraud related to their conduct in work this would go to their employing HB/trust.</p> <p>29/03/2.8 Delegated Financial Limits. It was confirmed the recommendation to update the delegated financial limits will be presented at May Board.</p>	<b>DB</b>
<b>AC: 13/05/1.6</b>	<b>MATTERS ARISING</b>	
	29/03/2.6 Helen Goddard updated the Committee on the S1 and S2 forms (current assets and liabilities). Helen informed the Committee that the work had now been resolved. She advised the Committee there was a small error, less than £5,000, that the Finance Team are now aware of and this concludes the work on the S1 and S2.	
<b>PART 2</b>	<b>MATTERS FOR CONSIDERATION</b>	
<b>AC: 13/05/2.1</b>	<b>DRAFT ANNUAL ACCOUNTS 2018-19</b>	
	Eifion Williams, Interim Director of Finance, presented the Draft Annual Accounts 2018-19 to the Committee, and advised that currently HEIW is currently showing a £155k reported underspend against allocation.	

	<p>In presenting the paper Eifion Williams highlighted that the accounts have been prepared for the accounting period 5/10/17 to 31/03/19. This reflects an eighteen month period from when HEIW was established and not its 'go live' date as an operational entity. As HEIW was a shadow organisation for 12 months and expenditure for that period was accounted for by the hosting organisations and WG, it was reported there were only 6 months of actual transactions to report, for the period October 2018 to the 31 March 2019. Eifion Williams informed he had been in discussion with Welsh Government regarding this and had agreed for a note to be put on the front page to clarify the accounting period.</p> <p>Eifion advised that from an accounting perspective HEIW's predecessor organisations have accountability for anything prior to October 2018.</p> <p>Mike Usher commented that the Annual Governance Statement should clearly set out accountability for the shadow period and operational period.</p> <p><b>Property, Plan, Equipment (Page 32 – 11.1)</b> – Eifion advised that this includes the assets transferred from the University which were fully depreciated on their transfer date.</p> <p><b>External Audit Fees (Page 22)</b> – Eifion advised that audit fees shown in the draft accounts totalled £88k. It was confirmed that the correct audit fees figure will need to be adjusted to record the full 12 month value and thereby will reduce the current underspend of £155k.</p> <p>It was confirmed that next steps will include the Committee receiving a final version of the Financial Accounts and Auditors ISA 260 Report at its next meeting on the 29<sup>th</sup> of May 2019. These shall be subject to final Board approval on the 30<sup>th</sup> of May 2019.</p> <p>[Mike Usher left the meeting]</p>	
<b>Resolved</b>	<p>That the Committee expressed its appreciation for the draft Annual Accounts and the clarity of the presentation.</p> <p>The draft Accounts be noted.</p> <p>The next steps in respect of moving to a final approval of the Accounts by the Board be noted.</p>	
<b>AC: 29/03/2.2</b>	<b>ANNUAL REPORT DRAFT ACCOUNTABILITY REPORT 2018-19</b>	
	<p>Dafydd Bebb, Board Secretary, presented the draft Accountability Report 2018-2019 (Draft Report) to the Committee.</p>	

	<p>In presenting the paper Dafydd Bebb confirmed that the Draft Report had already been circulated to Committee Members, Auditors and the Welsh Government for comment. Feedback from this process had been incorporated into the Draft Report prior to it being submitted to Welsh Government on 3 May 2019 for comment.</p> <p>Helen Goddard confirmed that the WAO would provide further feedback separately.</p> <p>The Vice Chair welcomed the Draft Report and suggested that there needs to be greater clarification of our progress and strategic direction and progression.</p> <p>Ruth Hall commented that the document was well drafted, and highlighted 2 points:</p> <ul style="list-style-type: none"> <li>• The description of the period covered by the Draft Report and the heading “ended 31 March 2019”. Dafydd Bebb advised that he would liaise with the WAO on a preferred wording that would provide greater clarity.</li> <li>• Welcomed the work on the Board Assurance Framework, and highlighted the need for greater clarity about when this and an implementation plan will be completed.</li> </ul> <p>It was confirmed Draft Report will evolve to take on Board the comments of the Committee.</p> <p>Ruth Hall commented that the wording in the Draft Report could be amended by saying that the Board Assurance Framework is being developed with Board, with timescales and a plan agreed.</p> <p>John Hill-Tout commented on page 10 – name of the Committee needs to change, Performance Assurance Committee needs to change to Audit.</p>	
<b>Resolved</b>	<p>The Draft Report be noted.</p> <p>Comments of the Committee to be incorporated into the final draft of the Accountability Report to be presented at the next meeting of the Committee.</p>	<b>DB</b>
<b>PART 3</b>	<b>CLOSE</b>	
<b>AC13/05/3.1</b>	<b>ANY OTHER BUSINESS</b>	
	<p>There was no further business.</p> <p>The next meeting was confirmed for:</p>	

	13.30 – 16.00 on Wednesday, 29 May 2019 in the Conference Room, HEIW	
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**John Hill-Tout (Vice Chair)**

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**Date:**



**Action Log – Audit and Assurance Committee (Open)**

**13 May 2019**

<b>Ref:</b>	<b>Matter</b>	<b>Owner</b>	<b>Status</b>
<b>13/05/1.3</b>	It was agreed that Dafydd Bebb would arrange for Eifion Williams to complete a Declaration of Interest Form.	DB	Completed
<b>13/05/1.4</b>	That the page numbering for the minutes be amended.	DB	Completed
<b>13/05/1.5</b>	Self Assessment. Paper to be presented to the next meeting of the Audit Committee.	DB	Completed. On the Agenda for today's Audit Committee
<b>13/05/2.2</b>	Comments of the Committee to be incorporated into the final draft of the Accountability Report to be presented at the next meeting of the Committee.	DB	Completed

# Health Education and Improvement Wales (HEIW)

## FOREWORD

These accounts have been prepared by Health Education and Improvement Wales, a Welsh Special Health Authority, under Para 3(1) of Schedule 9 to 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

HEIW was established by establishment order 2017 No. 913 (W. 224) which was made 11th September 2017 and came into force on the 5th October 2017. These accounts cover the period 5th October 2017 to 31st March 2019.

HEIW operated in a shadow form until 1st October 2018 with all establishment and set up costs being borne by the Welsh Government, and with the predecessor bodies of NHS Wales Shared Services Partnership (NWSSP) hosted by Velindre University NHS Trust and Cardiff University delivering operational activity to 30th September 2018.

On 1st October 2018 staff were transferred into HEIW and the organisation became fully operational.

These accounts, whilst covering the period 5th October 2017 to 31st March 2019, present the accounting transactions only for the period of live operation from 1st October 2018 to 31st March 2019.

### Performance Management and Financial Results

HEIW 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 HEIW, which is funded by the Welsh Government. This funding is allocated on receipt directly to the General Fund in the Statement of Financial Position.

HEIW has an annual requirement to achieve a balanced year-end position against the Resource Limits set for the year.

**Statement of Comprehensive Net Expenditure  
for the period ended 31 March 2019**

	<b>Note</b>	<b>05 October 2017 to 31 March 2019 £000</b>
Non Medical Education And Training	3.1	<b>56,766</b>
Postgraduate Medical, Dental & Pharmacy Education	3.2	<b>36,016</b>
Other Operating Expenditure	3.3	<b>13,177</b>
		<b>105,959</b>
Less: Miscellaneous Income	4	<b>(309)</b>
<b>Net operating costs before interest and other gains and losses</b>		<b>105,650</b>
Investment Revenue	5	<b>0</b>
Other (Gains) / Losses	6	<b>0</b>
Finance costs	7	<b>0</b>
<b>Net operating costs for the financial period</b>		<b>105,650</b>

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

The notes on pages 7 to 52 form part of these accounts

<b>Other Comprehensive Net Expenditure</b>	<b>05 October 2017</b>
	<b>to</b>
	<b>31 March 2019</b>
	<b>£000</b>
Net gain / (loss) on revaluation of property, plant and equipment	<b>0</b>
Net gain / (loss) on revaluation of intangibles	<b>0</b>
Net gain / (loss) on revaluation of available for sale financial assets	<b>0</b>
(Gain) / loss on other reserves	<b>0</b>
Impairment and reversals	<b>0</b>
Release of Reserves to Statement of Comprehensive Net Expenditure	<b>0</b>
Other comprehensive net expenditure for the period	<b>0</b>
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<b>Total comprehensive net expenditure for the period</b>	<b>105,650</b>
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The notes on pages 7 to 52 form part of these accounts

**Statement of Financial Position as at 31 March 2019**

	Notes	As at 31 March 2019 £'000
<b>Non-current assets</b>		
Property, plant and equipment	11	2,989
Intangible assets	12	0
Trade and other receivables	15	0
Other financial assets	16	0
<b>Total non-current assets</b>		<b>2,989</b>
<b>Current assets</b>		
Inventories	14	0
Trade and other receivables	15	801
Other financial assets	16	0
Cash and cash equivalents	17	6,240
		<b>7,041</b>
Non-current assets classified as "Held for Sale"	11	0
<b>Total current assets</b>		<b>7,041</b>
<b>Total assets</b>		<b>10,030</b>
<b>Current liabilities</b>		
Trade and other payables	18	(6,121)
Other financial liabilities	19	0
Provisions	20	(30)
<b>Total current liabilities</b>		<b>(6,151)</b>
<b>Net current assets/ (liabilities)</b>		<b>890</b>
<b>Non-current liabilities</b>		
Trade and other payables	18	(194)
Other financial liabilities	19	0
Provisions	20	0
<b>Total non-current liabilities</b>		<b>(194)</b>
<b>Total assets employed</b>		<b>3,685</b>
<b>Financed by :</b>		
<b>Taxpayers' equity</b>		
General Fund		3,685
Revaluation reserve		0
<b>Total taxpayers' equity</b>		<b>3,685</b>

The financial statements on pages 2 to 6 were approved by the Board on 30th May 2019 and signed on its behalf by:

Chief Executive and Accountable Officer .....

**30th May 2019**

The notes on pages 7 to 52 form part of these accounts

## Statement of Changes in Taxpayers' Equity For the period ended 31 March 2019

	General Fund £000s	Revaluation Reserve £000s	Total Reserves £000s
<b>Changes in taxpayers' equity</b>			
<b>Balance at 5 October 2017</b>	0	0	0
Net operating cost for the period	(105,650)	0	(105,650)
Net gain/(loss) on revaluation of property, plant and equipment	0	0	0
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	0	0	0
Release of reserves to SoCNE	0	0	0
Transfers to/from (please specify)	0	0	0
<b>Total recognised income and expense for period</b>	<b>(105,650)</b>	<b>0</b>	<b>(105,650)</b>
Net Welsh Government funding	109,335	0	109,335
<b>Balance at 31 March 2019</b>	<b>3,685</b>	<b>0</b>	<b>3,685</b>

The notes on pages 7 to 52 form part of these accounts

		05 October 2017
		to
		31 March 2019
		£'000
<b>Statement of Cash Flows for period ended 31 March 2019</b>		
<b>Cash Flows from operating activities</b>	notes	
Net operating cost for the financial period		(105,650)
Movements in Working Capital	27	5,514
Other cash flow adjustments	28	142
Provisions utilised	20	0
<b>Net cash outflow from operating activities</b>		<b>(99,994)</b>
<b>Cash Flows from investing activities</b>		
Purchase of property, plant and equipment		(3,101)
Proceeds from disposal of property, plant and equipment		0
Purchase of intangible assets		0
Proceeds from disposal of intangible assets		0
Payment for other financial assets		0
Proceeds from disposal of other financial assets		0
Payment for other assets		0
Proceeds from disposal of other assets		0
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(3,101)</b>
<b>Net cash inflow/(outflow) before financing</b>		<b>(103,095)</b>
<b>Cash Flows from financing activities</b>		
Welsh Government funding (including capital)		109,335
Capital receipts surrendered		0
Capital grants received		0
Capital element of payments in respect of finance leases and on-SoFP		0
Cash transferred (to)/ from other NHS bodies		0
<b>Net financing</b>		<b>109,335</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>6,240</b>
<b>Cash and cash equivalents (and bank overdrafts) at 5 October 2017</b>		<b>0</b>
<b>Cash and cash equivalents (and bank overdrafts) at 31 March 2019</b>		<b>6,240</b>

The notes on pages 7 to 52 form part of these accounts

## Notes to the Accounts

### 1. Accounting policies

The Minister for Health and Social Services has directed that the financial statements of Health Education and Improvement Wales (HEIW) shall meet the accounting requirements of the NHS Wales Manual for Accounts. Consequently, the following financial statements have been prepared in accordance with the 2018-19 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 Manual for Accounts permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of HEIW for the purpose of giving a true and fair view has been selected. The particular policies adopted by HEIW 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 HEIW are allocations (Welsh Government funding) from the Welsh Government within an approved cash limit, which is credited to the General Fund of HEIW. 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 HEIW and is not funded directly by the Welsh Government. This includes payment for services uniquely provided by the HEIW for the Welsh Government such as funding provided to agencies and non-activity costs incurred by HEIW in its provider role. Income received from HEIW transacting with other NHS bodies is always treated as miscellaneous income.

From 2018-19, IFRS 15 Revenue from Contracts with Customers is applied, as interpreted and adapted for the public sector, in the Financial Reporting Manual (FReM). It replaces the previous standards IAS 11 Construction Contracts and IAS 18 Revenue and related IFRIC and SIC interpretations. Upon transition the accounting policy to retrospectively restate in accordance with IAS 8 has been withdrawn. All entities applying the FReM shall recognise the difference between previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application in the opening general fund within Taxpayer's equity. A review consistent with the portfolio approach was undertaken by the NHS Technical Accounting Group members, which

- identified that the only material income that would potentially require adjustment under IFRS 15 was that for patient care provided under Long term Agreements (LTAs) for episodes of care which had started but not concluded as at the end of the financial period;
- demonstrated that the potential amendments to NHS Wales NHS Trust and Local Health Board Accounts as a result of the adoption of IFRS 15 are significantly below materiality levels.

Under the Conceptual IFRS Framework due consideration must be given to the users of the accounts and the cost restraint of compliance and reporting and production of financial reporting. Given the income for LTA activity is recognised in accordance with established NHS Terms and Conditions affecting multiple parties across NHS Wales it was considered reasonable to continue recognising in accordance with those established terms on the basis that this provides information that is relevant to the user and to do so does not result in a material misstatement of the figures reported.

Income is accounted for applying the accruals convention. Income is recognised in the period in which services are provided. Where income had been received from third parties for a specific activity to be delivered in the following financial year, that income will be deferred. Only non-NHS income may be deferred.

#### **1.4 Employee benefits**

##### **Short-term employee benefits**

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees. The cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

##### **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 HEIW 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 HEIW 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**

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

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

### 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 HEIW 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.

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

References in IAS 36 to the recognition of an impairment loss of a revalued asset being treated as a revaluation decrease to the extent that the impairment does not exceed the amount in the revaluation surplus for the same asset, are adapted such that only those impairment losses that do not result from a clear consumption of economic benefit or reduction of service potential (including as a result of loss or damage resulting from normal business operations) should be taken to the revaluation reserve. Impairment losses that arise from a clear consumption of economic benefit should be taken to the Statement of Comprehensive Net Expenditure.

HEIW 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 (EUUV).

Assets which were most recently held for their service potential but are surplus should be valued at current value in existing use, if there are restrictions on the entity or the asset which would prevent access to the market at the reporting date. If the LHB could access the market then the surplus asset should be used at fair value using IFRS 13. In determining whether such an asset which is not in use is surplus, an assessment should be made on whether there is a clear plan to bring the asset back into use as an operational asset. Where there is a clear plan, the asset is not surplus and the current value in existing use should be maintained. Otherwise the asset should be assessed as being surplus and valued under IFRS13.

Assets which are not held for their service potential should be valued in accordance with IFRS 5 or IAS 40 depending on whether the asset is actively held for sale. Where an asset is not being used to deliver services and there is no plan to bring it back into use, with no restrictions on sale, and it does not meet the IAS 40 and IFRS 5 criteria, these assets are surplus and are valued at fair value using IFRS 13.

#### **Subsequent expenditure**

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is capitalised. Where subsequent expenditure restores the asset to its original specification, the expenditure is capitalised and any carrying value of the item replaced is written-out and charged to the SoCNE. As highlighted in previous years the NHS in Wales does not have systems in place to ensure that all items being "replaced" can be identified and hence the cost involved to be quantified. The NHS in Wales has thus established a national protocol to ensure it complies with the standard as far as it is able to which is outlined in the capital accounting chapter of the Manual For Accounts. This dictates that to ensure that asset carrying values are not materially overstated, NHS bodies are required to get all All Wales Capital Schemes that are completed in a financial year revalued during that year (prior to them being brought into use) and also similar revaluations are needed for all Discretionary Building Schemes completed which have a spend greater than £0.5m. The write downs so identified are then charged to operating expenses.

### **1.7 Intangible assets**

#### **Recognition**

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of HEIW business or which arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to, HEIW; 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 HEIW expects to obtain economic benefits or service potential from the asset. This is specific to HEIW 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, HEIW checks whether there is any indication that any of its tangible or intangible non-current assets have suffered an impairment loss. If there is indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount. Intangible assets not yet available for use are tested for impairment annually.

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

### **1.9 Research and Development**

Research and development expenditure is charged to operating costs in the year in which it is incurred, except insofar as it relates to a clearly defined project, which can be separated from patient care activity and benefits therefrom 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 HEIW as lessee**

Property, plant and equipment held under finance leases are initially recognised, at the inception of the lease, at fair value or, if lower, at the present value of the minimum lease payments, with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the Statement of Comprehensive Net Expenditure.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially as a liability and subsequently as a reduction of rentals on a straight-line basis over the lease term. Contingent rentals are recognised as an expense in the period in which they are incurred.

Where a lease is for land and buildings, the land and building components are separated and individually assessed as to whether they are operating or finance leases.

#### **1.11.2 HEIW as lessor**

Amounts due from lessees under finance leases are recorded as receivables at the amount of HEIW net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on HEIW 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 HEIW has a present legal or constructive obligation as a result of a past event, it is probable that HEIW 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 HEIW has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

A restructuring provision is recognised when HEIW 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 2018-19. The WRP is hosted by Velindre NHS Trust.

### **1.15 Financial Instruments**

From 2018-19 IFRS 9 Financial Instruments is applied, as interpreted and adapted for the public sector, in the FReM. The principal impact of IFRS 9 adoption by NHS Wales bodies, will be to change the calculation basis for bad debt provisions, changing from an incurred loss basis to a lifetime expected credit loss (ECL) basis.

All entities applying the FReM shall recognise the difference between previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application in the opening general fund within Taxpayer's equity.

### **1.16 Financial assets**

Financial assets are recognised on the Statement of Financial Position when HEIW becomes party to the financial instrument contract or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred.

The accounting policy choice allowed under IFRS 9 for long term trade receivables, contract assets which do contain a significant financing component (in accordance with IFRS 15), and lease

receivables within the scope of IAS 17 has been withdrawn and entities should always recognise a loss allowance at an amount equal to lifetime Expected Credit Losses. All entities applying the FReM should utilise IFRS 9's simplified approach to impairment for relevant assets.

NHS Wales Technical Accounting Group members reviewed the IFRS 9 requirements and determined a revised approach for the calculation of the bad debt provision, applying the principles of expected credit loss, using the practical expedients within IFRS9 to construct a provision matrix.

#### **1.16.1 Financial assets are initially recognised at fair value**

Financial assets are classified into the following categories: financial assets 'at fair value through SoCNE'; 'held to maturity investments'; 'available for sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

#### **1.16.2 Financial assets at fair value through SoCNE**

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial assets at fair value through SoCNE. They are held at fair value, with any resultant gain or loss recognised in the SoCNE. The net gain or loss incorporates any interest earned on the financial asset.

#### **1.16.3 Held to maturity investments**

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, and there is a positive intention and ability to hold to maturity. After initial recognition, they are held at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

#### **1.16.4 Available for sale financial assets**

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or that do not fall within any of the other three financial asset classifications. They are measured at fair value with changes in value taken to the revaluation reserve, with the exception of impairment losses. Accumulated gains or losses are recycled to the SoCNE on de-recognition.

#### **1.16.5 Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. After initial recognition, they are measured at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

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

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

At the Statement of Financial Position date, HEIW 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 of impairment of receivables.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the 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.

#### **1.17 Financial liabilities**

Financial liabilities are recognised on the Statement of Financial Position when HEIW becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been discharged, that is, the liability has been paid or has expired.

##### **1.17.1 Financial liabilities are initially recognised at fair value**

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

##### **1.17.2 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.

##### **1.17.3 Other financial liabilities**

After initial recognition, all other financial liabilities are measured at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the life of the asset, to the net carrying amount of the financial liability. Interest is recognised using the effective interest method.

#### **1.18 Value Added Tax**

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

#### **1.19 Foreign currencies**

Transactions denominated in a foreign currency are translated into sterling at the exchange rate ruling on the dates of the transactions. Resulting exchange gains and losses are taken to the 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.

#### **1.20 Third party assets**

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since HEIW has no beneficial interest in them. Details of third party assets are given in Note 29 to the accounts.

#### **1.21 Losses and Special Payments**

Losses and special payments are items that the Welsh Government would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way each individual case is handled.

Losses and special payments are charged to the relevant functional headings in the SoCNE on an accruals basis, including losses which would have been made good through insurance cover had HEIW 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.

HEIW accounts for all losses and special payments gross (including assistance from the WRP). HEIW 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.

### **1.22 Pooled budget**

HEIW has not entered into pooled budgets with Local Authorities. Under the arrangements funds are pooled in accordance with section 33 of the NHS (Wales) Act 2006 for specific activities defined in Note 33.

The pool is hosted by one organisation. Payments for services provided are accounted for as miscellaneous income. HEIW accounts for its share of the assets, liabilities, income and expenditure from the activities of the pooled budget, in accordance with the pooled budget arrangement.

### **1.23 Critical Accounting Judgements and key sources of estimation uncertainty**

In the application of the HEIW accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates. The estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or the period of the revision and future periods if the revision affects both current and future periods.

### **1.24 Key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the 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 Authority has provided £30k within note 20 in respect of potential legal defence claims. These provisions have been arrived at on the advice of Legal and Risk Services.

B) In line with IAS19 the Authority has reviewed the level of annual leave taken by its staff to 31st March 2019. Based on the sample HEIW has accrued £155k re untaken leave. This is based on a sample of the leave records of 28% of the WTE staff in the organisation.

### **1.25 Private Finance Initiative (PFI) transactions**

HM Treasury has determined that government bodies shall account for infrastructure PFI schemes where the government body controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement as service concession arrangements, following the principles of the requirements of IFRIC 12. HEIW 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

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 HEIW 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 LHBs criteria for capital expenditure. They are capitalised at the time they are provided by the operator and are measured initially at their fair value.

The element of the annual unitary payment allocated to lifecycle replacement is pre-determined for each year of the contract from the operator's planned programme of lifecycle replacement. Where the lifecycle component is provided earlier or later than expected, a short-term finance lease liability or prepayment is recognised respectively.

Where the fair value of the lifecycle component is less than the amount determined in the contract, the difference is recognised as an expense when the replacement is provided. If the fair value is greater than the amount determined in the contract, the difference is treated as a 'free' asset and a deferred income balance is recognised. The deferred income is released to the operating income over the shorter of the remaining contract period or the useful economic life of the replacement component.

### **Assets contributed by the SHA 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 LHBs Statement of Financial Position.

### **Other assets contributed by the SHA to the operator**

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

### **1.26 Contingencies**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the LHB, 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 LHB. A contingent asset is disclosed where an inflow of economic benefits is probable.

Where the time value of money is material, contingencies are disclosed at their present value. Remote contingent liabilities are those that are disclosed under Parliamentary reporting requirements and not under IAS 37 and, where practical, an estimate of their financial effect is required.

### **1.27 Carbon Reduction Commitment Scheme**

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

### **1.28 Absorption accounting**

The formation of HEIW from its predecessor organisations has been recognised in line with the Financial Reporting Manual. Net assets transferred from Velindre University NHS Trust are recognised as a transfer by absorption. This means that the assets and liabilities are removed from the former organisations during 2018/19 and included within the financial statements of HEIW for the period ended 31st March 2019 at their carrying value. No restatement of performance is required under this method.

Net liabilities transferred from Cardiff University have also been transferred in at their carrying value as in the opinion of HEIW there is no material difference between their carrying value and their fair value as would be required by International Financial Reporting Standard 3.

There are no gains or losses arising from these transfers. More details, including the impact on these statements is included in Note 35.

**1.29 Accounting standards that have been issued but not yet been adopted**

The following accounting standards have been issued and or amended by the IASB and IFRIC but have not been adopted because they are not yet required to be adopted by the FReM

IFRS14 Regulatory Deferral Accounts (The European Financial Reporting Advisory Group recommended in October 2015 that the Standard should not be endorsed as it is unlikely to be adopted by many EU countries.), IFRS 16 Leases, HMT have confirmed that IFRS 16 Leases, as interpreted and adapted by the FReM is to be effective from 1st April 2020.

IFRS 17 Insurance Contracts,

IFRIC 23 Uncertainty over Income Tax Treatment.

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

During 2018-19 there have been no accounting standards that have been adopted early. All early adoption of accounting standards will be led by HM Treasury.

**1.31 Charities**

HEIW is not a corporate trustee of any charities.

## 2. Financial Duties Performance

HEIW was established as a Special Health Authority. The statutory financial duties of Special Health Authorities are set out in section 172 of the National Health Service (Wales) Act 2006.

Section 172(1) sets out what is referred to as the 'First Financial Duty' - a duty to secure that HEIW expenditure does not exceed the aggregate of the funding allotted to it for a financial year.

Under the powers of direction in the National Health Service (Wales) Act section 172(6) WHC/2019/004 clarified that the annual statutory financial duty is set separately for revenue and capital resource allocations.

HEIW was issued with a Remit Letter on 25 October 2018, confirming that the period to 31 March 2019 would remain a transitional period as HEIW commenced full operations. Accordingly the Remit Letter set out objectives for delivery by HEIW for the period to 31 March 2019 and beyond, and set the requirement that HEIW prepare an annual plan for 2019/20 in accordance with the NHS Wales Planning Framework.

HEIW is therefore not subject to a Second Financial Duty for the period of account to 31 March 2019. HEIW is expected to report in the Annual Report and Accounts for the period of account to 31 March 2019 performance against its objectives set out in the Remit Letter. There will be no performance note to the Accounts for the Second Financial Duty for the period of account to 31 March 2019.

### 2.1 Revenue Resource Performance

	<b>Financial performance</b>
	<b>05-Oct 17 to</b>
	<b>31-Mar-19</b>
	£'000
<b>Net operating costs for the period</b>	<b>105,650</b>
Revenue Resource Allocation	<u>105,718</u>
<b>Under /(over) spend against Allocation</b>	<u><b>68</b></u>

HEIW has met its financial duty to break-even against its Revenue Resource Limit over the period.

### 2.2 Capital Resource Performance

	<b>05-Oct 17 to</b>
	<b>31-Mar-19</b>
	£'000
<b>Gross capital expenditure</b>	<b>3,101</b>
Add: Losses on disposal of donated assets	<b>0</b>
Less: NBV of property, plant and equipment and intangible assets disposed	<b>0</b>
Less: capital grants received	<b>0</b>
Less: donations received	<b>0</b>
Charge against Capital Resource Allocation	<u>3,101</u>
Capital Resource Allocation	<u>3,101</u>
<b>(Over) / Underspend against Capital Resource Allocation</b>	<u><b>0</b></u>

HEIW has met its financial duty to break-even against its Capital Resource Limit over the period.

### 3. Analysis of gross operating costs

<b>3.1 Non Medical Education and Training</b>	05-Oct-17 to 31-Mar-19 Total £'000
Student Training Fees (Universities)	30,304
Additional Training Costs (Universities)	1,258
Funding for Healthcare Education Fees (Health Boards & Trusts)	1,258
Student Bursaries Reimbursement (Universities)	12,542
Student Salaries Reimbursement (Health Boards & Trusts)	7,321
Advanced Practice Training fees	1,120
Healthcare Support Working Training	709
Non-Medical Prescribing	330
Training related Travel and Subsistence	1,924
<b>Total</b>	<b>56,766</b>

<b>3.2 Postgraduate Medical, Dental &amp; Pharmacy Education</b>	05-Oct-17 to 31-Mar-19 £'000
Training Grade Salaries	24,321
Postgraduate Centre and Study Leave	2,384
GP Registrars	7,759
Induction & Refresher	39
Welsh Clinical Academic Training	688
GP CPD and Appraisal Costs	652
Other	173
<b>Total</b>	<b>36,016</b>

<b>3.3 Other Operating Expenditure</b>	<b>05-Oct-17 to 31-Mar-19 £'000</b>
Directors' costs	536
Staff costs	5,763
Supplies and services - clinical	24
Supplies and services - general	581
Consultancy Services	53
Establishment	2,893
Transport	0
Premises	2,843
External Contractors	129
Depreciation	112
Amortisation	0
Fixed asset impairments and reversals (Property, plant & equipment)	0
Fixed asset impairments and reversals (Intangible assets)	0
Impairments & reversals of financial assets	0
Impairments & reversals of non-current assets held for sale	0
Audit fees	175
Other auditors' remuneration	0
Losses, special payments and irrecoverable debts	33
Research and Development	0
Other operating costs	35
<b>Total</b>	<b>13,177</b>
<b>3.4 Losses, special payments and irrecoverable debts: charges to operating expenses</b>	<b>05-Oct-17 to 31-Mar-19 £'000</b>
<b>Increase/(decrease) in provision for future payments:</b>	
Clinical negligence	0
Personal injury	0
All other losses and special payments	0
Defence legal fees and other administrative costs	30
Gross increase/(decrease) in provision for future payments	30
Contribution to Welsh Risk Pool	0
Premium for other insurance arrangements	0
Irrecoverable debts	3
<b>Less: income received/due from Welsh Risk Pool</b>	<b>0</b>
<b>Total</b>	<b>33</b>

**4. Miscellaneous Income**

	05-Oct-17 to 31-Mar-19 £'000
Local Health Boards	10
Welsh Health Specialised Services Committee (WHSSC) / Emergency Ambulance Services Committee (EASC)	0
NHS trusts	44
Other NHS England bodies	0
Foundation Trusts	0
Local authorities	0
Welsh Government	3
Non NHS:	
Prescription charge income	0
Dental fee income	0
Private patient income	0
Overseas patients (non-reciprocal)	0
Injury Costs Recovery (ICR) Scheme	0
Other income from activities	0
Patient transport services	0
Education, training and research	252
Charitable and other contributions to expenditure	0
Receipt of donated assets	0
Receipt of Government granted assets	0
Non-patient care income generation schemes	0
NWSSP	0
Deferred income released to revenue	0
Contingent rental income from finance leases	0
Rental income from operating leases	0
Other income	0
<b>Total</b>	<b>309</b>

	05-Oct-17
	to
	31-Mar-19
	£000
<b>5. Investment Revenue</b>	
<b>Rental revenue :</b>	
PFI Finance lease income	
planned	0
contingent	0
Other finance lease revenue	0
<b>Interest revenue :</b>	
Bank accounts	0
Other loans and receivables	0
Impaired financial assets	0
Other financial assets	0
<b>Total</b>	<b>0</b>
	05-Oct-17
	to
	31-Mar-19
	£000
<b>6. Other gains and losses</b>	
Gain/(loss) on disposal of property, plant and equipment	0
Gain/(loss) on disposal of intangible assets	0
Gain/(loss) on disposal of assets held for sale	0
Gain/(loss) on disposal of financial assets	0
Change on foreign exchange	0
Change in fair value of financial assets at fair value through SoCNE	0
Change in fair value of financial liabilities at fair value through SoCNE	0
Recycling of gain/(loss) from equity on disposal of financial assets held for sale	0
<b>Total</b>	<b>0</b>
	05-Oct-17
	to
	31-Mar-19
	£000
<b>7. Finance costs</b>	
Interest on loans and overdrafts	0
Interest on obligations under finance leases	0
Interest on obligations under PFI contracts	
main finance cost	0
contingent finance cost	0
Interest on late payment of commercial debt	0
Other interest expense	0
<b>Total interest expense</b>	<b>0</b>
Provisions unwinding of discount	0
Other finance costs	0
<b>Total</b>	<b>0</b>

## 8. Operating leases

### HEIW as lessee

	05-Oct-17 to 31-Mar-19
<b>Payments recognised as an expense</b>	<b>£000</b>
Minimum lease payments	181
Contingent rents	0
Sub-lease payments	0
<b>Total</b>	<b>181</b>

<b>Total future minimum lease payments Payable</b>	<b>£000</b>
Not later than one year	363
Between one and five years	1,453
After 5 years	1,500
<b>Total</b>	<b>3,316</b>

Number of operating leases expiring	Land & Buildings	Vehicles	Equipment	Total
Not later than one year	0	0	0	0
Between one and five years	0	0	0	0
After 5 years	1	0	0	1
<b>Total</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>1</b>
<b>Charged to the income statement</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

There are no future sublease payments expected to be received

### HEIW as lessor

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

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

## 9. Employee benefits and staff numbers

### 9.1 Employee costs

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Other Staff	Total 05-Oct-17 to 31-Mar-19
	£000	£000	£000	£000	£000
Salaries and wages	4,695	320	274	0	5,289
Social security costs	434	0	0	0	434
Employer contributions to NHS Pension Scheme	513	0	0	0	513
Other pension costs	10	0	0	0	10
Other employment benefits	0	0	0	0	0
Termination benefits	0	0	0	0	0
<b>Total Employee costs from 1st October 2018</b>	<b>5,652</b>	<b>320</b>	<b>274</b>	<b>0</b>	<b>6,246</b>

No employee costs incurred prior to 1 Oct 2018 are included within this note as they were borne by Welsh Government.

Charged to capital	0
Charged to revenue	6,246
	<b>6,246</b>
Net movement in accrued employee benefits (untaken staff leave accrual included above)	79

### 9.2 Average number of employees

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Other Staff	Total 05-Oct-17 to 31-Mar-19
	Number	Number	Number	Number	Number
Administrative, clerical and board members	139	5	10	0	154
Medical and dental	39	0	0	0	39
Nursing, midwifery registered	1	0	0	0	1
Professional, Scientific, and technical staff	11	0	0	0	11
Additional Clinical Services	3	0	0	0	3
Allied Health Professions	0	0	0	0	0
Healthcare Scientists	0	0	0	0	0
Estates and Ancillary	0	0	0	0	0
Students	0	0	0	0	0
<b>Total</b>	<b>193</b>	<b>5</b>	<b>10</b>	<b>0</b>	<b>208</b>
<b>Administrative clerical and board members includes:</b>					
Lay members (undertake medical appraisal and training plans)	0	0	0	0	0
Lecturers	0	0	0	0	0
	0	0	0	0	0
	0	0	0	0	0
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

The average number of employees are calculated for the period 1st October 2018 to 31st March 2019, reflecting the period that the organisation was operational.

### 9.3. Retirements due to ill-health

During the period there were 0 early retirements from HEIW agreed on the grounds of ill-health. The estimated additional pension costs of these ill-health retirements (calculated on an average basis and borne by the NHS Pension Scheme) will be £0.

### 9.4 Employee benefits

HEIW offers a salary sacrifice scheme for childcare vouchers.

## 9.5 Reporting of other compensation schemes - exit packages

05 Oct 2017 to 31 March 2019

Exit packages cost band (including any special payment element)	Number of compulsory redundancies	Number of other departures	Total number of exit packages	Number of departures where special payments have been made
	Whole numbers only	Whole numbers only	Whole numbers only	Whole numbers only
less than £10,000	0	0	0	0
£10,000 to £25,000	0	0	0	0
£25,000 to £50,000	0	0	0	0
£50,000 to £100,000	0	0	0	0
£100,000 to £150,000	0	0	0	0
£150,000 to £200,000	0	0	0	0
more than £200,000	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Exit packages cost band (including any special payment element)	Cost of compulsory redundancies	Cost of other departures	Total cost of exit packages	Cost of special element included in exit packages
	£'s	£'s	£'s	£'s
less than £10,000	0	0	0	0
£10,000 to £25,000	0	0	0	0
£25,000 to £50,000	0	0	0	0
£50,000 to £100,000	0	0	0	0
£100,000 to £150,000	0	0	0	0
£150,000 to £200,000	0	0	0	0
more than £200,000	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Redundancy costs have been paid in accordance with the NHS Redundancy provisions, other departure costs have been paid in accordance with the provisions of the NHS Voluntary Early Release Scheme (VERS). Where HEIW has agreed early retirements, the additional costs are met by HEIW 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.

### 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 HEIW in the financial period to 31 March 2019 was £150k to £155k. This was 3.05 times the median remuneration of the workforce, which was £49,969.

During the period, 0 employees received remuneration in excess of the highest-paid director. Remuneration for staff ranged from £15,842 to £154,595.

The banded remuneration of the Chief Executive is £145k to £150k. This is 2.95 times the median remuneration of the workforce.

Total remuneration includes salary, non-consolidated performance-related pay, and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

## 9.7 Pension costs

Past and present employees are covered by the provisions of the two NHS Pension Schemes. Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at [www.nhsbsa.nhs.uk/pensions](http://www.nhsbsa.nhs.uk/pensions). Both are unfunded defined benefit schemes that cover NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State for Health in England and Wales. They are not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, each scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in each scheme is taken as equal to the contributions payable to that scheme for the accounting period.

In order that the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the FReM requires that "the period between formal valuations shall be four years, with approximate assessments in intervening years". An outline of these follows:

### a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and is accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2019, is based on valuation data as 31 March 2018, updated to 31 March 2019 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

### b) Full actuarial (funding) valuation

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

The latest actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2016. The results of this valuation set the employer contribution rate payable from April 2019. The Department of Health and Social Care have recently laid Scheme Regulations confirming that the employer contribution rate will increase to 20.6% of pensionable pay from this date.

The 2016 funding valuation was also expected to test the cost of the Scheme relative to the employer cost cap set following the 2012 valuation. Following a judgment from the Court of Appeal in December 2018 Government announced a pause to that part of the valuation process pending conclusion of the continuing legal process.

**c) National Employment Savings Trust (NEST)**

NEST is a workplace pension scheme, which was set up by legislation and is treated as a trust-based scheme. The Trustee responsible for running the scheme is NEST Corporation. It's a non-departmental public body (NDPB) that operates at arm's length from government and is accountable to Parliament through the Department for Work and Pensions (DWP).

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

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

Using qualifying earnings to calculate contributions, currently the legal minimum level of contributions is 5% of a jobholder's qualifying earnings, for employers whose legal duties have started. The employer must pay at least 2% of this. The legal minimum level of contribution level is due to increase to 8% in April 2019.

The earnings band used to calculate minimum contributions under existing legislation is called qualifying earnings. Qualifying earnings are currently those between £6,032 and £46,350 for the 2018-19 tax year (2017-18 £5,876 and £45,000 ).

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 HEIW 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 HEIW financial targets a requirement to pay 95% of the number of non-NHS creditors within 30 days of delivery.

Payments made prior to HEIW becoming operational on 1st October 2018 were made by the predecessor organisations and are not included in the totals below.

	05-Oct-17 to 31-Mar-19	05-Oct-17 to 31-Mar-19
	Number	£000
<b>NHS</b>		
Total bills paid	615	18,237
Total bills paid within target	507	17,563
Percentage of bills paid within target	82.4%	96.3%
<b>Non-NHS</b>		
Total bills paid	1,755	46,875
Total bills paid within target	1,681	46,781
Percentage of bills paid within target	95.8%	99.8%
<b>Total</b>		
Total bills paid	2,370	65,112
Total bills paid within target	2,188	64,344
Percentage of bills paid within target	92.3%	98.8%

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

	05-Oct-17 to 31-Mar-19
	£
Amounts included within finance costs (note 7) from claims made under this legislation	0
Compensation paid to cover debt recovery costs under this legislation	0
<b>Total</b>	<b>0</b>

## 11.1 Property, plant and equipment

	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction & payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
<b>Cost or valuation at 5 October 2017</b>	0	0	0	0	0	0	0	0	0
Indexation	0	0	0	0	0	0	0	0	0
Additions									
- purchased	0	1,413	0	0	0	0	1,318	370	3,101
- donated	0	0	0	0	0	0	0	0	0
- government granted	0	0	0	0	0	0	0	0	0
Transfer from/into other organisations	0	0	0	0	573	0	40	71	684
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	0	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
<b>At 31 March 2019</b>	<b>0</b>	<b>1,413</b>	<b>0</b>	<b>0</b>	<b>573</b>	<b>0</b>	<b>1,358</b>	<b>441</b>	<b>3,785</b>
<b>Depreciation at 5 October 2017</b>	0	0	0	0	0	0	0	0	0
Indexation	0	0	0	0	0	0	0	0	0
Transfer from/into other organisations	0	0	0	0	573	0	40	71	684
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	0	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
Provided during the period	0	37	0	0	0	0	56	19	112
<b>At 31 March 2019</b>	<b>0</b>	<b>37</b>	<b>0</b>	<b>0</b>	<b>573</b>	<b>0</b>	<b>96</b>	<b>90</b>	<b>796</b>
<b>Net book value at 5 Oct 2017</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net book value at 31 March 2019</b>	<b>0</b>	<b>1,376</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,262</b>	<b>351</b>	<b>2,989</b>
<b>Net book value at 31 March 2019 comprises :</b>									
Purchased	0	1,376	0	0	0	0	1,262	351	2,989
Donated	0	0	0	0	0	0	0	0	0
Government Granted	0	0	0	0	0	0	0	0	0
<b>At 31 March 2019</b>	<b>0</b>	<b>1,376</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,262</b>	<b>351</b>	<b>2,989</b>
<b>Asset financing :</b>									
Owned	0	1,376	0	0	0	0	1,262	351	2,989
Held on finance lease	0	0	0	0	0	0	0	0	0
On-SoFP PFI contracts	0	0	0	0	0	0	0	0	0
PFI residual interests	0	0	0	0	0	0	0	0	0
<b>At 31 March 2019</b>	<b>0</b>	<b>1,376</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,262</b>	<b>351</b>	<b>2,989</b>

The net book value of land, buildings and dwellings at 31 March 2019 comprises :

	£000
Freehold	0
Long Leasehold	1,376
Short Leasehold	0
	<b>1,376</b>

'Building Assets' held by HEIW relate to leasehold improvements and are depreciated over the shorter of the remainder of the lease or the assessed life of the asset.

**11. Property, plant and equipment****11.2 Non-current assets held for sale**

	Land	Buildings, including dwelling	Other property, plant and equipment	Intangible assets	Other assets	Total
	£000	£000	£000	£000	£000	£000
<b>Balance at 5 October 2017</b>	0	0	0	0	0	<b>0</b>
Plus assets classified as held for sale in the period	0	0	0	0	0	<b>0</b>
Revaluation	0	0	0	0	0	<b>0</b>
Less assets sold in the period	0	0	0	0	0	<b>0</b>
Add reversal of impairment of assets held for sale	0	0	0	0	0	<b>0</b>
Less impairment of assets held for sale	0	0	0	0	0	<b>0</b>
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	<b>0</b>
<b>Balance carried forward 31 March 2019</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Assets sold in the period**

*There were no assets sold in the period*

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

No assets were classified as held for sale during 2018/19.

**12. Intangible non-current assets**

	Software (purchased)	Software (internally generated)	Licences and trademarks	Patents	Development expenditure- internally generated	Carbon Reduction Commitments	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation at 5 Oct 2017</b>	0	0	0	0	0	0	0
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	0	0	0	0	0	0	0
Additions- internally generated	0	0	0	0	0	0	0
Additions- donated	0	0	0	0	0	0	0
Additions- government granted	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0
<b>Gross cost at 31 March 2019</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Amortisation at 5 Oct 2017</b>	0	0	0	0	0	0	0
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 period	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0
<b>Amortisation at 31 March 2019</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net book value at 5 Oct 2017</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net book value at 31 March 2019</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>At 31 March 2019</b>							
Purchased	0	0	0	0	0	0	0
Donated	0	0	0	0	0	0	0
Government Granted	0	0	0	0	0	0	0
Internally generated	0	0	0	0	0	0	0
<b>Total at 31 March 2019</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>13 . Impairments</b>	<b>05-Oct-17 to 31-Mar-19 Property, plant &amp; equipment £000</b>	<b>05-Oct-17 to 31-Mar-19 Intangible assets £000</b>
Impairments arising from :		
Loss or damage from normal operations	0	0
Abandonment in the course of construction	0	0
Over specification of assets (Gold Plating)	0	0
Loss as a result of a catastrophe	0	0
Unforeseen obsolescence	0	0
Changes in market price	0	0
Others (specify)	0	0
Reversal of impairments	0	0
<b>Total of all impairments</b>	<u>0</u>	<u>0</u>
<b>Analysis of impairments charged to reserves in period :</b>		
Charged to the Statement of Comprehensive Net Expenditure	0	0
Charged to Revaluation Reserve	0	0
	<u>0</u>	<u>0</u>

**14.1 Inventories**

	As at 31-Mar-19 £000
Drugs	0
Consumables	0
Energy	0
Work in progress	0
Other	0
<b>Total</b>	<u>0</u>
Of which held at realisable value	<u>0</u>

**14.2 Inventories recognised in expenses**

	05-Oct-17 to 31-Mar-19 £000
Inventories recognised as an expense in the period	0
Write-down of inventories (including losses)	0
Reversal of write-downs that reduced the expense	0
<b>Total</b>	<u>0</u>

**15. Trade and other Receivables**

<b>Current</b>	<b>As at 31-Mar-19 £000</b>
Welsh Government	0
Welsh Health Specialised Services Committee (WHSSC) / Emergency Ambulance Services Committee (EASC)	0
Welsh Health Boards	0
Welsh NHS Trusts	0
Non - Welsh Trusts	0
Other NHS	13
Welsh Risk Pool	0
Local Authorities	0
Capital debtors	0
Other debtors	297
Provision for irrecoverable debts	(3)
Pension Prepayments	0
Other prepayments	494
Other accrued income	0
<b>Sub total</b>	<b>801</b>
<b>Non-current</b>	
Welsh Government	0
Welsh Health Specialised Services Committee (WHSSC) / Emergency Ambulance Services Committee (EASC)	0
Welsh Health Boards	0
Welsh NHS Trusts	0
Non - Welsh Trusts	0
Other NHS	0
Welsh Risk Pool	0
Local Authorities	0
Capital debtors	0
Other debtors	0
Provision for irrecoverable debts	0
Pension Prepayments	0
Other prepayments	0
Other accrued income	0
<b>Sub total</b>	<b>0</b>
<b>Total</b>	<b>801</b>
<b>Receivables past their due date but not impaired</b>	
By up to three months	0
By three to six months	58
By more than six months	0
	<b>58</b>

No debtors past due (but not impaired) are greater than six months old.

**Expected Credit Losses (ECL) previously Allowance for bad and doubtful debts**

Balance at 5 Oct 2017	0
Transfer to other NHS Wales body	0
Amount written off during the period	0
Amount recovered during the period	0
(Increase) / decrease in receivables impaired	3
ECL/Bad debts recovered during period	0
Balance at 31 March 2019	<b>3</b>

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	37
Other	0
<b>Total</b>	<b>37</b>

**16. Other Financial Assets**

	Current	Non-current
	As at 31-Mar-19 £000	As at 31-Mar-19 £000
<b>Financial assets</b>		
Shares and equity type investments		
Held to maturity investments at amortised costs	0	0
At fair value through SOCNE	0	0
Available for sale at FV	0	0
Deposits	0	0
Loans	0	0
Derivatives	0	0
Other (Specify)		
Held to maturity investments at amortised costs	0	0
At fair value through SOCNE	0	0
Available for sale at FV	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**17. Cash and cash equivalents**

	As at 31-Mar-19 £000
Balance at 5 Oct 2017	0
Net change in cash and cash equivalent balances	6,240
Balance at 31 March 2019	<u>6,240</u>
Made up of:	
Cash held at Government Banking Service (GBS)	6,240
Commercial banks	0
Cash in hand	0
Current Investments	0
<b>Cash and cash equivalents as in Statement of Financial Position</b>	<u>6,240</u>
Bank overdraft - GBS	0
Bank overdraft - Commercial banks	0
<b>Cash and cash equivalents as in Statement of Cash Flows</b>	<u>6,240</u>

In response to the IAS 7 requirement for additional disclosure, the changes in liabilities arising for financing activities are;

Lease Liabilities £0k  
PFI liabilities £0k

The movement relates to cash, no comparative information is required by IAS 7 in 2018-19.

**18. Trade and other payables**

<b>Current</b>	<b>As at 31-Mar-19</b>
	<b>£000</b>
Welsh Government	86
Welsh Health Specialised Services Committee (WHSSC) / Emergency Ambulance Services Committee (EASC)	0
Welsh Health Boards	2,061
Welsh NHS Trusts	529
Other NHS	157
Taxation and social security payable / refunds	12
Refunds of taxation by HMRC	0
VAT payable to HMRC	0
Other taxes payable to HMRC	0
NI contributions payable to HMRC	0
Non-NHS creditors	1,503
Local Authorities	0
Capital Creditors	0
Overdraft	0
Rentals due under operating leases	24
Obligations under finance leases, HP contracts	0
Imputed finance lease element of on SoFP PFI contracts	0
Pensions: staff	0
Accruals	1,738
Deferred Income:	
Deferred Income brought forward	0
Deferred Income Additions	11
Transfer to / from current/non current deferred income	0
Released to SoCNE	0
Other creditors	0
PFI assets –deferred credits	0
Payments on account	0
<b>Total</b>	<b>6,121</b>
<b>Non-current</b>	
Welsh Government	0
Welsh Health Specialised Services Committee (WHSSC) / Emergency Ambulance Services Committee (EASC)	0
Welsh Health Boards	0
Welsh NHS Trusts	0
Other NHS	0
Taxation and social security payable / refunds	0
Refunds of taxation by HMRC	0
VAT payable to HMRC	0
Other taxes payable to HMRC	0
NI contributions payable to HMRC	0
Non-NHS creditors	0
Local Authorities	0
Capital Creditors	0
Overdraft	0
Rentals due under operating leases	194
Obligations under finance leases, HP contracts	0
Imputed finance lease element of on SoFP PFI contracts	0
Pensions: staff	0
Accruals	0
Deferred Income :	
Deferred Income brought forward	0
Deferred Income Additions	0
Transfer to / from current/non current deferred income	0
Released to SoCNE	0
Other creditors	0
PFI assets –deferred credits	0
Payments on account	0
<b>Total</b>	<b>194</b>

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

**Amounts falling due more than one year are expected to be settled as follows:**

	<b>£000</b>
Between one and two years	23
Between two and five years	69
In five years or more	102
Sub-total	194

**19. Other financial liabilities**

	<b>Current</b>	<b>Non-current</b>
<b>Financial liabilities</b>	<b>As at 31-Mar-19 £000</b>	<b>As at 31-Mar-19 £000</b>
Financial Guarantees:		
At amortised cost	0	0
At fair value through SoCNE	0	0
Derivatives at fair value through SoCNE	0	0
Other:		
At amortised cost	0	0
At fair value through SoCNE	0	0
<b>Total</b>	<u><u>0</u></u>	<u><u>0</u></u>

20. Provisions

	At 5 October 2017	Structured settlement cases transferred to Risk Pool	Transfer of provisions to creditors	Transfer between current and non-current	Arising during the period	Utilised during the period	Reversed unused	Unwinding of discount	At 31 March 2019
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Current</b>									
Clinical negligence	0	0	0	0	0	0	0	0	0
Personal injury	0	0	0	0	0	0	0	0	0
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administrator	0	0	0	0	30	0	0		30
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	0			0	0	0	0	0	0
Restructuring	0			0	0	0	0	0	0
Other	0		0	0	0	0	0		0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>30</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>30</b>
<b>Non Current</b>									
Clinical negligence	0	0	0	0	0	0	0	0	0
Personal injury	0	0	0	0	0	0	0	0	0
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administrator	0	0	0	0	0	0	0		0
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	0			0	0	0	0	0	0
Restructuring	0			0	0	0	0	0	0
Other	0		0	0	0	0	0		0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL</b>									
Clinical negligence	0	0	0	0	0	0	0	0	0
Personal injury	0	0	0	0	0	0	0	0	0
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administrator	0	0	0	0	30	0	0		30
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	0			0	0	0	0	0	0
Restructuring	0			0	0	0	0	0	0
Other	0		0	0	0	0	0		0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>30</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>30</b>

Expected timing of cash flows:

	in year to 31 March 2020	Between 1 April 2020 and 31 March 2024	Thereafter	Total
				£000
Clinical negligence	0	0	0	0
Personal injury	0	0	0	0
All other losses and special payments	0	0	0	0
Defence legal fees and other administration	30	0	0	30
Pensions relating to former directors	0	0	0	0
Pensions relating to other staff	0	0	0	0
Restructuring	0	0	0	0
Other	0	0	0	0
<b>Total</b>	<b>30</b>	<b>0</b>	<b>0</b>	<b>30</b>

## 21. Contingencies

### 21.1 Contingent liabilities

**As at  
31-Mar-19  
£'000**

Provisions have not been made in these accounts for the following amounts :

Legal claims for alleged medical or employer negligence	0
Doubtful debts	0
Equal Pay costs	0
Defence costs	0
Continuing Health Care costs	0
Other	0
Total value of disputed claims	0
 Amounts recovered in the event of claims being successful	 0
 <b>Net contingent liability</b>	 <b>0</b>

<b>21.2 Remote Contingent liabilities</b>	<b>As at 31-Mar-19 £'000</b>
<a href="#">Please disclose the values of the following categories of remote contingent liabilities :</a>	
Guarantees	0
Indemnities	0
Letters of Comfort	0
<b>Total</b>	<b>0</b>

<b>21.3 Contingent assets</b>	<b>As at 31-Mar-19 £'000</b>
	0
	0
	0
<b>Total</b>	<b>0</b>

**22. Capital commitments**

<b>Contracted capital commitments</b>	<b>As at 31-Mar-19 £'000</b>
Property, plant and equipment	0
Intangible assets	0
<b>Total</b>	<b>0</b>

### 23. Losses and special payments

HEIW has no losses and special payments during the period. Losses and special payments are charged to the Statement of Comprehensive Net Expenditure in accordance with IFRS but are recorded in the losses and special payments register when payment is made. Therefore this note is prepared on a cash basis.

#### Gross loss to the Exchequer

Number of cases and associated amounts paid out or written-off during the financial period

	Amounts paid out during period to 31 March 2019		Approved to write-off to 31 March 2019	
	Number	£	Number	£
Clinical negligence	0	0	0	0
Personal injury	0	0	0	0
All other losses and special payments	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Analysis of cases which exceed £300,000 and all other cases

Cases exceeding £300,000	Case type	Amounts paid out in period	Cumulative amount	Approved to write-off in period
		£	£	£
<b>Sub-total</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>All other cases</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>Total cases</b>		<b>0</b>	<b>0</b>	<b>0</b>

## 24. Finance leases

### 24.1 Finance leases obligations (as lessee)

HEIW has no finance lease obligations as lessee.

#### Amounts payable under finance leases:

<b>Land</b>	<b>As at 31-Mar-19 £000</b>
<b>Minimum lease payments</b>	
Within one year	0
Between one and five years	0
After five years	0
Less finance charges allocated to future periods	0
Minimum lease payments	<u>0</u>
Included in:	
Current borrowings	0
Non-current borrowings	<u>0</u>
<b>Present value of minimum lease payments</b>	
Within one year	0
Between one and five years	0
After five years	0
Present value of minimum lease payments	<u>0</u>
Included in:	
Current borrowings	0
Non-current borrowings	<u>0</u>
	<u>0</u>

**24.1 Finance leases obligations (as lessee) continue****Amounts payable under finance leases:**

<b>Buildings</b>	<b>As at 31-Mar-19</b>
	<b>£000</b>
<b>Minimum lease payments</b>	
Within one year	0
Between one and five years	0
After five years	0
Less finance charges allocated to future periods	0
Minimum lease payments	<u>0</u>
Included in:	
Current borrowings	0
Non-current borrowings	0
	<u>0</u>
 <b>Present value of minimum lease payments</b>	
Within one year	0
Between one and five years	0
After five years	0
Present value of minimum lease payments	<u>0</u>
Included in:	
Current borrowings	0
Non-current borrowings	0
	<u>0</u>
 <b>Other</b>	 <b>As at 31-Mar-19</b>
	<b>£000</b>
<b>Minimum lease payments</b>	
Within one year	0
Between one and five years	0
After five years	0
Less finance charges allocated to future periods	0
Minimum lease payments	<u>0</u>
Included in:	
Current borrowings	0
Non-current borrowings	0
	<u>0</u>
 <b>Present value of minimum lease payments</b>	
Within one year	0
Between one and five years	0
After five years	0
Present value of minimum lease payments	<u>0</u>
Included in:	
Current borrowings	0
Non-current borrowings	0
	<u>0</u>

**24.2 Finance leases obligations (as lessor) continued**

HEIW has no finance leases receivable as a lessor.

**Amounts receivable under finance leases:**

	<b>As at 31-Mar-19 £000</b>
<b>Gross Investment in leases</b>	
Within one year	0
Between one and five years	0
After five years	0
Less finance charges allocated to future periods	0
Minimum lease payments	<u>0</u>
Included in:	
Current borrowings	0
Non-current borrowings	<u>0</u>
	<u>0</u>
<b>Present value of minimum lease payments</b>	
Within one year	0
Between one and five years	0
After five years	0
Present value of minimum lease payments	<u>0</u>
Included in:	
Current borrowings	0
Non-current borrowings	<u>0</u>
	<u>0</u>

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

HEIW has no PFI schemes which are deemed to be on or off the statement of financial position.

## **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. HEIW 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. HEIW 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 HEIW in undertaking its activities.

### **Currency risk**

HEIW is principally a domestic organisation with the great majority of transactions, assets and liabilities being in the UK and Sterling based. HEIW has no overseas operations. HEIW therefore has low exposure to currency rate fluctuations.

### **Interest rate risk**

HEIW is not permitted to borrow. HEIW therefore has low exposure to interest rate fluctuations

### **Credit risk**

Because the majority of HEIW funding derives from funds voted by the Welsh Government HEIW has low exposure to credit risk.

### **Liquidity risk**

HEIW 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. HEIW is not, therefore, exposed to significant liquidity risks.

	05-Oct-17
	to
	31-Mar-19
	£000
<b>27. Movements in working capital</b>	
(Increase)/decrease in inventories	0
(Increase)/decrease in trade and other receivables - non-current	0
(Increase)/decrease in trade and other receivables - current	(801)
Increase/(decrease) in trade and other payables - non-current	194
Increase/(decrease) in trade and other payables - current	6,121
<b>Total</b>	<u>5,514</u>
Adjustment for accrual movements in fixed assets - creditors	0
Adjustment for accrual movements in fixed assets - debtors	0
Other adjustments	0
	<u>5,514</u>
	05-Oct-17
	to
<b>28. Other cash flow adjustments</b>	31-Mar-19
	£000
Depreciation	112
Amortisation	0
(Gains)/Loss on Disposal	0
Impairments and reversals	0
Release of PFI deferred credits	0
Donated assets received credited to revenue but non-cash	0
Government Grant assets received credited to revenue but non-cash	0
Non-cash movements in provisions	30
<b>Total</b>	<u>142</u>

## 29. Third Party assets

HEIW does not hold cash on behalf of third parties.

## 30. Events after the Reporting Period

HEIW 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.

## 31. Related Party Transactions

The Welsh Government is regarded as a related party. During the accounting period HEIW 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-Mar-19 £'000s	Creditor @ 31-Mar-19 £'000s	Income @ 31-Mar-19 £'000s	Expenditure @ 31-Mar- 19 £'000s
Welsh Government	0	86	109,338	87
Abertawe Bro Morgannwg University LHB	0	329	0	7,311
Aneurin Bevan Health Board	0	424	1	4,557
Betsi Cadwaladr LHB	0	152	6	7,132
Cardiff & Vale LHB	0	653	3	9,978
Cwm Taf LHB	0	250	0	3,510
Hywel Dda LHB	0	96	0	3,187
Powys LHB	0	157	0	325
Veliindre University NHS Trust	0	435	44	11,098
Public Health Wales NHS Trust	0	45	0	597
Welsh Ambulance Trust	0	49	0	362
Welsh Health Specialised Services Committee	0	0	0	0
Total £'000s	0	2,676	109,392	48,144

During the year, other than the individuals set out below, there were no other material related party transactions involving other board members or key senior management staff.

Tina Donnelly is a Fellow of the **University of South Wales**.

Ruth Hall is a visiting Chair of the **University of West of England** and an advisory Board Member, Centre for Public Policy Wales at **Cardiff University**.

Ceri Phillips is Head of College of Human and Health Sciences, **Swansea University**.

Heidi Phillips is Associate Professor Primary Care, **Swansea University**

	Debtor @ 31-Mar-19 £'000s	Creditor @ 31-Mar-19 £'000s	Income @ 31-Mar-19 £'000s	Expenditure @ 31-Mar- 19 £'000s
University of South Wales	0	1	0	8,022
University of West of England	0	10	0	31
Cardiff University	44	166	92	13,720
Swansea University	0	32	0	10,918
	44	209	92	32,691

## 32. Operating segments

IFRS 8 requires bodies to report information about each of its operating segments.

HEIW is deemed to operate as one segment.

## 33. Pooled budgets

HEIW does not operate any pooled budgets.

## 34. Other Information

### IFRS15

Work was undertaken by the TAG IFRS sub group, consistent with the 'portfolio' approach allowed by the standard. Each income line in the notes from a previous year's annual accounts (either 2016/17 or 2017/18) was considered to determine how it would be affected by the implementation of IFRS 15. It was determined that the following types of consideration received from customers for goods and services (hereon referred to as income) fell outside the scope of the standard, as the body providing the income does not contract with the body to receive any direct goods or services in return for the income flow.

- Charitable Income and other contributions to Expenditure.
- Receipt of Donated Assets.
- WG Funding without direct performance obligation (e.g. SIFT/SIFT®/Junior Doctors & PDGME Funding).

Income that fell wholly or partially within the scope of the standard included:

- Welsh LHB & WHSCC LTA Income;
- Non Welsh Commissioner Income;
- NHS Trust Income;
- Foundation Trust Income;
- Other WG Income;
- Local Authority Income;
- ICR Income ;
- Training & Education income ;
- Accommodation & Catering income

It was identified that the only material income flows likely to require adjustment for compliance with IFRS15 was that for patient care provided under Long Term Agreements (LTA's). The adjustment being, for episodes of patient care which had started but not concluded (FCE's), as at period end, e.g. 31 March.

These income flows are not relevant to HEIW and therefore there is no impact in the HEIW accounts.

## **IFRS 9**

For consistency across Wales, the practical expedient provision matrix is used to estimate expected credit losses (ECLs) based on the 'age' of receivables.

However, as HEIW has been operational for only 6 months it does not have sufficient data in which to analyse historical loss rate. Due to the relatively low number of outstanding debts as at 31st March 2019 ECLs were estimated individually for all period-end receivables. For future years the practical expedient matrix will be used for calculation purposes.

## **BREXIT**

On 29 March 2017, the UK Government submitted its notification to leave the EU in accordance with Article 50. The triggering of Article 50 started a two-year negotiation process between the UK and the EU. On 11 April 2019, the government confirmed agreement with the EU on an extension until 31 October 2019 at the latest, with the option to leave earlier as soon as a deal has been ratified.

## **35. ESTABLISHMENT OF HEALTH EDUCATION & IMPROVEMENT WALES**

For the agreement of assets and liabilities that transferred, HEIW completed and agreed 'S1' and 'S2' forms with Velindre University NHS Trust and Cardiff University. The forms respectively record:

- S1 - The value of Property, Plant & Equipment transferred.
- S2 - The value of other non-current assets and liabilities transferred.

HEIW paid Velindre University NHS Trust for the value of non-current assets purchased during the period and are shown as non-current asset additions in note 11.1. This cost of the purchase was funded by Welsh Government and £3.101m was credited to the General Fund, which will offset depreciation on the assets as charges are incurred.

Included within the S1 form with Cardiff University was £0.684m of fully depreciated non-current assets, which transferred to HEIW at nil cost. These assets have been shown gross within note 11.1.

HEIW paid Velindre University NHS Trust £0.038m for the transfer of their net current assets, which comprised £0.173m of trade and other receivables and £0.135m of trade and other payables. The payment to Velindre NHS Trust was funded by the Welsh Government through HEIW's resource allocation.

HEIW have a debtor of £0.028m with Cardiff University for the transfer of their net liabilities, which comprised of £0.100 of trade and other receivables and £0.128m of trade and other payables.

**THE NATIONAL HEALTH SERVICE IN WALES ACCOUNTS DIRECTION GIVEN BY WELSH MINISTERS IN ACCORDANCE WITH PARAGRAPH 3(1) OF SCHEDULE 9 TO THE NATIONAL HEALTH SERVICE (WALES) ACT 2006 (C.42) AND WITH THE APPROVAL OF TREASURY**

**HEALTH EDUCATION AND IMPROVEMENT WALES**

1. Health Education and Improvement Wales (HEIW), a special health authority, shall prepare accounts for the financial period 5<sup>th</sup> October 2017 to 31 March 2019 and subsequent financial years in the form specified in paragraphs 2 to 4 below.

**BASIS OF PREPARATION**

2. The accounts of HEIW shall comply with:

(a) the accounting principles and disclosure requirements of the Government Financial Reporting Manual ('the FReM') issued by HM Treasury which is in force for that financial year, as detailed in the NHS Wales Manual for Accounts; and

(b) any other specific guidance or disclosures required by the Welsh Government.

3. The accounts shall be prepared so as to:

(a) give a true and fair view of the state of affairs as at the year-end and of the net expenditure, financial position, cash flows and changes in taxpayers' equity for the financial year then ended; and

(b) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by the National Assembly for Wales or material transactions that have not conformed to the authorities which govern them.

4. Compliance with the requirements of the FReM as detailed in the NHS Wales Manual for Accounts will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM as detailed in the NHS Wales Manual for Accounts is inconsistent with the requirement to give a true and fair view, the requirements of the FReM as detailed in the NHS Wales Manual for Accounts should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgment should be used to devise an appropriate alternative treatment which should be consistent both with the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with the Welsh Government.

Signed by the authority of the Welsh Ministers

Signed:

Dated:

Alan Brace, Director of Finance HSSG



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru  
Auditor General for Wales

# Audit of Financial Statements Report – Health Education and Improvement Wales

Audit period ended: 31 March 2019

Date issued: May 2019

Document reference: 1287A2019-20



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

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

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

[infoofficer@audit.wales](mailto:infoofficer@audit.wales).

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

# Contents

The Auditor General intends to issue an unqualified audit report on your financial statements. There are some issues to report to you prior to their approval.

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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 Health Education and Improvement Wales at 31 March 2019 and its income and expenditure for the period 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 level at which we judge such misstatements to be material for Health Education and Improvement Wales is £1.058 million. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.
- 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.
- 5 This report sets out for consideration the matters arising from the audit of the financial statements of Health Education and Improvement Wales, for the period ended 31 March 2019, that require reporting under ISA 260.

## Status of the audit

- 6 We received the draft financial statements for the period ended 31 March 2019 on 26 April 2019 as agreed and have now substantially completed the audit work.
- 7 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 Interim Director of Finance and Head of Financial Accounting.

## Proposed audit report

- 8 It is the Auditor General's intention to issue an unqualified audit report on the financial statements once you have provided us with a Letter of Representation based on that set out in [Appendix 1](#).
- 9 The proposed audit report is set out in [Appendix 2](#).

## Significant issues arising from the audit

### Uncorrected misstatements

- 10 We set out below a misstatement that we identified in the financial statements, which has been discussed with management but remains uncorrected, and request that it is corrected. If you decide not to correct this misstatement, we ask that you provide us with the reason for non-correction.

#### **Property plant and equipment: IT assets are overstated by £64,000**

- IT assets totalling £64,000 are included within Property, plant and equipment but were not in HEIW's possession and in use by 31 March 2019. We confirm receipt of these assets very soon after the period end.

### Corrected misstatements

- 11 There are misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process. They are set out with explanations in [Appendix 3](#).

### Other significant issues arising from the audit

- 12 In the course of the audit, we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. There were some issues arising in these areas this period:

- **We have some concerns about the qualitative aspects of your accounting practices and financial reporting.**

Officers submitted for audit a good quality draft account to timetable, supported by good quality working papers. It is commendable how the staff within the finance team worked together to overcome deficiencies in accumulated knowledge/continuity for the six-month operational period with some vacancies and turnover within the new staffing structure.

Generally we found the information provided to be relevant, reliable, comparable, material and easy to understand. We concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear.

We did find that some classification of expenditure, accruals and accounting for prepayments could be improved, but in our view this is not unexpected for an organisation still in its relative infancy where both staff and operating procedures are yet to be fully embedded.

- **We did not encounter any significant difficulties during the audit.**

We are grateful for the help and assistance provided to us by the staff of the finance and other departments throughout the audit. We received information in a timely and helpful manner and were not restricted in our work.

- **There is one significant matter which we discussed and corresponded upon with management which we need to report to you.**

In February 2019, HEIW issued supplementary allocations to Welsh Universities in order to strengthen and supplement healthcare professional education and training. Bids were invited and assessed by the executive team. We have sought assurance as to whether the timing of the process was satisfactory for ensuring good value for money and appropriate use of resources. We understand that it is unlikely that the process will be repeated in 2019-20 due to the strategic review of University Contracts and procurement exercise but recommend that the core criteria and consideration of timing for requests for bids/utilisation be strengthened if further funding is provided in-year.

- **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.** However, our audit procedures highlighted that HEIW does not hold signed contracts of employment for two members of the Executive team.
- **There are no other matters specifically required by auditing standards to be communicated to those charged with governance.**

## Recommendations arising from our financial audit work for the period ended 31 March 2019

- 13 The recommendations arising from our financial audit work will be set out in our Management Letter to be presented to the Audit and Assurance Committee in July 2019. We will request management responses to our recommendations, for inclusion in that paper, and we will follow up progress on implementation of each agreed recommendation during next year's audit. Where any actions remain outstanding, we will report this to you.

## Independence and objectivity

- 14 As part of the finalisation process, we are required to provide you with representations concerning our independence.
- 15 We have complied with ethical standards and in our professional judgment, we are independent and our objectivity is not compromised. There are no relationships between the Wales Audit Office and Health Education and Improvement Wales that we consider to bear on our objectivity and independence.

# Appendix 1

## Final Letter of Representation

[Audited body's letterhead]

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

[Date]

### Representations regarding the financial statements for the period ended 31 March 2019

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 Health Education and Improvement Wales for the period ended 31 March 2019 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 Health Education and Improvement Wales will continue in operation.
- Ensuring the regularity of any expenditure and other transactions incurred.

- 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 Health Education and Improvement Wales 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 and Staff Report are accurate but incomplete as despite best endeavours, information regarding senior officer pension benefits remains unavailable at the time of approval of the Financial Statements and Accountability Report.

The arrangements put in place to obtain good value for money from the Supplementary Allocation to Welsh Universities during the period ended 31 March 2019 were sufficiently robust to ensure proper use of resources, and I am satisfied that the disbursement of this funding in the 2018-19 financial year did not constitute payments in advance of need.

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.

Three cases relating to claims by former employees are currently considered as remote contingent liabilities and thereby only the legal costs have been provided for.

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 30 May 2019.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

Chief Executive

Date:

Signed by:

Chair

Date:

# Appendix 2

## Proposed Certificate and independent auditor's report of the Auditor General for Wales to the National Assembly for Wales

### Report on the audit of the financial statements

#### Opinion

I certify that I have audited the financial statements of Health Education and Improvement Wales for the period ended 31 March 2019 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 Health Education and Improvement Wales as at 31 March 2019 and of its net operating costs for the period 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 opinion

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

#### Conclusions relating to going concern

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

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Executive has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the 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.

### **Opinion on regularity**

In my opinion, in all material respects, the expenditure and income in the financial statements have been applied to the purposes intended by the National Assembly for Wales and the financial transactions recorded in the financial statements 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 period 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 period for which the financial statements are prepared is consistent with the financial statements and the Foreword and Accountability Report has been prepared in accordance with Welsh Ministers' guidance.

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

In the light of the knowledge and understanding of Health Education and Improvement Wales 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.

## **Report**

I have no observations to make on these financial statements.

## **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 36 and 37, 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 Health Education and Improvement Wales' ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

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

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

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

### **Responsibilities for regularity**

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

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

Adrian Crompton  
Auditor General for Wales  
11 June 2019

24 Cathedral Road  
Cardiff  
CF11 9LJ

# 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
£87,000	<p><b>Note 2.1 Revenue resource performance</b> Increase net operating costs for the period by £87,000. Decrease underspend against allocation by £87,000.</p> <p><b>Note 3.3 Other Operating Expenditure</b> Disclose the total fee of £175,000 within the Audit Fees line, removal of £40,000 from Other auditors remuneration.</p> <p><b>Note 18 Trade and other payables</b> Increase Accruals by £87,000.</p>	To accrue for the full fee for 2019 audit and inspection work to be undertaken by the AGW and his staff and to re-categorise within Note 3.3 in accordance with the Manual for Accounts.
£825,000	<p><b>Note 3.2 Postgraduate Medical, Dental &amp; Pharmacy Education</b> Increase in GP CPD and appraisal costs £652,000 and increase in Other costs £173,000</p> <p><b>Note 3.3 Other Operating Expenditure</b> Increase in Premises costs £67,000 and decrease in Other operating costs £892,000.</p>	To reclassify a proportion of Other operating costs to categories within Notes 3.2 and 3.3 to more accurately reflect the nature of the transaction.
£1,481,000	<p><b>Note 18 Trade and other payables</b> Increase Accruals by £1,481,000 and decrease Non-NHS creditors by £1,481,000.</p>	To correctly classify those expenditure transactions incurred during the reporting period for which no invoice was received prior to the period end.

During our audit we recommended a number of additions, amendments and deletions to disclosures within the financial statements to ensure completeness, clarity, accuracy and consistency throughout, and to comply with best practice as set out in the NHS Wales 2018-19 Manual for Accounts.

**Exhibit 2: summary of disclosure amendments made to the draft financial statements**

<b>Disclosure Note</b>	<b>Nature of amendment</b>
<b>Note 1.28 and Note 34 Accounting for the establishment of HEIW</b>	Inclusion of disclosures relevant to accounting for the net assets/liabilities transferred into HEIW from Velindre University NHS Trust and Cardiff University. To increase the amount due from Cardiff University in respect of the transfer of balances as at 1 October 2018 by £5,000.
<b>Note 3.1 Non-Medical Education and training</b>	To amend the categorisation of expenditure disclosed within Note 3.1 to appropriately reflect the nature of the transaction. To use descriptive headings for categories that are understandable to the reader of the account.
<b>Note 11 Property, plant and equipment</b>	Removal of disclosures not relevant to HEIW and insertion of a narrative to explain the buildings relate to leasehold improvements and are depreciated over the shorter of the remainder of the lease term or the assessed life of the asset.
<b>Note 15 Trade and other receivables</b>	To disclose the aging of debts past their due date erroneously omitted from the initial draft account.
<b>Note 18 Trade and other payables</b>	To disclose the expected year of settlement for those amounts falling due after more than one year.
<b>Remuneration report</b>	Amendments to Single Figure of Remuneration salary disclosures to correctly reflect the salary received pre and post 1 October 2018.
<b>Various disclosure notes</b>	A number of narrative and disclosure amendments, not identified separately in this table, as not regarded as material to the financial statements.



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Addysg a Gwella Iechyd  
Cymru (AaGIC)  
Health Education and  
Improvement Wales (HEIW)

<b>Meeting Date</b>	<b>13 May 2019</b>	<b>Agenda Item</b>	<b>2.2</b>
<b>Report Title</b>	<b>Accountability Report 2018/19</b>		
<b>Report Author</b>	Dafydd Bebb, Board Secretary		
<b>Report Sponsor</b>	Dafydd Bebb, Board Secretary		
<b>Presented by</b>	Kay Barrow, Corporate Governance Manager		
<b>Freedom of Information</b>	Open		
<b>Purpose of the Report</b>	To set out HEIW's Accountability Report for 2018-19*.		
<b>Key Issues</b>	<ul style="list-style-type: none"> <li>As HEIW was established operationally on 1 October 2018 the period covered by the Accountability Report is from 1 October 2018 to 31 March 2019 (2018-19)*</li> <li>The Accountability Report provides an outline of HEIW's programme in relation to the Board's governance arrangements;</li> <li>A draft version of the Accountability Report was considered by Audit Committee on 13th May 2019 and has been developed further, following receipt of comments from members, Welsh Government and auditors.</li> </ul>		
<b>Specific Action Required</b> <i>(please ✓ one only)</i>	<b>Information</b>	<b>Discussion</b>	<b>Assurance</b>
		✓	
<b>Recommendations</b>	<p>Members are asked to:</p> <ul style="list-style-type: none"> <li>consider the Accountability Report and to recommend to Board that it may be approved at May Board.</li> </ul>		

## **ACCOUNTABILITY REPORT 2018/2019**

### **1. INTRODUCTION**

The purpose of the report is to set out HEIW's Accountability Report for 2018-19.

### **2. BACKGROUND**

The purpose of the Accountability Report 2018-19 is for the accountable officer to present how she has discharged her role during the year in compliance with the manual for accounts issued by Welsh Government.

Members will note that a draft version was considered by the Audit and Assurance Committee on 13th May 2019 and has been developed further, following receipt of comments from members, Welsh Government and auditors.

NHS bodies are required to publish, as a single document, a three part Annual Report and Accounts which includes:

1. the Performance Report;
2. the Accountability Report; and
3. the Financial Statements

Sections 2 is the subject matter of this paper.

### **3. GOVERNANCE AND RISK ISSUES**

According to the Manual of Accounts, the annual report and accounts "as a whole must be fair, balanced and understandable and the accountable officer takes personal responsibility for it and the judgments required for determining that it is fair, balanced and understandable". The accountable officer must also sign and date all of the relevant sections of the report.

### **4. FINANCIAL IMPLICATIONS**

There are no financial implications. Production of the Annual Report is deemed a core matter for HEIW.

### **5. RECOMMENDATION**

Members are asked to consider the Accountability Report and to recommend to Board that it may be approved at May Board.

<b>Governance and Assurance</b>				
<b>Link to corporate objectives</b> <i>(please ✓)</i>	As a new organisation establishing HEIW as a valued and trusted partner, an excellent employer and a reputable and expert brand	Building a sustainable and flexible health and care workforce for the future.	With Social Care Wales shaping the workforce to deliver care closer to home and to better align service delivery.	Improving quality and safety by supporting NHS organisations find faster and more sustainable workforce solutions for priority service delivery challenges.
	✓			
	Improving opportunities for use of technology and digitalisation in the delivery of education and care.	Reinvigorating leadership development and succession planning across health and social care in partnership with Social Care Wales and Academi Wales	Demonstrating value from investment in the workforce and the organisation.	
<b>Quality, Safety and Patient Experience</b>				
NA.				
<b>Financial Implications</b>				
There are no financial implications.				
<b>Legal Implications (including equality and diversity assessment)</b>				
Completing the Annual Report is a statutory duty for HEIW.				
<b>Staffing Implications</b>				
There are no staffing implications.				
<b>Long Term Implications (including the impact of the Well-being of Future Generations (Wales) Act 2015)</b>				
Na				
<b>Report History</b>	that a draft version was considered by Audit Committee on 13th May 2019			
<b>Appendices</b>	<ul style="list-style-type: none"> <li>• Draft Accountability Report 2018-19 (Appendix 1)</li> </ul>			



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CYMRU  
**NHS**  
WALES

Addysg a Gwella Iechyd  
Cymru (AaGIC)  
Health Education and  
Improvement Wales (HEIW)

# Accountability Report

## For the Period Ended 31 March 2019\*

\*HEIW became operational on 1<sup>st</sup> October 2018. All references to 2018/2019 in these reports cover the period 1<sup>st</sup> October 2018 to 31<sup>st</sup> March 2019.

Signed: Alex Howells .....  
(Chief Executive)

Date: .....

## **1 INTRODUCTION**

The Government Financial Reporting Manual (FReM) is the technical accounting guide to the preparation of the financial statements. HM Treasury published a revised version of the Government Financial Reporting Manual (FReM) in December 2017 and states that NHS bodies are required to publish, as a single document, a three-part annual report and accounts document which includes:

### **1.1 The Performance Report**

The purpose of the performance section of the annual report is to provide information on the organisation, its main objectives and strategies and the principal risks that it faces. The report must include:

- An overview;
- A Performance analysis.

### **1.2 The Accountability Report**

The purpose of the accountability section of the annual report is to meet key accountability requirements to the National Assembly for Wales, which must include the following 3 sections:

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

### **1.3 The Financial Statements**

- The Audited Annual Accounts for the period ended 31 March 2019.

## **2 THE ACCOUNTABILITY REPORT**

### **a. The Corporate Governance Report**

This explains the composition and organisation of Health Education Improvement Wales (HEIW's) governance structures and how they support the achievement of the organisation's objectives. This section includes the Directors report, the statement of Accounting Officers responsibilities and a governance statement. The Board Secretary has compiled the report, the main document being the Annual Governance Statement (AGS). The compilation of this section of the report has been informed by a review of the business undertaken by the Board and its Committees over the 6 months since its establishment and has had input from the Chief Executive, as Accountable Officer, the Executive Team and Members of the Audit and Assurance Committee.

### **b. Remuneration and Staff Report**

The remuneration and staff report sets out HEIW's remuneration policy for directors, reports on how that policy has been implemented and sets out the amounts awarded to directors and where relevant the link between performance and remuneration. This section contains information about the remuneration of senior management, fair pay ratios, sickness absence rates etc. and has been compiled by the Finance department and the Workforce & Organisational Development department.

### **c. National Assembly for Wales Accountability and Audit Report**

This contains a range of disclosures on the regularity of expenditure, fees and charges, compliance with the cost allocation and charging requirements set out in HM Treasury guidance, material remote contingent liabilities, long-term expenditure trends, and the audit certificate and report.

The Annual Report must be produced in a bilingual format in time for presentation at the Annual General Meeting (AGM) in July 2019, having been reviewed by the Auditor General for Wales.



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

Addysg a Gwella Iechyd  
Cymru (AaGIC)  
Health Education and  
Improvement Wales (HEIW)

# **Corporate Governance Report**

## **For the Period Ended 31 March 2019**

## Annual Governance Statement for the period ended 31 March 2019

### 1. Scope of Responsibility

The Board of Health Education Improvement Wales (HEIW) 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 also safeguarding public funds and this organisation's assets, for which I am personally responsible. These are carried out in accordance with the responsibilities assigned to me as Accountable Officer by the Chief Executive of NHS Wales.

The background to the establishment of HEIW and the organisation becoming operational on 1 October 2018, its function and Remit Letter objectives are set out in the Performance Report.

This Annual Governance Statement explains the composition and organisation of the HEIW's governance structures and how they support the achievement of its objectives.

During its period of operation, HEIW has started to develop a system of governance and assurance. These will be further developed in 2019/20 with a Board Assurance Framework being considered by the Board in July 2019. The Board sits at the top of the organisation's governance and assurance system and sets strategic objectives, monitors progress, agrees actions to achieve these objectives and ensures appropriate controls are in place and are working properly. The Board also takes assurance from its Committees and assessments and against professional standards and regulatory frameworks.

#### 1.1 Our System of Governance and Assurance

HEIW has agreed its vision, which is “**Transforming the workforce for a healthier Wales**” which has been developed through engagement with staff, stakeholders and partners. We will deliver this vision using our PEOPLE principles as outlined below:

<b>P</b>	<b>Planning</b> ahead to predict and embrace changes and build a sustainable health and social care system
<b>E</b>	<b>Educating</b> , training and developing staff to meet the needs of patients and citizens in line with prudent healthcare principles
<b>O</b>	<b>Offering opportunities</b> for development to new and existing staff from all professional and occupational groups throughout career pathways
<b>P</b>	<b>Partnership working</b> to increase value for our citizens, patients, learners and staff
<b>L</b>	<b>Leading</b> the way, through continuous learning, improvement and innovation
<b>E</b>	<b>Exciting, Enthusing, Engaging, Enabling and Empowering</b> staff across all professional and occupational groups

HEIW has also developed a Values and Behaviour Framework. These values and behaviours have been developed by the 400 staff who have come together as a team to form HEIW and are:

- **Respect for all**
- **Together as a Team**
- **Ideas that Improve**

The Vision and Behaviours Framework, was approved by the Board in October 2018 and activity has started to embed this throughout the organisation. Further work has also been undertaken on the development of a People and Organisational Development Strategy and this will be completed in 2019/20.

HEIW, in line with all Health Boards and Trusts in Wales has agreed Standing Orders for the regulation of proceedings and business of the organisation. They are designed to translate the statutory requirements set out in the HEIW (Establishment and Constitution) Order 2017 into day to day operating practice, and together with the adoption of a scheme of matters reserved to the Board; a scheme of delegation to officers and others; and Standing Financial Instructions, they provide the regulatory framework for the business conduct of HEIW and define its 'ways of working'. These documents, together with the range of corporate policies set by the Board make up the Governance and Assurance Framework.

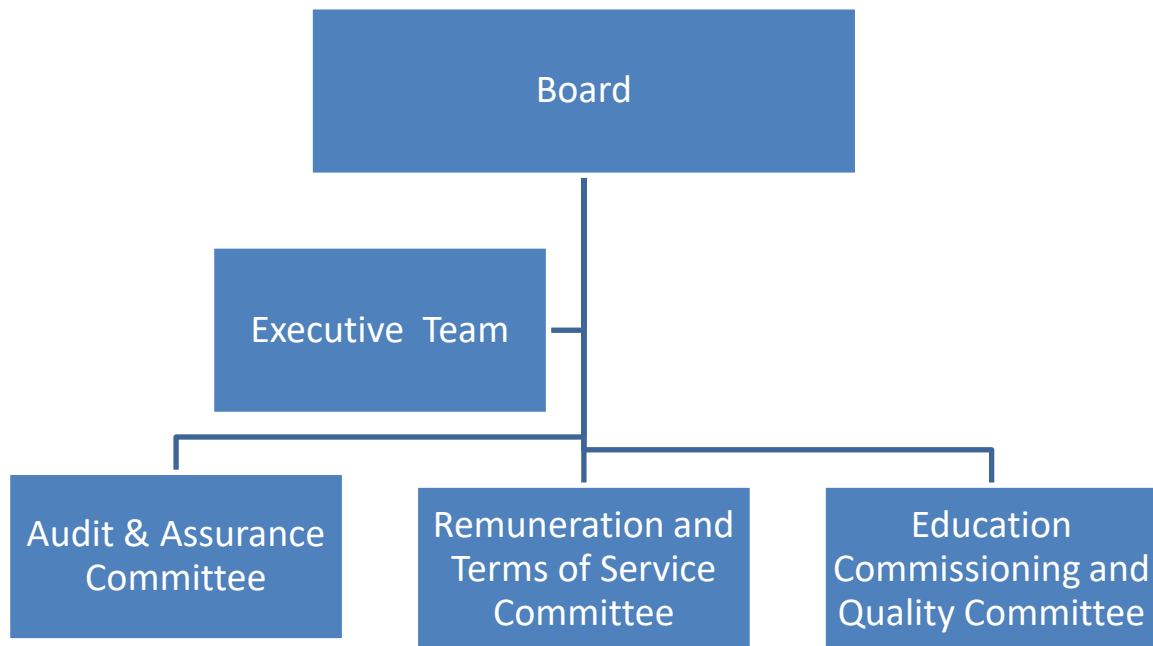
The Board is in the process of developing a written Board Assurance Framework, which will outline the sources of assurance used by the Board to assist the organisation in making judgements about the progress it is making against its stated objectives. It is anticipated this will be considered by the Board in July 2019.

During the year HEIW's Declarations of Interest and Standards of Behaviour Policy has been developed and work continues to further embed this to better manage any conflicts of interest that might arise for our Board Members and staff. This continues to be rolled out across the organisation and communication and engagement undertaken on the requirements of the policy.

## **1.2 The Role of the Board**

As a newly established body HEIW has a new Board. The organisation's Chair, Chris Jones CBE was formally appointed as Chair on 1 October 2018. All of the seven Independent Members have been appointed for a period of between two and three years. The Chief Executive, other Executive Members and the Board Secretary were also appointed in 2018. These appointments are outlined in Table One. The programme of induction at a national level facilitated by Academi Wales is currently under review and new members will be required to attend the new programme in 2019/20. HEIW's experienced members will have already undertaken equivalent training through their previous roles on Boards. During the shadow period for HEIW, which pre-dated the organisation becoming operational, a number of Board Development Sessions were undertaken which included an extensive day on governance in spring 2018.

The full membership of the Board and their lead roles and committee responsibilities are outlined in Table One and summarised in the table below:



The Board provides leadership and direction to the organisation and has a key role in ensuring that the organisation has sound governance arrangements in place. The Board also seeks to ensure that it has an open culture and high standards in the ways in which its work is conducted. Together, Board Members share corporate responsibility for all decisions and play a key role in monitoring the performance of the organisation. All the meetings of the Board for the period ending 31 March 2019 were appropriately constituted with a quorum. The key business and risk matters considered by the Board during 2018/2019 are outlined in this Statement and further information can be obtained from the published Health Board meeting papers on the Health Board's web pages via the following link.

<https://heiw.nhs.wales/corporate/board-meetings-agendas-and-papers/>.

### 1.3 Committees of the Board

The Board has established three committees, the Audit and Assurance Committee, Remuneration and Terms of Service Committee and the Education Commissioning and Quality Committee. The latter committee was established by the Board in March 2019 and will not come into being until 2019/20. These committees are chaired by the Chair or Independent Members of the Board and have key roles in relation to the system of governance and assurance, decision making, scrutiny and in assessing current risks. The committees provide assurance and key issue reports to each Board meeting to contribute to the Board's assessment of assurance and to provide scrutiny on the delivery of objectives.

The Chair of the Board and the Board are keeping the committee structure under review and will consider whether to further revise the structure during 2019/2020 in line with the Board's governance framework and priorities of the Annual Plan 2019/20.

HEIW is committed to openness and transparency with regard to the way in which it conducts its committee business. The majority of the work undertaken by the Board and the Audit and Assurance Committee is undertaken in public. Open session papers are published on HEIW's website.

The link to the HEIW's web page where the papers are published is provided below:

<https://heiw.nhs.wales/corporate/board-meetings-agendas-and-papers/>

The Remuneration and Terms of Service (RATS) Committee undertakes its work in closed session only. The closed session elements of Board and Committee meetings are undertaken because of the confidential nature of the business. Such confidential issues may include commercially sensitive issues, matters relating to personal issues or discussing plans in their formative stages.

The HEIW Board and its committees have also sought to undertake the minimum of its business in closed sessions and ensure business wherever possible is considered in public. In 2019/20 the Board will approve guidance clarifying the basis upon which matters are ordinarily to be considered in open or closed session.

An important committee of the Board in relation to this Annual Governance Statement is the Audit and Assurance Committee, which keeps under review the design and adequacy of HEIW's governance and assurance arrangements and its system of internal control. During the period ending 31 March 2019, key issues considered by the Audit and Assurance Committee relating to the overall governance of the organisation have been:

- Reviewing the transitional arrangements enabling HEIW to become operational.
- Reviewing the terms of reference on its establishment, these will be kept under regular review.
- Approving the Internal Audit Plan for 2018/19 and has kept under review the resulting Internal Audit Reports. Noted key areas of risk and will track the management responses made to improve systems and organisational policies.
- Ensuring effective financial systems and controls procedures are established through the Finance Transition Plan.
- Developing the Board's risk management systems and processes.
- Developing arrangements to work with the Wales Audit Office (WAO), and has considered the WAO's 2019 Audit Plan.

#### **1.4 Membership of the Board and its Committees**

In Table One the membership of the Board is outlined for the period ended 31 March 2019 and the attendance at Board meetings for this period. It also highlights the membership of Board's committees.

A report of any proposed changes to the structure and membership of Board committees is approved by the Board. Each committee has considered its own terms reference and recommended changes to the Board. The Board will ensure that terms of reference for each committee are reviewed annually to ensure the work of committees clearly reflects any required governance requirements or changes to

delegation arrangements or areas of responsibility from the Board. Committees will also be required develop Annual Reports of their business and activities.

Board and committee membership and attendance since 1 October 2018 to 31 March 2019:

**Table One**

<b>NAME</b>	<b>POSITION</b>	<b>AREA OF EXPERTISE REPRESENTATION ROLE</b>	<b>BOARD COMMITTEE MEMBERSHIP</b>	<b>Meeting Attendance 18/19</b>	<b>[CHAMPION ROLES – check with Steve Combes]</b>
<i>Chris Jones</i>	<i>Chair</i>	<i>Primary Care Widening Access Prevention</i>	<i>Board (Chair) RATS Committee (Chair)</i>	<i>4/4 4/4</i>	<i>Welsh Language Champion</i>
<i>John Hill-Tout</i>	<i>Vice Chair</i>	<ul style="list-style-type: none"> <li>• Performance</li> <li>• Governance</li> <li>• Finance</li> </ul>	<i>Board  Audit and Assurance Committee;  RATS Committee</i>	<i>3/4 3/3 4/4</i>	<i>Primary care and mental health champion</i>
<i>Tina Donnelly</i>	<i>Independent Member</i>	<ul style="list-style-type: none"> <li>• Leadership</li> <li>• Students</li> <li>• Workforce</li> <li>• Education/Training</li> </ul>	<i>Board  RATS Committee  Education, Commissioning and Quality Committee</i>	<i>3/4 4/4  Established at March Board and yet to meet.</i>	<i>Student/Trainee Champion Equality and Diversity Champion</i>
<i>Ruth Hall</i>	<i>Independent Member</i>	<ul style="list-style-type: none"> <li>• Rural Education Quality and Improvement</li> </ul>	<i>Board Audit and Assurance Committee; RATS Committee Education, Commissioning and Quality Committee (Chair)</i>	<i>4/4 3/3 2/4  Established at March Board and yet to meet.</i>	<i>Rural Champion</i>
<i>Gill Lewis</i>	<i>Independent Member</i>	<ul style="list-style-type: none"> <li>• Health &amp; Social Care Workforce</li> <li>• Digitalisation</li> </ul>	<i>Board Audit and Assurance Committee (Chair) RATS Committee</i>	<i>3/4 3/3  4/4</i>	<i>Health &amp; Social Care Integration Champion</i>

<b>NAME</b>	<b>POSITION</b>	<b>AREA OF EXPERTISE REPRESENTATION ROLE</b>	<b>BOARD COMMITTEE MEMBERSHIP</b>	<b>Meeting Attendance 18/19</b>	<b>[CHAMPION ROLES – check with Steve Combes]</b>
<i>Ceri Phillips</i>	<i>Independent Member</i>	<ul style="list-style-type: none"> <li>• Workforce Design</li> <li>• Value Agenda Digitalisation</li> </ul>	<i>Board RATS Committee</i>	3/4 2/4	<i>Digital Champion</i>
<i>Heidi Phillips</i>	<i>Independent Member</i>	<ul style="list-style-type: none"> <li>• Integrated Care</li> <li>• Improvement</li> <li>• Widening Access</li> <li>• Education</li> <li>• Training</li> </ul>	<i>Board RATS Committee</i>	3/4 4/4	<i>Quality Improvement Champion</i>  <i>Widening Access Champion</i>
<i>Alex Howells</i>	<i>Chief Executive</i>		<i>Board</i>	4/4	
<i>Julie Rogers</i>	<i>Deputy Chief Executive; Director of Workforce and OD</i>		<i>Board</i>	4/4	
<i>Stephen Griffiths</i>	<i>Executive Director of Nursing</i>		<i>Board</i>	4/4	
<i>Pushpinder Mangat</i>	<i>Executive Medical Director</i>		<i>Board</i>	4/4	
<i>Danielle Neale Until 14<sup>th</sup> March 2019</i>	<i>Executive Director of Finance and Corporate Services</i>		<i>Board</i>	2/3	

Please note that the Director of Finance and Corporate Services is the lead officer for the Audit and Assurance Committee. The Director of Workforce & OD is the lead officer for the Remuneration and Terms of Service Committee.

The following table outlines dates of Board and committee meetings held during the period from 1 October 2018 to 31 March 2019. All of the meetings of the committees of the Board during the period ended 31 March 2019 were appropriately constituted and were quorate.

<b>Board/ Committee</b>				
<b>Board</b>	<b>2/10/18</b>	<b>29/11/18</b>	<b>31/1/19</b>	<b>28/3/19</b>
<b>Audit and Assurance</b>	<b>13/11/18</b>	<b>12/2/19</b>	<b>29/3/19</b>	
<b>Remuneration and Terms of Service</b>	<b>29/11/18</b>	<b>20/12/18</b>	<b>11/03/19</b>	<b>14/03/19</b>

The attendance of Board Members at the public Board meetings during the last year is shown in Table One. However, Members are involved in a range of other activities on

behalf of the Board, such as Board Development/Briefing Meetings (at least six a year), meetings of committees of the Board and a range of other internal and external meetings.

HEIW has not established any Advisory Groups to date.

## **2. The Purpose of the System of Internal Control**

HEIW Board's 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.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been developing since HEIW became operational in October 2018 and continues to evolve. HEIW approved its Standing Orders (SOs), which contain the scheme of delegation, and Standing Financial Instructions (SFIs) at its first Board Meeting in October 2018. Both the Standing Orders and SFIs were reviewed at HEIW March Board. HEIW adopted a number of all-Wales and key policies at its first Board meeting in October 2018. Since October, work has been ongoing to identify, draft and adopt local policies in a range of other key areas, as well as adopting new national policies. It is anticipated that work on the key policies will be completed in time for the May Board. HEIW is currently finalising its plans for a Performance Management Framework and Board Assurance Framework.

A diagram setting out the assurance and control framework is set out overleaf.

# Health Education Improvement Wales Board Control Framework



## Controls and Assurance Mechanisms

### High Quality Education

**Controls: evidenced within**

- Annual Plan
- Commissioning
- Equality Impact Assessment

**Assurance:** gained via

- Proposed Education Commissioning and Quality Committee
- Senior Leadership Team
- Annual Report and Annual Governance Statement
- Chairs Reports
- Visits and Inspections

### Performance Management

**Controls:**

- Objectives and Appraisals
- Performance targets
- Performance Dashboards and monthly reporting
- Regular Performance and Quality reports

**Assurance:** gained via

- Escalation arrangements
- Audits, visits
- Executive Director and Senior Leadership Team meetings
- Audit and Assurance Committee
- Proposed Education Commissioning and Quality Committee
- Internal/External Audits

### Risk Management

**Controls:**

- Risk management strategy and Policy
- Board Assurance Framework
- Corporate Risk Register
- Divisional Risk Register
- Reports to the Board, Senior Leadership Team and sub committees
- Policies and Procedures
- Scheme of Delegation

**Assurance:** gained via

- Escalation arrangements
- Internal/External Audits, visits
- Executive Director and Senior Leadership Team meetings
- Audit and Assurance Committee
- Proposed Education Commissioning and Quality Committee

## Levels of Assurance

### **First Line Operational**

- Organisational structures – evidence of delegation of responsibility through line Management arrangements
- Compliance with appraisal process
- Compliance with Policies and Procedures
- Incident reporting and thematic reviews
- Compliance with Risk Management processes and systems
- Performance Reports, Complaints and [Trainee Experience Reports], Finance Reports



### **Second Line Risk and Compliance**

Reports to Assurance and Oversight Committees:

- Audit and Assurance Committee
- Proposed Education Commissioning and Quality Committee
- Remuneration Committee
- Health and Safety Groups etc.

Findings and/or reports from inspections, Annual Reporting through to Committees



### **Third Line Independent**

- Internal Audit
- External Audit
- Healthcare Inspectorate Wales Inspections
- Other Regulators
- Reviews and Reports by Royal Colleges
- External visits and accreditations
- Independent Reviews

### **3. Capacity to Handle Risk**

HEIW is continuing to develop and embed its approaches to risk management and emergency preparedness. Since its establishment, it has developed a corporate risk register. The risk register captures risks inherited from the three organisations (Wales Deanery, Wales Centre for Pharmacy Professional Education and NHS Workforce and Education Development Service) when services transferred on 1 October 2018 to HEIW and is aligned with the transition plan. The risk register is updated to capture HEIW's risks as they are identified. The register has been developed to score risks in line with risk appetite and mitigating actions and controls recorded against each risk.

The risk register will be further developed in 2019/20, aligned to the first HEIW Annual Plan and incorporated in the development of an Assurance Framework.

Work continues to develop the corporate risk approaches, to respond to the risks to HEIW's delivery of the agreed Annual Plan, and the assurances the Board will require to know that it is on track to deliver its stated objectives in the ways it intended and to the level of quality it expected.

The Board sees active and integrated risk management as key elements of all aspects of our functions and responsibilities especially in order to support the successful delivery of our business.

The Board also recognises that risks can arise from not taking opportunities to develop and deliver improved services. The Board recognises it might need to take controlled risks over time or at certain times to enable the delivery of new forms of services or different ways of delivering services in changing economic, political and social contexts and the Board's appetite for risk is assessed on an issue by issue basis bearing in mind the issues outlined above.

As Chief Executive and Accountable Officer, I have overall responsibility for the management of risk for HEIW. The Board and its committees identify and monitor risks within the organisation. Specifically, the Executive Team meetings present an opportunity for the executive function to consider and address risk and actively engage with and report to the Board and its committees on the organisation's risk profile. The risk register is also reviewed at each monthly meeting of the Senior Leadership Team, regularly by the Audit and Assurance Committee and at March Board. The Board undertook specific risk management training provided by an external consultant on risk at a Board Development Session in February 2019.

The Board is also committed to ensuring staff throughout the organisation are trained and equipped to appropriately assess, manage, escalate and report risk.

This work undertaken by HEIW Board is being informed by best practice examples through advice from its Internal Auditors and the Wales Audit Office and also the engagement of external advice.

The risk profile of the HEIW is continually changing, but the key risks that emerge and can impact upon the HEIW's achievement of its objectives are considered by the Board. The Corporate Risk Register is continually reviewed by the executive team members. This

register is also reviewed at the formal monthly meetings of the executive team. These were last reviewed by the Board in March 2019 and are available at:

<https://heiw.nhs.wales/corporate/board-meetings-agendas-and-papers/>

These risks are categorised into the following sections:

- Programme legacy risks
- Business continuity risks
- Core business risks

As a new organisation many of the current risks link to the establishment of HEIW and the bringing together of different disciplines into one organisation. In the Board's view, robust mitigation arrangements are in place and so no current key risk is scored above 12, out of a possible maximum risk score of 25.

Internal Audit has undertaken a report assessing HEIW's systems and controls in place in relation to the organisations risk management arrangements. The overall rating given by the draft report was one of Reasonable Assurance for this area. HEIW has drafted its management response to the report. The final Internal Audit Report, together with the management response was considered by the Audit and Assurance Committee in May 2019.

HEIW is in the process of finalising its policies in respect of emergency preparedness. The HEIW Crisis Management and Business Continuity Policy and Plan were considered by the Board in March 2019 and approved by the Executive Team in May 2019.

The Deputy CEO has been attending NHS Wales SRO Brexit meetings where emergency preparedness issues have been explored and discussed.

#### **4. The Control Framework**

NHS Wales organisations are not required to comply with all elements of the Corporate Governance Code for Central Government Departments. However, the main principles of the Code stand as they are relevant to all public sector bodies.

In accordance with current guidelines appertaining to the Corporate Governance Code and its application to public bodies in Wales, HEIW has undertaken an initial assessment of its compliance with the Code. We are satisfied that we are complying with the main principles of, and are conducting our business in an open and transparent manner in line with the Code. Whilst there may be areas for improvement, the informal internal assessment against the Corporate Governance Code undertaken by HEIW was clear in that the organisation has complied with and has not identified any departures from the Code during the year.

The Corporate governance code for central government departments can be found at: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/220645/corporate\\_governance\\_good\\_practice\\_july2011.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220645/corporate_governance_good_practice_july2011.pdf)

In 2017-18 a revised set of Health and Care Standards were issued to organisations in NHS Wales. As a newly established body HEIW has not assessed itself against these Standards in

2018/19, and some of the standards are of limited direct relevance to HEIW's remit and activities. This position will be reviewed in 2019/20.

#### **4.1 Other Control Framework Elements**

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

**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.

**Welsh Risk Pool** - The Welsh Risk Pool Services (WRPS) is a risk sharing mechanism, akin to an insurance arrangement which provides indemnity to NHS Wales's organisations against negligence claims and losses. Individual NHS organisations must meet the first £25,000 of a claim or loss which is similar to an insurance policy excess charge.

**Structured Assessment** - As HEIW was established in October 2018 and 2018/19 is a transition part year it has not undergone a full Wales Audit Office Structured Assessment review. Wales Audit Office will be presenting to the Board on a baseline Structured Assessment process in June 2019. A more formal assessment in line with other NHS organisations will be undertaken later in 2019/20.

The HEIW Board along with its internal sources of assurance, which includes its internal audit function provided by NHS Shared Services, also uses sources of external assurance and reviews from auditors, regulators and inspectors to inform and guide our development. The outcomes of these assessments are being used by the Board to further inform our planning and the embedding of good governance across a range of the organisation's responsibilities.

**Annual Quality Statement** - As HEIW does not provide direct clinical services it has not completed an Annual Quality Statement in 2018/19. Further advice will be sought as to whether HEIW needs to produce such a Statement in 2019/20.

**Welsh Language** - As HEIW is a new body it has not been named as a body that comes under the Welsh Language Measure. However, HEIW has decided to voluntarily adopt an approach to the Welsh language, which is in line with as far as is possible at this stage the Standards that apply to other health bodies. A clear plan for achieving our ambition to be a progressively bilingual organisation will be presented to May Board and will then be subject to public consultation.

**Partnership working** - As an All Wales organisation the importance of partnership working and collaboration cannot be over emphasised. This includes the need for effective working relationships with each of the other NHS organisations and Welsh Government policy and professional leads, but extends to professional bodies, regulators, education providers at all levels, and our counterparts in similar organisations

across the UK. The relationships with Social Care Wales is particularly important given the emphasis on integration and system improvement in A Healthier Wales.

From early 2018, before HEIW was fully established, partnership working with staff, and stakeholders was a key part of our work recognising the particular challenges associated with the organisational change process and creating a new body. The Chairman, Chief Executive and Deputy Chief Executive began by meeting with staff, peer groups and stakeholders across Wales and the UK to help raise awareness of HEIW, build on already existing partnerships, develop new ones and build the foundations for joint working.

Staff and stakeholder bulletins were also regularly issued from the Chief Executive highlighting progress, providing information, and inviting contributions to the HEIW work programme. In the same way, regular engagement events were held with stakeholders and staff, including the successful HEIW launch event which was attended by over 450 people.

This focus on partnership working has continued since the establishment of HEIW on 1<sup>st</sup> October 2018, with regular communications, meetings and events. Each Executive Director has a clear responsibility for continuing to raise awareness about the new organisation and to establish positive relationships with external organisations as a key part of our values. Members of the Executive team and senior leadership team sit on a wide variety of national groups alongside their peers. Independent Members are increasingly using opportunities available to them to promote and raise awareness of the new organisation and its functions. The Board has also started to hold its bi-monthly meetings across Wales provide opportunities for partners and stakeholders from all areas of the country to take part.

Staff representatives and trade unions have been included in the engagement process and a HEIW Partnership Forum will be fully functional by 1 May 2019.

The relationship with Social Care Wales has been strengthened by the establishment of a Joint Steering Group to develop the Workforce Strategy for Health and Social Care, and the national Leadership Strategy. Both of these pieces of work in themselves are supported by a strong engagement model across a diverse range of partners and stakeholders. Joint Executive Team meetings and Board to Board meetings with Social Care Wales have also commenced.

A strong partnership is being developed with NHS organisations on a range of service and workforce delivery issues including urgent primary care out of hours services, single cancer pathway, diagnostics and the new primary care model. In addition, HEIW is refocusing its approach to the commissioning and quality management of post graduate medical education to ensure that it is based on a partnership model, recognising the need for shared ownership of trainees. This is also now based on the first “trainer recognition agreement” which has been developed in partnership with Cardiff and Swansea Universities.

The education and training commissioning process needs to be underpinned by effective partnership working with a range of professional bodies and NHS organisations. This will change as a result of the establishment of HEIW and a new process has been designed for 2019/20.

Our partnerships and joint working are all underpinned by effective communications and engagement. In HEIW, communications and engagement is seen as the responsibility of all staff, who are supported by our corporate communications and engagement team.

In March 2019, the HEIW Board agreed our communications and engagement strategy outlining our commitment to communications and engagement during our first full year of operation commencing 1<sup>st</sup> April 2019.

The strategy has our purpose, objectives and values at its heart and has been shaped by feedback from staff and stakeholders at meetings and events during 2018/19. It's an active document which we will review regularly and adapt to reflect new challenges as well as feedback from staff, partners and stakeholders. A copy of the strategy can be found on our website.

**Carbon Reduction** - The organisation has not undertaken risk assessments on Carbon Reduction Delivery Plans as it is newly established. This position will be reviewed in 2019/20.

### **Ministerial directions**

No ministerial directions were received as at year end 31 March 2019.

During the period there were no material lapses in data security and no referrals to the ICO.

## **4.2 Planning**

HEIW submitted a Consolidated Plan for the period ending 31 March 2019 to Welsh Government, following Board approval on 29<sup>th</sup> November 2018.

In line with its planning duty, the Board approved for submission to Welsh Government a draft Annual Plan for 2019/20 at its meeting on the 31 January 2019, it approved an updated version of the plan at its meeting on 28<sup>th</sup> March 2019. The final version of the Annual Plan was submitted to Welsh Government for approval by Welsh Ministers in March 2019.

In terms of progress against the Consolidated Plan and the actions set out in the Remit Letter, HEIW has assessed that it has progressed well. It has achieved what it set out to do in 2018/19 and maintained business continuity. Further information regarding this progress is provided in the Performance Section of HEIW's Annual Report.

Approval for the Annual Plan 2019/20 is awaited from Welsh Ministers. HEIW will be aiming (in agreement with Welsh Government) to develop a three year Integrated Medium Term Plan in place for 20/21- 22/23 in line with other NHS organisations.

## 5. 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.


### 5.1 Internal Audit

Internal audit provide me, as Accountable Officer and the Board through the Audit and Assurance 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 and Assurance Committee.

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.

### 5.2 The Head of Internal Audit has concluded:

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 and Assurance Committee. The Head of Internal Audit assessment should be interpreted in this context when reviewing the effectiveness of the system of internal control and be seen as an internal driver for continuous improvement. The Head of Internal Audit opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management, and control is set out below.

 <p>-                      + Yellow</p>	<p>The Board can take <b>reasonable assurance</b> that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Some matters require management attention in control design or compliance with low to moderate impact on residual risk exposure until resolved.</p>
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The audit work undertaken during 2018/19, has been reported to the Audit and Assurance Committee.

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 and Assurance Committee throughout 2018/19. This assessment has taken account of the relative materiality of these areas.

- Other assurance reviews, which impact on the Head of Internal Audit opinion including audit work performed at other organisations.

As stated above, these detailed results have been aggregated to build a picture of assurance across the organisation.

In addition, the Head of Internal Audit has considered residual risk exposure across those assignments where limited assurance was reported. Where changes are made to the audit plan then the reasons are presented to the Audit and Assurance 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 considers the impact of changes made to the plan when forming their overall opinion. In 2018/19 there have not been any changes to the plan.

A summary of the reviews and associated assurance ratings in each of the domains is set out below:

#### **Corporate governance, risk management and regulatory compliance**

- **Risk management** – We issued a **reasonable** assurance report for our review of risk management.
- **Governance arrangements** – Our fieldwork identified one low priority recommendation and as such, we gave **substantial** assurance for this review.

#### **Strategic planning, performance management & reporting**

- **Performance management** – Overall we issued a **reasonable** assurance report in relation to our work in this area.
- **Corporate transitional plan (Draft)** - We issued a **reasonable** assurance report for our review of the corporate transitional plan.

#### **Financial governance and management**

- **Core financial systems – financial accounting** – Overall, we issued a **reasonable** assurance report.
- **Core financial systems – budgetary control** – Overall we issued a **reasonable** assurance report.

#### **Clinical governance quality & safety**

- We did not plan to undertake any reviews in this domain during 2018/19.

#### **Information governance & security**

- **IT Baseline assessment** – We issued a baseline assessment of the arrangements in place for the management and control of Information Governance (IG) and Information Communications Technology (ICT) within the organisation. We made observations in relation to governance, policies and procedures, planning and strategy, risk and compliance, continuity, and resourcing. As this was a baseline review, the assignment was not allocated an assurance rating, but advice and recommendations were provided to facilitate change and improvement.

### **Operational service and functional management**

- We did not plan to undertake any reviews in this domain during 2018/19.

### **Workforce management**

- **Employment status of casual workers** – We issued a **limited** assurance report for this review that identified three high and two medium priority recommendations. The high priority recommendations related to timesheets for casual workers on payroll, and employment status records and monitoring of casual workers.

### **Capital & estates management**

- We did not plan to undertake any reviews in this domain during 2018/19.

## **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 Public Sector Internal Audit Standards (PSIAS) 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.

## **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.

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 2018/19 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 a limited scope update on the current condition of control and a measure of direction of travel.

As stated previously there has been no formal annual Wales Audit Office Structured Assessment during 2018/19.

## **6. Conclusion**

During the period October 2018 – end of March 2019 there have been no significant internal control or governance issues identified. This is due to the establishment of sound systems of internal control in place to ensure HEIW met its objectives. It is recognised that further work will be necessary in 2019/20 to further develop these arrangements. It will be important to communicate widely with staff to further embed these arrangements.

Signed by  
Chief Executive:

Date.



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Improvement Wales (HEIW)

# **Directors Report**

**For the Period  
Ended 31 March  
2019**

## The Directors' Report

The following tables contain:

- Table 1** Board and Board Level committee meeting dates for the period ending 31 March 2019
- Table 2** Detailed information in relation to the composition of the Board and including Executive Directors and Independent Members, who have authority or responsibility for directing or controlling the major activities of HEIW during the financial year 2018-2019.
- Table 3** Details of company directorships and other significant interests held by members of the Board which may conflict with the responsibilities as Board members.
- Table 4** Details relating to membership of the Board level Audit and Assurance Committee.

HEIW confirms it has complied with cost allocation and the charging requirements set out in HM Treasury guidance during the year.

## TABLE 1 - BOARD LEVEL COMMITTEES

The Board and its committees are fully established and operating in line with the Board's Standing Orders. The following table outlines dates of Board (and development Board) and committee meetings held during period ending 31 March 2019.

Board/Committee / Group	Oct	Nov	Dec	Jan	Feb	Mar
Board	2	29	* 20	31	* 28	28
Remuneration and Terms of Service		29	20		11,14	
Audit and Assurance Committee		13			12	29

**Note \*** Development Board Meetings  
**All meetings of the Board were quorate.**

**Table 2 Note – This is set out in Table 1 of the Annual Governance Statement**

## Table 3 – DIRECTORS’ INTERESTS

Directors of the Board have declared the following interests which may be relevant to the business of the Board.

Declaration of Interest Register

HEIW’s current Declaration of Interest Register is available at:

<https://heiw.nhs.wales/corporate/board-meetings-agendas-and-papers/>

**Table 4 - Membership of the Board's Audit and Assurance Committee**

Name Gill Lewis	Chair (Audit and Assurance Committee) Since October 2018
John Hill-Tout	Member from October 2018
Ruth Hall	Member from October 2018

**Information Governance**

There are no Information governance issues to report in 2018/19.

**Environmental, Social and Community Issues**

HEIW is not a major local employer or public service provider but is cognisant of the impact it has on the environment and takes steps to minimise this, where possible.

In particular we shall:

- Ensure that all employees, including contractors, are responsible for working in a manner that protects the environment;
- Ensure we remain committed to continual improvement and the prevention of pollution in all areas of potential environmental impact; and
- Ensure compliance with all relevant environmental legislation, Health and Care Standards for Wales and Welsh Government Directives.

As the Board is newly established this area will be further reviewed in 2019/20.

## **Corporate Social Responsibility**

The Well-Being of Future Generations (Wales) Act 2015 seeks to ensure that sustainable development is at the centre of the strategic decision making process for the Welsh Government and public bodies in Wales. The general purpose is to ensure that the governance arrangements of public bodies take the needs of future generations into account and the aim is for public bodies to improve the economic, social and environmental well-being of Wales in accordance with the sustainable development principles. HEIW is not listed in the 2015 legislation but we are committed to developing our policies and procedures to comply with the requirement of the Act in 2019-20.

As an employer providing public services and spending public money, our activities need to take place in the most sustainable way, and we will be considering how best to achieve this in 2019/20.



# **Statement of Accountability For the Period Ended 31 March 2019**

## **Statement of the Chief Executive's responsibilities as Accountable Officer of HEIW**

The Welsh Ministers have directed that the Chief Executive should be the Accountable Officer to the Board. The relevant responsibilities of Accountable Officers, including their responsibility for the propriety and regularity of the public finances for which they are answerable, and for the keeping of proper records, are set out in the Accountable Officer's Memorandum issued by the Welsh Government.

As Accountable Officer I can confirm that as far as I am aware there is no relevant audit information of which HEIW's auditors are unaware, and as Accountable Officer, I have taken all the steps that I ought to have taken to ensure that I and the auditors are aware of relevant audit information.

I can confirm that the annual report and accounts as a whole are fair, balanced and understandable and I take personal responsibility for these and the judgement required for doing so.

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.

Date: .....2019

Alex Howells  
Chief Executive

## **Statement of Directors' Responsibilities To be reviewed on completion of 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 SHA and of the income and expenditure of the SHA 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 requirements outlined in the above mentioned direction by the Welsh Ministers.

### **By Order of the Board**

#### **Signed:**

Chair:..... Dated:.....2019

Chief Executive: ..... Dated:.....2019

Director of Finance: ..... Dated: .....2019



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# **Remuneration and Staff Report For the Period Ended 31 March 2019**

## **REMUNERATION AND STAFF REPORT**

The information contained in this report relates to the remuneration of the senior managers employed by Health Education & Improvement Wales.

The Pay Policy Statement set out in Annex 3 relates to Health Education & Improvement Wales' strategic stance on senior manager remuneration and to provide a clear statement of the principles underpinning decisions on the use of public funds.

The definition of "Senior Manager" is: 'those persons in senior positions having authority or responsibility for directing or controlling the major activities of the NHS body. This means those who influence the decisions of the entity as a whole rather than the decisions of individual directorates or departments.' For Health Education & Improvement Wales, the senior managers are considered to be the regular attendees of Board meetings, i.e. the Executive Directors, Independent Members and the Board Secretary.

### **Remuneration & Terms of Service Committee**

The terms of reference and operating arrangements for the Remuneration and Terms of Service Committee are set out in HEIW's standing orders approved in October 2018 and updated in March 2019. The purpose of the Committee is to provide advice to the Board on the remuneration and terms of service and performance for the Chief Executive, Executive Directors and other senior staff. It also provides assurance to the Board in relation to HEIW's arrangements for the remuneration and terms of service, including contractual arrangements, for all staff.

### **Salary and Pension Disclosures**

Details of salaries and pension benefits for Senior Managers captured within this report are given in Annexes 1 and 2. The single figure of remuneration (Annex 1) is intended to be a comprehensive figure that includes all types of reward received by senior managers in the period ending 31 March 2019, including fixed and variable elements as well as pension provision.

The single figure includes the following:

- Salary and fees both pensionable and non pensionable elements.
- benefits in kind (taxable, total to the nearest £100)

- pension related benefits - those benefits accruing to senior managers from membership of a participating defined benefit pension scheme.

HEIW has paid no annual or long-term performance related bonuses.

Annual salary figures are shown prior to any reduction as a result of any salary sacrifice scheme.

The value of pension related benefits accrued during the year is calculated as the real increase in pension multiplied by 20 less the contributions made by the individual. The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

The pension benefit figure is calculated on the basis of an increase in the value over the financial year. Prior-year comparative information is not available for staff who were not previously Executive level directors in other NHS Wales organisations. Where this is the case this figure cannot be calculated and therefore is not reported in Annex 1a (Single Figure of Remuneration) nor Annex 2 (Pension Benefits).

Annex 2 gives the total pension benefits for all senior managers. The inflationary rate applied to the 2017/18 figure is 3% as set out by the 2018/19 Greenbury guidance.

### **Remuneration Relationship**

NHS Bodies in Wales 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. This information is provided in note 9.6 to the Financial Statements.

### **2018/19 Staff Report**

#### **Number of Senior Staff**

As of 31 March 2019 there were five senior staff that made up the Executive Team. The Director of Finance left HEIW on 14/03/2019. There were also Board members or regular attendees. Their pay bands are broken down as follows:

### Numbers of Senior Staff @ 31 March 2019

Consultant (Medical & Dental)	1
Executive and Senior Pay Payscale	4

### Staff Numbers

The following table shows the average number of staff employed by Health Education & Improvement Wales, by group from 1 October 2018 to 31 March 2019:

Staff Group	Permanently Employed (Inc. Fixed Term) WTE	Agency Staff WTE	Staff on Inward Secondment WTE	2018/19 Total WTE
Administrative and Clerical and Board Members	139	10	5	154
Medical & Dental	39	0	0	39
Professional Scientific and Technical Staff	11	0	0	11
Additional Clinical Services	3	0	0	3
Nursing & Midwifery	1	0	0	1
<b>Totals</b>	<b>193</b>	<b>10</b>	<b>5</b>	<b>208</b>

## Staff Composition

The gender breakdown of the Executive Team and other employees as of 31 March 2019 was as follows:

<b>Staff Composition @ 31 Mar 2019</b>	<b>Male</b>	<b>Female</b>
Senior Staff (Exec Team)	3	2
Other Employees	128	243
All Staff	131	245
% Other Employees	34.0%	64.7%

## Sickness Absence data

The following table provides information on the number of days lost due to sickness during 2018/19:

	<b>From 1 October 2018 to 31 March 2019</b>
	<b>Number</b>
Days lost (long term)	472
Days lost (short term)	330
<b>Total days lost</b>	<b>802</b>
<b>Total staff years</b>	<b>104</b>
Average working days lost	<b>13.4</b>
Total staff employed in period (headcount)	<b>363</b>
Total staff employed in period with no absence (headcount)	<b>302</b>
<b>Percentage staff with no sick leave</b>	<b>83.4%</b>

## **Staff Policies Applied During the Financial Year**

The Health Education and Improvement Wales workforce of 208 WTE staff was created through the TUPE transfer of staff from three organisations on 1 October 2018, as well as through the recruitment of a number of new staff. The TUPE transfer, and open recruitment processes have brought individuals from a range of backgrounds and experiences into our organisation.

The vast majority of our staff worked previously for Cardiff University in either the Wales Deanery or the Wales Centre for Professional Pharmacy Education and were education sector employees. The remainder of the transferred staff worked within the Workforce Education Development Service, which was a Unit hosted within NHS Wales Shared Services Partnership – which is hosted by Velindre NHS Trust.

Prior to the transfer, an extensive exercise was commissioned by the Chief Executive, to set a new culture for the transferring staff. Staff and stakeholder consultation sessions were held and surveys were undertaken, whose feedback led to the creation of HEIW's new values and behaviours framework. These values and behaviours of 'Together as a Team; Respect for All; Ideas that Improve' are guiding principles that influence our workforce policies, procedures, recruitment, performance appraisal, learning and development, health, wellbeing, equality and diversity and expectations of our staff.

Some of these policies were developed by NHS Wales in partnership with the Welsh NHS Partnership Forum, and are to be adopted on an 'All Wales' basis. Other policies, for example our values based performance appraisal policy are bespoke to HEIW and have been co-produced locally with our staff. HEIW also have a range of policies which enable people with a protected characteristic (including disability) to gain employment with HEIW. We have flexible working arrangements for staff to enable them to accommodate their domestic situations and personal requirements, as well as Occupational Health who can advise on reasonable adjustments for those who require them.

The All-Wales NHS Sickness Absence Policy provides guidance on the support available and provided to employees if they become disabled during their employment. This policy is designed to support employees through periods of illness which could lead to a disability. It offers employees the option of a phased return or period of rehabilitation with no reduction of pay, and includes the duty to make reasonable adjustments that will enable a disabled employee to remain in work. Where an employee is unable to continue in their role due to ill health, HEIW will seek, wherever possible, to redeploy to an alternative role which would be considered to be suitable, with a period of re-training. TUPE measures set out the application of policies and processes to staff who transferred into HEIW from Cardiff University.

There are also a number of policies, procedures, guidelines and toolkits that support staff health and wellbeing, such as for the menopause, purchase of annual leave, special leave and support for carers. HEIW is committed to supporting the learning and development of its staff. The Access to Learning and Development policy provides a framework of support for staff who wish to study.

All staff have equal access to HEIW's values based performance appraisal, learning development and career development. They are all expected to undertake statutory and mandatory training applicable to their post.

Health Education and Improvement Wales is committed to providing a working environment free from harassment and bullying and ensuring all staff are treated with dignity and treat others with dignity and respect. Our Dignity at Work policy promotes dignity and respect at work and supports employees who may be experiencing bullying, harassment and/or victimisation.

In relation to organisational change, the staff transferring to HEIW received a wide range of support from one to one consultation sessions to bespoke policies for the transfer, such as Relocation Policy.

### **Other Employee Matters**

We have an Equality and Inclusion Staff Group who advise the executive team and the organisation on activity related to Equality and Inclusion across HEIW. The recently appointed Equality Champions disseminate messages and promote the Equality and Inclusion agenda for HEIW.

A Culture and Wellbeing group has been established comprising a cross section of staff to continue with the embedding of our values and behaviours. Their aim is to support and maintain the necessary focus and energy required to drive the successful integration of workplace cultures, without compromising staff satisfaction, well-being and service provision. Their role is to enhance the internal staff communications, engagement and change management strategies on the cultural perspective.

In support of the Equality, Inclusion, Culture and Wellbeing initiatives, several 'Lunch and Learn' sessions have taken place for example, Stonewall to raise staff awareness.

## Expenditure on Consultancy

For the purpose of the statutory accounts, consultancy is defined as time limited/ad-hoc assignments that are not related to the day-to-day activities of HEIW.

During the period ending 31 March 2019, HEIW's expenditure on consultancy was £53k.

## Tax Assurance for Off-Payroll Engagements

HEIW is required to disclose any arrangements it has whereby individuals are paid through their own companies or off payroll. There were none during the period.

## Exit Packages

No exit packages have been awarded in this accounting period.

Table 1 Exit packages cost band (including any special payment element)	5th October 2017 to 31st March 2019			
	Number of compulsory redundancies	Number of other Departures	Total number of exit packages	Number of departures where special payments have been made
less than £10,000	0	0	0	0
£10,000 to £25,000	0	0	0	0
£25,000 to £100,000	0	0	0	0
£100,000 to £150,000	0	0	0	0
£150,000 to £250,000	0	0	0	0
more than £250,000	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Table 1 Exit packages cost band (including any special payment element)	5th October 2017 to 31st March 2019			
	Number of compulsory redundancies	Number of other Departures	Total number of exit packages	Number of departures where special payments have been made
less than £10,000	0	0	0	0
£10,000 to £25,000	0	0	0	0
£25,000 to £100,000	0	0	0	0
£100,000 to £150,000	0	0	0	0
£150,000 to £250,000	0	0	0	0
more than £250,000	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Statement of Assurance

I confirm that there is no relevant audit information in these Reports of which the Wales Audit Office is unaware. As Chief Executive, I have taken all the steps in order to make myself aware of any relevant information and ensure the Wales Audit Office is aware of that information.

Alex Howells  
Chief Executive and Accountable Officer, Health Education & Improvement Wales  
30 May 2019

## Annex 1: Single Figure of Remuneration

Single Figure of Remuneration						
Name	Title	Salary 5/10/17 to 30/09/2018 (Bands of £5k)	Salary 01/10/2018 to 31/03/2018 (Bands of £5k)	Benefits in Kind (taxable) to nearest £100	Pension Benefit to nearest £1,000	Total to nearest (Bands of £5k)
Alex Howells <sup>1</sup>	Chief Executive	95 - 100	70 - 75	-	(47)	25 - 30
Julie Rogers <sup>2</sup>	Director of WOD / Deputy CEO	50 - 55	50 - 55	-	***8	50 - 55
Dafydd Bebb <sup>3</sup>	Board Secretary	5 - 10	40 - 45	-	***8	40 - 45
Stephen Griffiths <sup>4</sup>	Director of Nursing	15 - 20	45 - 50	-	***8	45 - 50
Push Mangat <sup>5</sup>	Medical Director	-	75 - 80	-	***8	75 - 80
Danielle Neale <sup>6</sup>	Director of Finance & Corporate Services	5 - 10	65 - 70	-	***8	65 - 70
<b>Non Executive Directors</b>						
Chris Jones <sup>7</sup>	Chair	55 - 60	20 - 25	-	-	20 - 25
Tina Donnelly <sup>7</sup>	Non-Executive Director	0 - 5	0 - 5	-	-	0 - 5
Ruth Hall <sup>7</sup>	Non-Executive Director	0 - 5	0 - 5	-	-	0 - 5
John Hill-Tout <sup>7</sup>	Non-Executive Director	0 - 5	0 - 5	-	-	0 - 5
Gill Lewis <sup>7</sup>	Non-Executive Director	0 - 5	0 - 5	-	-	0 - 5
Ceri Phillips <sup>7</sup>	Non-Executive Director	0 - 5	0 - 5	-	-	0 - 5
Heidi Phillips <sup>7</sup>	Non-Executive Director	0 - 5	0 - 5	-	-	0 - 5

Only costs incurred from 01/10/2018 are included within the 2018/19 HEIW accounts. Costs incurred for the period 05/07/2017 to 30/09/2018 were paid through Velindre University NHS Trust and recharged to Welsh Government.

<sup>1</sup> Alex Howells took up post on 01/02/2018. Pension benefits relate to the period 1/10/18 to 31/3/2019

<sup>2</sup> Julie Rogers was seconded to HEIW from Welsh Government from 12/04/2018.

<sup>3</sup> Dafydd Bebb took up post on 28/08/2018.

<sup>4</sup> Stephen Griffiths took up post on 29/07/2018

<sup>5</sup> Push Mangat was seconded from Abertawe Bro Morgannwg UHB from 1/10/2018

<sup>6</sup> Danielle Neale took up post on 28/8/2018 and left HEIW on 14/03/2019. The salary total from 01/10/2018 to 31/03/2019 includes payment in lieu of notice.

<sup>7</sup> Chris Jones was appointed as interim Chair on 5 October, 2017 and as formal Chair on 1 October, 2018. The salary total from 05/10/17 to 30/09/18 includes remuneration for the role of Co-ordinating Chair of Health Boards and Trusts. Board Members took up post on 01/02/2018

<sup>8</sup> A request has been made to the NHS Business Services Authority, however, prior year comparative information required for the calculation is not available.

## Annex 2: Pension Benefits

Pension Benefits - For the period 1/10/2018 to 31/03/2018									
Name	Title	Real increase in pension at pension age (bands of £2,500) £'000	Real increase in pension lump sum at pension age (bands of £2,500) £'000	Total accrued pension at pension age at 31 March 2019 (bands of £5,000) £'000	Lump sum at pension age related to accrued pension at 31 March 2019 (bands of £5,000) £'000	Cash Equivalent Transfer Value at 1 April 2019 £'000	Cash Equivalent Transfer Value at 31 March 2018 £'000	Real increase in Cash Equivalent Transfer Value £'000	Employer's contribution to stakeholder pension £'000
Alex Howells	Chief Executive	***2	***2	55 - 60	135 - 140	1,074	993	14	0
Julie Rogers	Director of WOD / Deputy CEO	***2	***2	***2	***2	***2	***2	0	0
Dafydd Bebb	Board Secretary	***2	***2	0 - 5	0	22	***2	***2	0
Stephen Griffiths	Director of Nursing	***2	***2	40 - 45	125 - 130	956	***2	***2	0
Push Mangat	Medical Director	***2	***2	65 - 70	200 - 205	1,652	***2	***2	0
Danielle Neale <sup>1</sup>	Director of Finance & Corporate Services	***2	***2	10 - 15	35 - 40	262	***2	***2	0

<sup>1</sup> Danielle Neale left HEIW on 14/03/2019

<sup>2</sup> A request has been made to the NHS Business Services Authority, however, prior year comparative information required for the calculation is not available

## **Annex 3: Pay Policy Statement**

### **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 HEIW Board, based on the recommendations of the Remuneration and Terms of Service Committee, within the framework set by Welsh Government. The Remuneration and Terms of Service Committee also considers 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 HEIW's chairperson. The Terms of Reference for the Committee are regularly being reviewed.

### **Auditors**

The Auditors have reviewed this report for consistency with other information in the financial statements and will provide an opinion on the following disclosures:

- Single total figure of remuneration for each director;
- CETV disclosures for each director;
- Payments to past directors, if relevant;
- Payments for loss of office, if relevant;
- Fair pay disclosures (included in Annual Accounts);
- Exit packages (included in Annual Accounts) if relevant, and;
- Analysis of staff numbers.



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# **National Assembly for Wales Accountability and Audit Report**

## **For the Period Ended 31 March 2019**

## **Regularity of Expenditure**

Regularity is the requirement for all items of expenditure and receipts to be dealt with in accordance with the legislation authorising them, any applicable delegated authority and the rules of Government Accounting.

The Health Education & Improvement Wales Board ensures that the funding provided by Welsh Ministers has been expended for the purposes intended by Welsh Ministers and that the resources authorised by Welsh Ministers to be used have been used for the purposes for which the use was authorised.

The Chief Executive is the Accountable Officer and ensures that the financial statements are prepared in accordance with legislative requirements and the Treasury's Financial Reporting Manual. In preparing the financial statements, the Chief Executive is required to:

- observe the accounts directions issued by Welsh Ministers, including the relevant accounting and disclosure requirements and apply appropriate accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed and disclosed and explain any material departures from them; and
- prepare them on a going concern basis on the presumption that the services of the Special Health Authority will continue in operation.

## **Fees and Charges**

Where HEIW undertakes an activity that is not funded directly by the Welsh Government, HEIW receives income to cover its costs. Further detail of income received is published in the annual accounts.

HEIW confirms it has complied with cost allocation and the charging requirements set out in HM Treasury guidance during the year.

<b>Key documents /areas of interest</b>	<b>Web link</b>
Consolidated Plan 2018/19	
Annual Plan 2019/20	
HEIW members	
Board Papers	
Organisational Risk Register	
<b>Board Committee papers</b>	
Audit and Assurance Committee	

### Remote Contingent Liabilities

Remote contingent liabilities are those liabilities which due to the unlikelihood of a resultant charge against HEIW are therefore not recognised as an expense nor as a contingent liability. Detailed below are the remote contingent liabilities as at 31st March 2019:

	<b>2018-2019</b>
Guarantees	nil
Indemnities	nil



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Improvement Wales (HEIW)

<b>Meeting Date</b>	<b>29 May 2019</b>	<b>Agenda Item</b>	<b>2.3</b>
<b>Report Title</b>	<b>Performance Report</b>		
<b>Report Author</b>	Dafydd Bebb, Board Secretary		
<b>Report Sponsor</b>	Alex Howells, CEO		
<b>Presented by</b>	Alex Howells, CEO		
<b>Freedom of Information</b>	Open		
<b>Purpose of the Report</b>	To set out HEIW's Performance Report for 2018-19*.		
<b>Key Issues</b>	<ul style="list-style-type: none"> <li>• As HEIW was established operationally on 1 October 2018 the period covered by the Performance Report is from 1 October 2018 to 31 March 2019 (2018-19)*</li> <li>• The purpose of the Performance Report is to provide information on the entity, its main objectives and strategies and the principal risks that it faces.</li> <li>• In 2018-19, the Annual Report including the Performance Report, Accountability Report and the Financial Statements (Annual Accounts) should be completed and submitted to Welsh Government as a single unified PDF document by Monday 1<sup>st</sup> July 2019.</li> </ul>		
<b>Specific Action Required</b> <i>(please ✓ one only)</i>	<b>Information</b>	<b>Discussion</b>	<b>Assurance</b>
<b>Recommendations</b>	<p>Members are asked to:</p> <ul style="list-style-type: none"> <li>- Consider the Performance Report and confirm that the draft Performance Report be submitted to Welsh Government by Friday 31 May 2019.</li> </ul>		

## **PERFORMANCE REPORT 2018/2019**

### **1. INTRODUCTION**

The purpose of the Performance Report is to set out HEIW's performance for 2018-19.

### **2. BACKGROUND**

In 2018-19, the Annual Report including the Performance Report, Accountability Report and the Financial Statements (Annual Accounts) should be completed and submitted to Welsh Government as a single unified PDF document by Monday 1<sup>st</sup> July 2019. The draft Performance Report should be submitted to Welsh Government by Friday 31 May 2019.

### **3. GOVERNANCE AND RISK ISSUES**

The purpose of the Performance Report is to provide information on the entity, its main objectives and strategies and the principal risks that it faces.

### **4. FINANCIAL IMPLICATIONS**

There are no financial implications. Production of the Annual Report is deemed a core matter for HEIW.

### **5. RECOMMENDATION**

Members are asked to:

- Consider the Performance Report and confirm that the draft Performance Report be submitted to Welsh Government by Friday 31 May 2019.

<b>Governance and Assurance</b>				
<b>Link to corporate objectives</b> <i>(please ✓)</i>	As a new organisation establishing HEIW as a valued and trusted partner, an excellent employer and a reputable and expert brand	Building a sustainable and flexible health and care workforce for the future.	With Social Care Wales shaping the workforce to deliver care closer to home and to better align service delivery.	Improving quality and safety by supporting NHS organisations find faster and more sustainable workforce solutions for priority service delivery challenges.
	✓			
	Improving opportunities for use of technology and digitalisation in the delivery of education and care.	Reinvigorating leadership development and succession planning across health and social care in partnership with Social Care Wales and Academi Wales	Demonstrating value from investment in the workforce and the organisation.	
<b>Quality, Safety and Patient Experience</b>				
NA.				
<b>Financial Implications</b>				
There are no financial implications.				
<b>Legal Implications (including equality and diversity assessment)</b>				
Completing the Annual Report is a statutory duty for HEIW.				
<b>Staffing Implications</b>				
There are no staffing implications.				
<b>Long Term Implications (including the impact of the Well-being of Future Generations (Wales) Act 2015)</b>				
Na				
<b>Report History</b>				
<b>Appendices</b>				
<ul style="list-style-type: none"> <li>• Draft Performance Report 2018-19 (Appendix 1)</li> </ul>				

# PERFORMANCE REPORT – ANNUAL REPORT

## A New Organisation - Overview

### Chief Executive Update/Reflection

In this first Annual Report for Health Education and Improvement Wales (HEIW) it is important to reflect the huge amount of change that has taken place in 2018/19 moving from a period of shadow working to one of full operation of a new statutory body on 1 October 2018. Inevitably therefore the first 6 months has been very much a transitional period into the new organisational arrangements and “operational readiness”. Our measures of success have been focused as much on the effective implementation of these changes as our continuity and delivery of support to the NHS and partners.

Our first priority has been to ensure a smooth transition for the staff who have been transferred into the new organisation and to embed staff newly appointed from other parts of the public sector and beyond. This has involved a comprehensive communications and engagement programme through all-staff events and bulletins in the run up to and following the launch. This has been supported by the development with our staff of a HEIW specific set of values and behaviours to underpin organisational development and the development of our new culture. These were achieved as a result of wide engagement and partnership working and are being embedded in practical terms through policies, training, and recruitment processes. Recruitment of new staff to support additional functions has also been a key area of work, with a significant number of new starters for the organisation. We have been keen to ensure that all of our staff have been supported with an initial induction process and more targeted training as relevant in areas such as appraisal and budgets. A programme of lunch and learn sessions has been in place to support integration and learning across the organisation.

Although we adopted a “best fit” approach to minimise changing organisational structures as part of the transition, the transfer for many staff from a university sector into the NHS has been a big step, not to mention a new base, new information systems, new policies and procedures and new colleagues. I have been hugely impressed by the enthusiasm and support of staff through this period, despite the personal upheaval that this has inevitably caused.

Communication and engagement with our wide range of partners and stakeholders has also been a critical area of focus for us during 2018/19, recognising that as an all Wales organisation the range of partnerships and networks is particularly complex. We were very pleased to welcome over 450 partners and stakeholders to our official launch event, reflecting not only existing relationships but also the number of individuals and organisations looking to work with us going forwards.

Establishing and maintaining close working relationships with NHS colleagues has been a priority to ensure that we have a clear focus on delivering improvements for patients, service users and staff, through the various peer groups, sharing of plans and local workshops. Although we are not responsible for the direct delivery of patient care we are absolutely clear that we still have a significant contribution to make to the quality and safety of care, and to staff experience.

A third priority has been to ensure business continuity during this period, recognising the practical challenges accompanied by moving into a new building, with new IT and communication systems and equipment. Thanks to the commitment of our staff, and support from NHS Wales Shared Services Partnership (NWSSP) and NHS Wales Informatics Service (NWIS) the physical transition has been a smooth one, and has been a key contributor to maintaining business continuity against the work programmes of our three predecessor organisations during this period, and to deliver the additional priorities set out in the remit letter. In addition, in order to support the functioning of a statutory body we have needed to build up our HR and finance services capacity very quickly, in order to comply with policies and legal requirements. The establishment of clear governance and decision making has also been important – not just at Board level, but the wider leadership team and business processes of the organisation – and it is pleasing to note the initial feedback from auditors on some of these matters.

Our final area of focus has been to develop our vision and plans for the future, to capture and articulate the ambition and expectations of the new organisation to deliver improvement. Prior to the launch of the new organisation we developed our vision “transforming the workforce for a healthier wales” supported by our PEOPLE principles and 7 Strategic Objectives 2018-2021. We developed these through close partnership working with our stakeholders and partners, through various stakeholder engagement events. These strategic objectives have started to frame our work programmes during 2018/19 and have formed the framework for the annual plan which has been developed for 2019/20.

### **Purpose and Functions**

HEIW was established on 1 October 2018, as a Special Health Authority (SHA), bringing together the Wales Deanery, the Wales Centre for Pharmacy Professional Education and the NHS Workforce and Education Development Service. In addition we were also given a number of additional functions.

Prior to this HEIW was established by establishment order 2017 No. 913 (W. 224) made 11th September 2017 and came into force on the 5th October 2017, operating in shadow form until 1st October 2018. All establishment and set up costs were borne by the Welsh Government, and with the predecessor bodies of NWSSP hosted by Velindre University NHS Trust and Cardiff University delivering operational activity to 30th September 2018.

The background to the establishment of the new organisation is well documented through two independent reviews (Evans, 2015 and Williams, 2016) both supporting the need to establish a single body to develop an integrated and comprehensive approach to the planning and development of the health workforce. A number of key principles were set for the organisation including:

- To be part of the wider NHS family;
- To be driven by the health requirements of the population of Wales, reflecting the needs of different parts of Wales;
- To ensure patient safety is at the heart of all decision making processes;

- To undertake its functions in a fair and transparent manner, with evidenced based decision making;
- To ensure decisions are based upon a multi professional team approach which considers the dependencies across the full range of staff groups and professionals;
- To promote innovation in developing new roles within the NHS;
- To ensure effective engagement with professions to secure advice on safety and quality issues;
- To ensure arrangements for planning and developing the healthcare workforce have appropriate integration with the social care workforce;
- To ensure strong partnerships with universities and education providers to make the most effective use of the skills of educators;
- To streamline processes and structures ensuring that they are simple, cost effective and efficient;
- To provide clarity of roles, responsibilities and accountabilities between the new body, the NHS and other organisations;
- To reinforce values and behaviours which recognise the wider benefit to society of developing.

Our purpose is to provide Wales with a single body to develop an integrated and comprehensive approach to the planning and development of the health workforce. This means delivering improvements not just in terms of the functions outlined below but also at a health and care system level.

<b>Function</b>	<b>Description</b>
<b><i>Workforce Intelligence</i></b>	HEIW will be the central, recognised source for information and intelligence about the Welsh health workforce. It will provide analytical insight and intelligence to support the development of the current and future shape of the workforce. It will act as a central body to identify and analyse sources of intelligence from Wales, UK and abroad.
<b><i>Workforce Planning</i></b>	HEIW will provide strategic leadership for workforce planning, working with Health Boards/Trusts and the Welsh Government to produce a forward strategy to transform the workforce to deliver new health and social models of service delivery. In addition, through this process, HEIW will identify any new workforce models required within the NHS.
<b><i>Education Commissioning</i></b>	HEIW will utilise its funding to ensure value for money and the provision of a workforce which reflects future healthcare needs. This will include commissioning and contracting as well as design and delivery of education and training.
<b><i>Quality Management</i></b>	HEIW will quality manage education and training provision ensuring it meets required standards, and improvements are made where required. This will include supporting teachers, trainers, trainees and working closely with regulators.

<b>Supporting Regulation</b>	HEIW will play a key role representing Wales in liaison with regulators, working within the policy framework established by the Welsh Government. HEIW will also undertake, independently of the Welsh Government, specific regulatory support roles.
<b>Leadership Development and Succession Planning</b>	HEIW will establish the strategic direction for the development and delivery of leadership development for and succession planning for NHS Wales.
<b>Careers and widening access</b>	HEIW will provide the strategic direction for health careers and the widening access agenda, delivering an ongoing agenda to promote health careers.
<b>Workforce Improvement</b>	HEIW will provide strategic and practical support for workforce transformation and improvement, including skills development, role design, Continuing Professional Development (CPD) and career pathway development.
<b>Professional support for Workforce and Organisational Development (OD)</b>	HEIW will support the professional workforce and OD profession within Wales.

### **Achievements Against Strategic Objectives**

A set of strategic objectives was developed during the establishment of the organisation and these are designed to provide a framework for 2018 – 2021.

**1. As a new organisation establishing HEIW as a valued and trusted partner, an excellent employer and a reputable and expert brand.**

2. Building a sustainable and flexible health and care workforce for the future.

**3. With Social Care Wales shaping the workforce to deliver care closer to home and to better align service delivery.**

**4. Improving quality and safety by supporting NHS organisations find faster and more sustainable workforce solutions for priority service delivery challenges.**

5. Improving opportunities for use of technology and digitalisation in the delivery of education and care.

**6. Reinvigorating leadership development and succession planning across health and social care in partnership with Social Care Wales and Academi Wales.**

7. Demonstrating value from investment in the workforce and the organisation.

These strategic objectives have increasingly driven the work programmes of the organisation during its first 6 months as outlined in the following sections.

## **1. Establishing HEIW as a valued and trusted partner, an excellent employer and a reputable and expert brand.**

This objective recognises that the organisation as a new entity needs to maintain its focus on building strong foundations for the future. Achievements in this area include:

- An inclusive approach to the development of a set of values and behaviours to underpin organisational development.
- Completion of our first staff survey
- A targeted communications and engagement programme for staff and stakeholders pre and post launch involving face to face communication and a wide range of individual meetings, local workshops and national events
- Particular targeted engagement work with NHS organisations through individual meetings and participation in peer groups (remit letter requirement)
- The establishment of effective working relationships with Social Care Wales
- A comprehensive induction process for all staff
- Attendance at Health, Social Services and Sport Committee with Social Care Wales to discuss current workforce challenges and our plans
- Significant recruitment activity resulting in 28 new starters for the organisation
- Substantial development of the policy framework required for a new statutory organisation. (remit letter requirement)
- A refreshed communications and engagement strategy for the first full year of operation
- A draft Welsh Language policy and plan
- A bespoke values based performance appraisal system for individuals
- Initial discussions about a People and OD Strategy
- Targeted engagement with Welsh universities to ensure the education commissioning requirements of HEIW are delivered

## **2. Building a sustainable and flexible health and care workforce for the future**

This is clearly a longer term objective but we have made some progress towards this even in our first 6 months:

- With Social Care Wales we have started the development of a workforce strategy for health and social care to support delivery of A Healthier Wales, completing the initial research and scoping of this work, establishing a clear mechanism and project plan, securing consultants and completing a substantial engagement exercise involving interviews, workshops, webinars and an online survey. (remit letter requirement)
- Continued support for the development of Physicians Associates as a key part of the workforce in Wales.
- Development of a business case to implement multi sector pre registration training for all pharmacy students which has been supported by Welsh Government with investment of nearly £4m

- Implement the education and training commissioning plan for 2019/20 which has benefitted from £6.9m additional investment
- Commenced strategic review of health professional education to inform future contracts for undergraduate education
- Implementation of a Trainer Recognition Agreement to improve consistency and quality of training across under graduate and post graduate environments
- Review of quality management process for post graduate medical education
- Procured new undergraduate physiotherapy education from Glyndwr and Bangor Universities to meet the needs of north Wales
- Led a successful Scientist Training Programme (STP) recruitment campaign securing 20 high calibre clinical scientist trainees for NHS Wales
- Worked with Qualifications Wales and Social Care Wales to approve 8 out of the 19 new health and social care qualifications
- Commenced the provision of distance learning pre-registration nursing EDUCATION via the Open University with 40 places being made available in 2018/19
- Through its programme management arrangements led the Once for Wales approach to the implementation of new NMC standards for pre-registration nursing.

### **3. With Social Care Wales shaping the workforce to deliver care closer to home and to better align service delivery.**

We believe that we have an important contribution to make to supporting the strategic shift to develop primary and community services and in 2018/19 focused on the following issues:

- As per our remit letter from Welsh Government we have developed a business case to increase the number of places for GP trainees in Wales and also to improve the training that GP trainees receive (remit letter requirement)
- Participated as a system leader in the Transformation Advisory Board alongside colleagues from Social Care Wales, providing input to the implementation of A Healthier Wales
- Supporting the development of a workforce model for primary care as part of the Strategic Programme for Primary Care
- Led a task and finish group focusing on Urgent Primary Care Out of Hours (OOH) workforce challenges, and participated in the OOH peer review
- Supported the implementation of the joint health and social care induction framework pilot in Hywel Dda
- Working with Welsh Government led the introduction of the Community Neighbourhood nursing initiative which will potentially increase the number of District Nurses over the coming year

### **4. Improving quality and safety by supporting NHS organisations find faster and more sustainable workforce solutions for priority service delivery challenges**

We recognise the importance of supporting NHS colleagues in addressing current challenges and have made progress in the following areas:

- Participation in the mechanisms for implementing the Single Cancer Pathway, with a focus on diagnostic workforce challenges, and development of non-medical endoscopy training
- Implementation of lead roles in Emergency Medicine for development of leadership and quality through education and training
- Development of a business case for investment in post graduate education for optometrists to enhance and extend the services available in each cluster, improving overall access for eye care for local populations.
- Continued to promote and raise awareness of the value of a behavioural science approach in supporting multi professional teams to implement prudent healthcare

## **5. Improving opportunities for use of technology and digitalisation in the delivery of education and care.**

This is an important area of new development for the organisation building on a strong legacy of software and systems development, and creation of e resources. Progress made in 2018/19 includes:

- Transition of legacy systems, including those that support trainees, into the new organisation with no detrimental impact on business continuity
- Supporting additional investment of over £3m into the e resources library operated by NWIS, resulting in additional access for all health staff to a range of educational journals and resources (remit letter requirement)
- A baseline assessment of simulation facilities across Wales to inform the development of a Simulation Plan for Wales (remit letter requirement)
- Securing investment in a Head of Digital post to support strategic development in this area.
- Expansion and continued prioritisation of workforce intelligence, analysis and data modelling including support for national priorities around locum and agency staff, design and collation of managing attendance at work Key Performance Indicators (KPIs), primary care workforce planning tools
- Provided funding to support the development of knowledge and skills of the Prosthetics workforce across Wales which will enable veterans to receive seamless care following their transfer from hospitals elsewhere in the UK.

## **6. Reinvigorating leadership development and succession planning across health and social care in partnership with Social Care Wales and Academi Wales**

This is a new function for the organisation although the predecessor organisations provided some specific leadership development activities. Work to date has involved securing agreement in principle from NHS colleagues to the development of a collective leadership strategy for Wales, based on research across the UK. This was the focus of a plenary discussion at the NHS Confederation Conference. Significant scoping activity has been undertaken looking at best practice across the UK and elsewhere. Also arrangements were put in place for the smooth transfer of the Medical Leadership programme from Academi Wales.

## **7. Demonstrating value and benefits from investment in the workforce and the organisation.**

Welsh Government has invested in the establishment of HEIW and we recognise the importance of ensuring that we deliver value from money from this investment and also from the education commissioning budgets that we are responsible for. In 2018/19 we have started this work by developing a new integrated performance management framework for the organisation to reflect its new responsibilities and functions, to start to bring together a range of process and outcome measures for assurance and value purposes.

### **Achievements Against Legacy Organisation Plans**

In addition to the above work HEIW has overseen continued delivery of commitments by predecessor organisations

#### **Wales Deanery**

##### **Key Objectives**

- **Working with outside agencies to recruit to and provide sustainable high quality medical and dental training programmes which meet education and curriculum requirements and maximises opportunities for access to community and rural placements ensuring patient safety is at the centre of training for the health service in Wales.**
- **Ensure a programme of support and assessment systems are in place across Wales to underpin the medical and dental training programmes.**
- **Ensure the methods of delivering medical and dental education and training across Wales to deliver the highest standards, represent value for money and provide a range of learning methods / environments for trainees.**
- **Delivery and maintenance of an appraisal system that satisfies the requirements of the General Medical Council (GMC).**
- **Contribute to the quality and safety agenda by supporting revalidation systems, including appraisal, and the delivery of and support for continuing professional development (CPD), that meet the needs of the Welsh medical and dental workforce, the Health Boards and the Regulatory Bodies (GMC, GDC).**
- **Contribute to the Workforce Education Development Service's workforce planning arrangements for medical and dental staff in Wales.**

##### **Key Highlights**

- **Improving surgical skills pilot – A run-through pilot for General Surgery introducing a more intensive training experience has been undertaken in Wales during 2018-19. In August 2019, the pilot enters its second year with the first cohort moving into year 2 and a new cohort recruited to follow. The trainees and their experience during the pilot is being monitored extensively to compare it against the Core Surgical Programme.**

- Implementing the changes to internal medicine from Core – From August 2019 the Internal Medicine Training programme replaces the 2 year Core Medical Training. This 3-year programme has required changes to the placements and rotational programmes on offer. A bi-monthly conference call with Health Board leads enables us to engage with employers and ensure they sighted on all of the challenges associated with introducing this new programme and potential implications this may have for service delivery.
- Differential attainment – we have evaluated and considered the Differential Attainment data provided by the GMC comparing it against our specialty intelligence to determine priority specialty areas. We have also established a Differential Attainment Implementation Group to develop and monitor a DA action plan for trainees in Wales.
- Trainee Case Management – as an expansion from the successful Trainee Case Management process we have introduced Trainee Case conferences where a group of experts are convened to discuss and agree the best course of action to ensure patient safety and where applicable support the trainee in returning to the workplace.
- HEIW and Dental Public Health Team have developed an e-learning module for dental teams in Wales to support the Designed to Smile National Oral Health Improvement Programme.  
The course guides dental professionals through an online Quality Improvement project to embed evidence based preventative care and advice for children aged 0-6 in their practice.
- Dental skills optimiser evaluation tool launched - The Skills Optimiser Self-Evaluation Tool (SOSET), developed in collaboration with the Cardiff Unit for Research and Evaluation in Medical and Dental Education (CUREMeDE), encourages dental teams, including dentists and dental care professionals (DCPs), to put teamwork at the forefront of their approach to delivering effective oral healthcare.
- Dental appraisal system (DAS) pilot launched - Development of a flexible online appraisal platform in an attempt to move the profession from current paper based approach.

## **Wales Centre for Pharmacy Professional Education (WCPPE)**

### **Key Highlights**

- **Developing the post registration pharmacy workforce to meet the changing needs of patients and the NHS**
- **Developing the pre-registration pharmacy workforce to meet the changing needs of patients and the NHS**
- **Working in partnership with Social Care Wales**
- **Workforce Intelligence and Planning**

### **Key Highlights**

- The pharmacy team have been actively involved in supporting the Newport Carer project and Medicines and young carers project. This has included supporting the Carers Trust in developing resources for health

care professionals and supporting the development of an All Wales strategy for training and assessment of Health & Social Care teams regarding administration of medicines.

- The first bi-lingual workforce survey of the community pharmacy team was launched and closed on March 31 and will provide new intelligence on the development required for community pharmacy teams to deliver services closer to home.

## **NHS Workforce and Education Development Service (WEDS)**

### **Key Objectives**

- **Population based workforce planning - Lead the development of population based workforce planning which will complement and fit within the IMTP process.**
- **Education - Develop education at all levels and commission appropriate provision to support future needs of the health sector in Wales**
- **Workforce transformation and redesign to develop a prudent workforce - Facilitate transformation of the workforce in priority areas as agreed by NHS organisations.**
- **Workforce analytics and workforce planning modelling - Further develop workforce analytics and workforce planning modelling capacity for NHS Wales which supports strategic development of the workforce and in particular the 10 Year Workforce Strategy and Primary Care workforce plan.**
- **Careers/Widening access - To promote the wide range of career opportunities available within the NHS and to promote NHS Wales to be recognised as the employer of choice.**

### **Key Highlights**

- Led the development of an education commissioning and training plan for 2019/20 which was supported by the Welsh Government
- Supported Welsh Government as it reviewed its future policy direction for the NHS bursary
- Implemented the Buurtzorg community nursing model supporting increased support for community nurse education.
- Progressed work in partnership with Qualifications Wales and Social Care Wales to develop a new suite of health and social care and child qualifications at education levels 2-5 that meet the needs of all sectors
- Ensured education contracts with universities across Wales continued to deliver the future health sector workforce
- Secured resources to evaluate the introduction of the physician associate role in Wales

## **Performance Analysis 2018/19**

As noted above the development of a coherent and integrated performance management framework has been a key task during the transition period. The measurement of performance in an organisation like HEIW will be very different to that of any other NHS organisation, both in terms of the type of measure and the frequency of reporting. Performance metrics used in similar organisations in Scotland and England have been reviewed to inform the work in HEIW. During the transition period it has been agreed that the organisation will not be required to report on key workforce indicators such as sickness, appraisal and mandatory training as the ESR system has not been fully rolled out and available.

For the purpose of the annual report look back at performance a few key indicators related to the education commissioning function are highlighted:

### **Fill rates of health professional education programmes and retention**

The Minister for Health and Social Services each year agrees the number of students to be trained across a wide range of undergraduate and postgraduate training programmes. These form part of the core funding HEIW receives for Health professional education and training.

Over the past ten years' recruitment to the commissioned training places has historically been very high, usually 99-100%, however, over recent years universities have experienced some difficulties in recruiting in some areas, in particular the following areas have been challenging:

- Nursing across all fields, learning disability nursing has proven a significant challenge however paediatrics has enjoyed robust recruitment
- Diagnostic Radiography
- Operating Department Practitioners

Table 1 below identifies the current position for 2018/19 although it should be noted that this is subject to some minor changes.

The reasons for the under recruitment are complex and there is no one single reason across the various staff groups for this however, some of the key factors include:

- Removal of the NHS bursary in England is misunderstood by some
- Public awareness of career opportunities (Learning Disabilities (LD) nursing and Operating Department Practitioner (ODP)
- Recent increases in places has out reached current pool of available recruits
- Number of 18 years old is currently at a low

Some of these issues will need to be explored further in 19/20.

**Table 1**

5

	Commissioned - Autumn 18	Recruited - 2yr tie in - Autumn 18	Recruited - Self-funder - Autumn 18	Total Recruited	Variance on Autumn Commissions	Commissioned - Spring 19	Recruited - 2yr tie in - Spring 19	Recruited - Self-funder - Spring 19	Total Recruited	Variance on Spring Commissions
<b>Summary</b>										
Adult - 3yr	773	642	52	694	5	396	326		326	-70
Adult - MSc 2yr		5		5						
Adult - PGd 2yr		14		14						
Adult - HCSW Part Time		57		57						
Adult - HCSW - 2YR		8		8						
Mental Health - 3yr	216	191	11	202		108	94		94	-14
Mental Health - HCSW - 2YR		6		6						
Mental Health - MSc - 2YR		4	1	5						
MH - HCSW Part Time		3		3						
Child	154	133	15	148	-3					
Child - HCSW - 2YR		3		3						
Learning Disability	77	51		51	-23					
LD - HCSW - 2YR		3		3						
<b>Total Nursing</b>	<b>1220</b>	<b>1120</b>	<b>79</b>	<b>1199</b>	<b>-21</b>	<b>504</b>	<b>420</b>	<b>0</b>	<b>420</b>	<b>-84</b>

	Commissioned - Autumn 18	Recruited - 2yr tie in - Autumn 18	Recruited - Self-funder - Autumn 18	Total Recruited	Variance on Autumn Commissions
PTP - Cardiac Physiology	24	22	3	25	1
PTP - Respiratory & Sleep	5	5	0	5	0
PTP - Clinical Audiology	18	17	0	17	-1
PTP - Nuclear Medicine / Radiotherapy Physics	3	3	0	3	0
PTP - Neurophysiology	3	3	0	3	0
Midwifery	134	128	6	134	0
Paramedic	76	72	0	72	-4
Dental	31	23	8	31	0
ODP	49	28	4	32	-17
Physio	134	115	18	133	-1
Rads - Therapeutic	20	20	0	20	0
OT - Accelerated	20	20	0	20	0
OT - Full Time	113	98	13	111	-2
Radiography Diagnostic	112	97	11	108	-4
PTP - Healthcare Sciences	21	20	0	20	-1
Dietetics HN	30	30	0	30	0
Dietetics PG	12	12	0	12	0
Podiatry	24	21	4	25	1
SALT	44	44	0	44	0
<b>Total</b>	<b>873</b>	<b>778</b>	<b>67</b>	<b>845</b>	<b>-28</b>

## Fill rates of Post Graduate Medical and Dental Education

- Post Graduate Medical Education**

The overall fill rate for a programme takes into account the percentage whole time equivalent (WTE) of individuals currently working in training placements in NHS Wales, plus the number of trainees currently in a programme but on parental leave. It also includes those undertaking an out of programme placement (OOP). Both those on parental leave and OOP these will return to a placement at an agreed given point in time.

Over the last five years, , overall recruitment into NHS Wales training programmes has averaged between 80% and 86% which is comparable to the current fill rate. . (Including those in training plus parental leave and OOP)

There are a number of areas which need to be highlighted covering all and specific specialties where discrepancies may occur between information presented here and recruitment fill rates. These could be due to a number of reasons including:

- Maternity leave Specific training programmes attract higher rates of females and consequently there is a greater impact in terms of maternity leave requirements and also are therefore more likely to train on a Less Than Full Time (LTFT) basis. Specialties such as Paediatrics have a 33% LTFT rate

whereas others including certain medical specialties have LTFT rates in excess of 50%.

- Dual accreditation. Certain training programmes allow trainees to work towards a Certificate of Completion of Training (CCT) in 2 specialty areas. For example, with Intensive Care Medicine (ICM) all of the trainees are currently dual accrediting. This requires trainees to spend time of varying durations in their parent and dual training programme and so whilst the ICM programme may be full, trainees may be out training in their dual/parent programme at a given point.
- Period of grace. All trainees upon completing their training programme are entitled, as part of their terms and conditions of service, to a 6-month period of grace. This period of time supports trainees in looking for a consultant position. However not all trainees choose to take up this grace period but when planning for future recruitment rounds we have to assume, until notified, that all trainees will take their entitlement. This is an increasing problem for specialties with 1 intake per year (August) and 1 recruitment round. If a vacancy therefore falls in December we will be unable to fill it with a trainee until the following August.
- Attrition. Natural attrition occurs as a result of trainees failing to make progress within a specialty but also deciding that a particular specialty was not for them and successfully obtain a placement on another programme.

In order to maximise fill rates, where trainees are out of programme for planned periods of time, (usually exceeding 12 months), the Medical Deanery implements a mortgaging system by over-recruiting to cover the gap. This is in the knowledge that before the trainee returns back to the programme, other individuals will have completed their training freeing up a space for them.

- **Post Graduate Dental Education**

Dental training fill rates (across all training grades Dental Foundation Training (DFT)/Dental Core Trainee (DCT)/Dental Specialist Training (DST) continue to be very high. All dental graduates who want to work in NHS General Dental Services (GDS) need to undertake dental foundation training in order to be eligible for entry into the GDS Performers List. Entry to dental specialist training requires applicants to have undertaken dental core training to a DCT2 level, therefore these positions also attract a high level of interest. Obtaining a dental Specialist Registrar (StR) 1 position also remains extremely competitive and these posts are almost always filled in all parts of the UK. We currently have two vacancies at StR 4 level. These trainee positions at National Recruitment generally are less competitive with usually more jobs available than applicants. This means applicants can pick and choose where they want to train. The lower pay scales available in Wales to all training grades may also be a factor in our inability to attract higher trainees, however, vacancies also exist in England and Scotland for higher trainees

School	Overall programme fill rate	Trainees working LTFT	Trainees on Mat leave
Acute Care Common Stem (ACCS)	88%	2	1
Anaesthetics	74%	69	7
Emergency medicine	83%	9	2
Foundation	97%	7	1
General Practice	95%	122	36
Intensive Care	97%	1	0
Lab-based	64%	9	2
Medicine	66%	76	22
Obstetrics & Gynaecology	66%	18	4
Paediatrics	71%	42	15
Psychiatry	51%	21	3
Public Health	61%	6	0
Radiology	78%	8	5
Surgery	81%	14	4
Dental Foundation Training	100%	0	0
Dental Core Training	100%	2	0
Dental Specialty Training	95%	1	3

### **Post Graduate Medical Education Quality Management Process**

Providing assurance about the quality of postgraduate medical education is an integral part of HEIW's responsibilities and will form a key component of our integrated performance management framework. This requires a partnership approach between HEIW, NHS Health Boards and Trusts providing the education and trainees. The systems and processes aim to promote and encourage quality of education and training by providing the right support and infrastructure in the first instance. However, the system also anticipates that training concerns will arise and so a robust process is required to manage training concerns, to the standards set out by the General Medical Council. The GMC is content with the approach being undertaken by HEIW.

During 2018/19 five sites were classified as requiring "enhanced monitoring" by the GMC. These included:

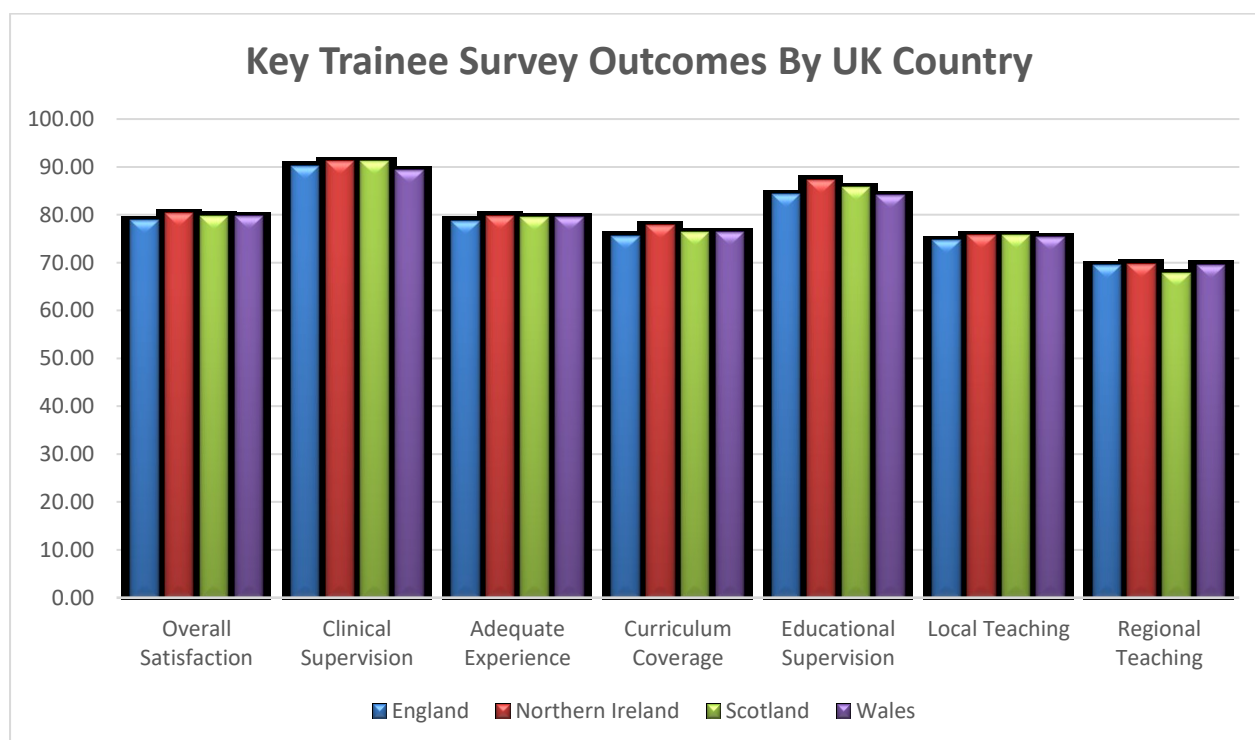
- Paediatric surgery at UHW
- Obstetrics and gynaecology at Royal Glamorgan Hospital
- Medicine at Ysbyty Ystrad Fawr
- Trauma and Orthopaedics at Morriston Hospital
- Obstetrics and gynaecology at Princess of Wales Hospital

## GMC National Training Survey

This is an annual source of feedback on trainee views of training. HEIW's response rates to the 2018 GMC National Training Surveys remained consistently high with a trainee response rate of 98.79% against a UK average of 95.69% and a trainer response rate of 61.79% against a UK average of 41.73%.

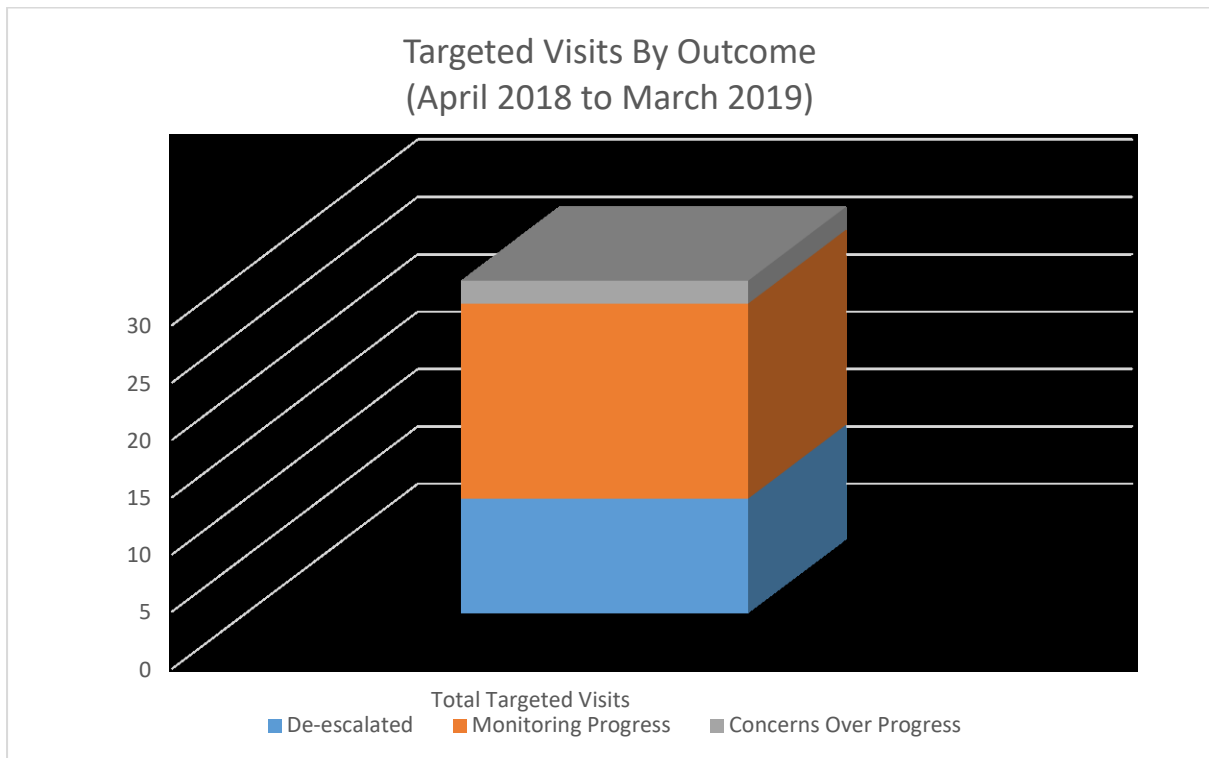
In terms of the quality of experience trainee feedback illustrates that the experience in Wales is broadly in line with the rest of the UK as illustrated within chart one below

Chart One

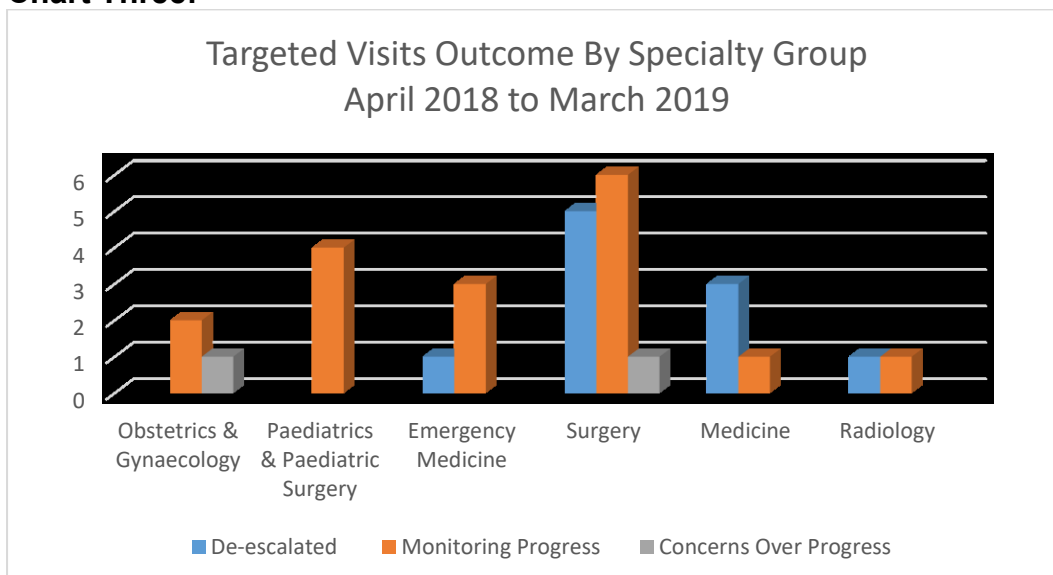


Evidence from the GMC Trainee Surveys that training grade doctors have continued to report relatively high levels of satisfaction with their training in terms of teaching quality and their overall experience in Wales. In reviewing, the survey results in the context of HEIW's quality management framework areas requiring improvement have been identified and taken in line with HEIW's Targeted Process. A summary of the outcome of specialty areas for which visit have been identified is provided in within the chart two below and this is further broken down by specialty group within chart three which indicates that progress has been made in many areas particularly within surgery and the majority of concerns are being appropriately managed. Where there have been concerns regarding progress these have been escalated appropriately and remedial action plans are in place with close monitoring.

**Chart Two:**

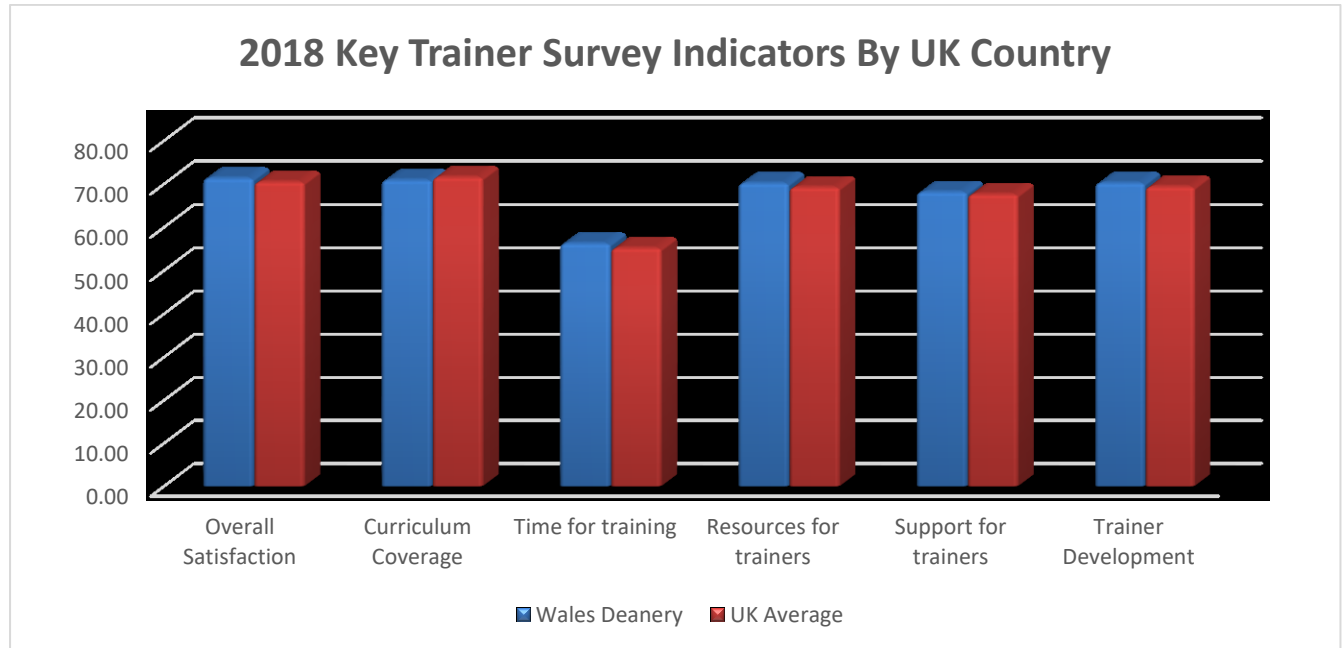


**Chart Three:**



The results of the GMC National Trainer Survey highlight that there is a commitment to training provision with 92% of trainers reporting that they enjoy their training roles and trainer satisfaction with the learning opportunities available to them was relatively strong with 78% indicating that they were able to access opportunities. Chart four below provides an overview of some of the key survey findings for trainers in Wales compared to the UK average.

**Chart Four:**



### **Development of Performance Framework 2019/20**

As a new organisation, HEIW is currently in the process of developing its performance mechanisms. At the time of writing, this is being developed internally with the support of the HEIW board and working with colleagues to identify the most appropriate reporting mechanisms.

The focus of our dashboard is across four main themes;

- Projects and programmes to deliver our strategic objectives
- Investment in Education and Training and workforce development
- Quality & Outcomes
- Corporate Governance & Management

Over the course of 2019/20, an iterative development process will be followed after the creation of our first live dashboard at the end of Quarter 1 which will be supplemented by an accompanying detailed narrative report.

A task and finish group will be set up to challenge and interrogate the data available enabling the appropriate triangulation of data to enable informed decisions and recommendations to be made based on the data available in relation to the education and training of the healthcare workforce in Wales. In addition we are required to provide a monthly workforce dashboard for national use.

### **Sustainability**

HEIW has been located at Ty Dysgu, Nantgarw since its go live date in October 2018. Full occupation was achieved following the completion of building works in January 2019.

2019/20 will provide the first opportunity to consider and review our utility emissions and waste creation. As a unique member of the NHS Wales, our emissions differ considerably as an office based organisation. As information is generated, we will consider how best to utilise this and consider targets relating to emissions and waste.

## **Risks**

During 2018/19 the organisation was managing a number of key risks inherited from the HEIW establishment programme as well as specific risks related to the work programmes of the predecessor organisations. A consolidated risk register was developed to support this process and was reviewed and updated on a regular basis with our board.

The key risks that have been managed during this period include:

- HR Support and recruitment capacity
- Appropriate finance team capability
- Appropriate Information Management and Technology support
- Developing responsibilities to manage health and safety requirements

One area of risk receiving increasing priority was in relation to ensuring an appropriate provider to offer pension advice to staff transferring from Cardiff University employment into HEIW. During 2018/19 a supplier was not found following a procurement exercise. This issue has now been resolved.

Key areas of core business articulated within the transitional risk register have been mitigated through appropriate interaction and engagement throughout the period through the ongoing work of legacy sections. This has supported work to manage risks in relation to;

- Differential attainment
- The establishment of the new Internal Medicine training programme
- Addressing Postgraduate Medical training quality issues

## **Supporting Wales as a great place to Train Work Live**

With our partners and stakeholders, attracting and enabling people to train, work and live in Wales is a key part of what we do. Here are some examples of what we've been doing.

- Our funding supported the extension of the healthcare [simulation suite](#) at Wrexham Glyndwr University. The new equipment in the suite helps to simulate a wide range of conditions in a lifelike manner – allowing students to examine the effects of diseases on organs and other body parts in a controlled learning environment before applying their learning in the workplace.
- We're funding additional [Physician Associate training places at Swansea University](#). A physician associate is a rapidly growing healthcare role which sees them working alongside doctors in hospitals and surgeries, supporting the diagnosis and management of patients. Physician Associates complement

existing medical models and provide much-needed continuity of care to patients.

- We saw a 40% increase in number of health professionals taking part [in our Developing Doctors to Deliver \(3D\)](#) programme. The programme promotes strong clinical leadership and is designed to support professionals as they develop skills to improve and enhance patient care in Wales. The first phase of the 3D programme's impact review has shown considerable benefits on both the individual participants and patient services.
- The introduction of a new model for referring children to [occupational therapy and physiotherapy in Cwm Taf University Health Board](#) has helped to improve access to services. Cwm Taf Morgannwg's paediatric therapies department benefited from a project funded by HEIW. Since its introduction, the team has seen greatly improved outcomes for patients, as well as families, and the new way of working has been a real asset to the working relationships of the team and the service.
- Promotion of HEIW's [Welsh Clinical Leadership Training Fellowship \(WCLTF\)](#) programme, which enables trainees to enhance their skills and become clinical leaders of the future. Graduates of this one year, out of training programme, develop the skills and knowledge to lead improvements in healthcare and become the clinical leaders of the future. Each fellow completes a quality improvement project within a healthcare organisation in Wales. By positioning themselves as leaders, trainee doctors are empowered to shape services and to improve patient care, performance, learning, and working environments.
- [Stress management toolkit / practical tips](#). In collaboration with [DNA Definitive](#), Dr Mark Stacey, Associate Dean New Initiatives at HEIW and Consultant Anaesthetist, has developed a visual toolkit called the 'Baker's Dozen of Mental Toughness' to help NHS Wales staff build resilience, manage stress and support each other. Some of the key themes in the toolkit centre around mindfulness, regular physical exercise, healthy sleep patterns, changing perspectives and the importance of learning new things.
- With Swansea and Cardiff Universities we launched the [first of its kind Medical Trainer Agreement in UK](#). Wales became the first place in the UK to adopt a groundbreaking approach to vital medical training. The new development aims to enhance standards of patient care and safety by raising the visibility of medical trainers and recognising their crucial role in supporting students and trainees. The Agreement clearly defines the role, responsibilities and rights of individual medical trainers, HEIW, medical schools and NHS Wales health boards and trusts, contributing to greater consistency and transparency in the provision of education and training across Wales.

## **Health Education and Improvement Wales**

# **HEAD OF INTERNAL AUDIT OPINION & ANNUAL REPORT 2018/19**

**May 2019**

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

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<b>Report status:</b>	Final
<b>Final report issued:</b>	21 May 2019
<b>Author:</b>	Head of Internal Audit
<b>Executive Clearance:</b>	Director of Audit and Assurance
<b>Audit and Assurance Committee:</b>	May 2019

## 1. EXECUTIVE SUMMARY

### 1.1 Purpose of this Report

Health Education and Improvement Wales' (HEIW or the 'organisation') 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 2018/19. 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 Chief Executive, as 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.

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. Some matters require management attention in control design or compliance with low to moderate impact on residual risk exposure until resolved.

### 1.3 Delivery of the Audit Plan

HEIW only came into existence on 1 October 2018, so 2018/19 covers a six-month period. As such, our work for this year covered a limited number of areas that we considered to be of a higher risk in the first few months of operation.

The Internal Audit plan has been delivered substantially in accordance with the agreed schedule, as approved by the Audit and Assurance Committee. Regular audit progress reports have been submitted to the Audit and Assurance Committee during 2018/19.

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 2018/19. 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

This report summarises the outcomes from the Internal Audit plan undertaken in the year and recognising Internal Audit provides a continuous flow of assurance. The report also references assurances received through the internal audit of control

systems operated by NHS Wales Shared Services Partnership (NWSSP) for transaction processing on behalf of the organisation.

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 areas:

- Substantial Assurance: Governance arrangements.
- Reasonable Assurance: Risk management, corporate transitional plan (draft), performance management, and core financial systems (budgetary control and financial accounting).

However, the significance of the matters identified in those areas where there are improvements to be made in governance, risk management and control impacts upon our overall audit assessment in the following area:

- Limited Assurance: Workforce review – Employment status of casual workers.

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

## **2. HEAD OF INTERNAL AUDIT OPINION**

### **2.1 Roles and Responsibilities**

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

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

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

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

In accordance with the Public Sector Internal Audit Standards (PSIAS), the Head of Internal Audit (HIA) is required to provide an annual opinion, based upon and limited to the work performed on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. This is achieved through an audit plan that has been focussed on key strategic and operational risk areas and known improvement opportunities, agreed with executive management and approved by the Audit and Assurance 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 and Assurance Committee, will need to consider the Head of 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 Health Education and Improvement Wales, 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 (WAO) 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 2018/19.

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 the detailed audits undertaken during the year have been summarised by the assurance ratings received. The aggregation of audit results gives a better picture of assurance to the Board and also provides a rational basis for drawing an overall audit opinion. However, please note that for presentational purposes we have shown the results using the eight assurance domains that were used to frame the audit plan at its outset (see section 2.4.2 and Appendix B).

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 that the overall opinion is consistent with the underlying audit evidence.

## 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 and Assurance Committee. The Head of Internal Audit assessment should be interpreted in this context when reviewing the effectiveness of the system of internal control and be seen as an internal driver for continuous improvement. The Head of Internal Audit opinion on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management, and control is set out below.

 <p style="text-align: center;">-                      + Yellow</p>	<p>The Board can take <b>reasonable assurance</b> that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Some matters require management attention in control design or compliance with low to moderate impact on residual risk exposure until resolved.</p>
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This opinion will need to be reflected within the Annual Governance Statement along with confirmation of action planned to address the issues raised. Particular focus should be placed on the agreed response to the limited report issued during the year and the significance of the recommendations made.

### 2.4.2 Basis for Forming the Opinion

The audit work undertaken during 2018/19, and reported to the Audit and Assurance 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 and Assurance Committee throughout 2018/19. This assessment has taken account of the relative materiality of these areas.
- 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 organisation.

In addition, the Head of Internal Audit has considered residual risk exposure across those assignments where limited assurance was reported. Where changes are made to the audit plan then the reasons are presented to the Audit and Assurance 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 considers the impact of changes made to the plan when forming their overall opinion. In 2018/19 there have not been any changes to the plan.

A summary of the reviews and associated assurance ratings in each of the domains is set out below:

### Corporate governance, risk management and regulatory compliance

- **Risk management** – We issued a **reasonable** assurance report for our review of risk management. We identified two high, one medium and one low priority recommendation. One high priority recommendation related to the development of the organisations risk management strategy, policy and procedures, and one related to risk management planning. We also note good practice regarding the organisation’s development of its Board Assurance Framework, and the scrutiny of its transitional corporate risk register.
- **Governance arrangements** – Our fieldwork identified one low priority recommendation and as such, we gave **substantial** assurance for this review.

### Strategic planning, performance management & reporting

- **Performance management** – Our review of performance management identified one high, three medium, and one low priority recommendation. Our high priority recommendation related to the Board reporting of performance measures inherited from HEIWs predecessor organisations. Overall we issued a **reasonable** assurance report in relation to our work in this area.
- **Corporate transitional plan (Draft)** - We issued a **reasonable** assurance report for our review of the corporate transitional plan. Our work focused on governance of transition, workforce transition, the transfer of policies and procedures, and contract and service level arrangements. We identified two high, three medium and two low priority recommendations. The high priority recommendations related to the sign off of service level agreements, and the monitoring and mapping of contracts from the three previous organisations.

### Financial governance and management

- **Core financial systems – financial accounting** – We looked at the organisation’s systems of control in relation to the operation of the general ledger, banking arrangements, purchasing cards, non-current assets, and *ad hoc* supplier payments. We identified two medium and four low priority recommendations. As such, we issued a **reasonable** assurance report.
- **Core financial systems – budgetary control** – We looked at the organisation’s systems of control in relation to budgetary control, specifically focusing on the ownership, monitoring and reporting of budgets. We identified one medium and one low priority recommendation. We issued a **reasonable** assurance report.

### Clinical governance quality & safety

- We did not plan to undertake any reviews in this domain during 2018/19.

### Information governance & security

- **IT Baseline assessment** – We issued a baseline assessment of the arrangements in place for the management and control of Information Governance (IG) and Information Communications Technology (ICT) within the organisation. We made observations in relation to governance, policies and procedures, planning and strategy, risk and compliance, continuity, and resourcing. As this was a baseline review, the assignment was not allocated an assurance rating, but advice and recommendations were provided to facilitate change and improvement.

### Operational service and functional management

- We did not plan to undertake any reviews in this domain during 2018/19.

### Workforce management

- **Employment status of casual workers** – We issued a **limited** assurance report for this review that identified three high and two medium priority recommendations. The high priority recommendations related to timesheets for casual workers on payroll, and employment status records and monitoring of casual workers.

### Capital & estates management

- We did not plan to undertake any reviews in this domain during 2018/19.

#### 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 Public Sector Internal Audit Standards (PSIAS) 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.

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 2018/19 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 a limited scope update on the current condition of control and a measure of direction of travel.

#### **2.5 Required Work**

There are two pieces of work that Welsh Government has required previously that Internal Audit should review each year, where applicable. These pieces, that relate to HEIW at this point, cover aspects of:

- the Annual Governance Statement; and
- the Annual Quality Statement.

As HEIW has been operational for a six month period of the year ended 31 March 2019, Welsh Government has not required it to produce an Annual Quality Statement for 2018/19. Where appropriate, our work is reported in Section 5 – Risk based Audit Assignments and at **Appendix B**.

#### **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 and Assurance Committee that it has conducted its audit at HEIW in conformance with the Public Sector Internal Audit Standards for 2018/19.

Our conformance statement for 2018/19 is based upon:

- the results of our internal Quality Assurance and Improvement Programme (QAIP) for 2018/19 which will be reported formally in the Summer of 2019;
- 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 2018/19 QAIP report. There are no significant matters arising that need to be reported in this document.

## **2.7 Completion of the Annual Governance Statement**

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

- Direct assurances from management on the operation of internal controls through the upward chain of accountability.
- Results of internal compliance functions including Local Counter-Fraud, Post Payment Verification, and risk management.
- Reviews completed by external regulation and inspection bodies including the Wales Audit Office and Healthcare Inspectorate Wales.

## **3. OTHER WORK RELEVANT TO HEIW**

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 organisation. These audits of the financial systems operated by NWSSP, processing transactions on behalf of the organisation, derived the following opinion ratings:

- Procurement services - Accounts Payable (Reasonable)
- Employment Services – Payroll (Reasonable)

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

## **NHS Wales Informatics Service (NWIS)**

We have also undertaken two audits relating to the processes and operations of NWIS. These were:

- Business Continuity (Reasonable)
- Change Control (Limited).

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 along with the NWIS audits.

## **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 and Assurance Committee. Regular audit progress reports have been submitted to the Audit and Assurance Committee during 2018/19. Audits which remain to be reported and reflected within this Annual Report will be reported alongside audits from the 2019/20 operational audit plan.

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

### **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 will become part of the routine reporting to the Audit and Assurance Committee during 2019/20. The key performance indicators are summarised in the **Appendix C**.

Post audit questionnaires are issued following the finalisation of all audit assignments. As at 30 April 2019, the response rate has been 25% (1 out of 4). Where respondents have made specific comments, these have been reviewed by the Head of Internal Audit for any necessary action. We will work with the organisation to improve this response rate.

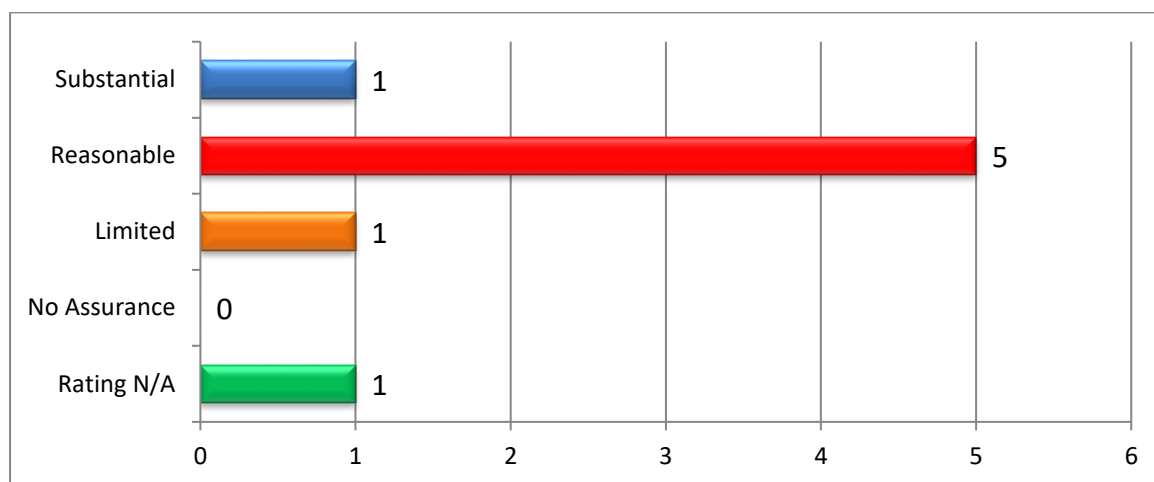
## 5. RISK BASED AUDIT ASSIGNMENTS

The overall opinion provided in Section 1 and our conclusions on individual areas 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 8 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**.

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 area 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
Governance arrangements	The overall objective of the audit was to evaluate and determine the adequacy of the systems and controls in place in relation to the organisations governance arrangements. The review included consideration of the role and function of the Board and its committees.

## 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
Core Financial systems – Budgetary control	The overall objective of the audit was to evaluate and determine the adequacy of the systems and controls in place in relation to the organisation’s core financial systems – budgetary control.

Review Title	Objective
Core Financial systems – Financial accounting	The overall objective of the audit was to evaluate and determine the adequacy of the systems and controls in place in relation to the organisation's core financial systems – financial accounting. The review focused on the general ledger, banking arrangements, purchasing cards, non-current assets, and <i>ad hoc</i> supplier payments.
Corporate transitional plan (draft)	The overall objective of the audit was to evaluate and determine the adequacy of the systems and controls in place in relation to the organisation's corporate transitional plan. The review sought to provide assurance over the governance of transition, workforce transition, the transfer of policies and procedures, and contract and service level arrangements.
Performance management	The overall objective of the audit was to evaluate and determine the adequacy of the systems and controls in place in relation to the organisation's performance management arrangements. The review focused on performance measures transferred from the previous organisations, and the development of future performance arrangements.
Risk management	The overall objective of the audit was to evaluate and determine the adequacy of the systems and controls in place in relation to the organisation's risk management arrangements.

## 5.4 Limited Assurance



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

Review Title	Objective
Workforce review – Employment status of casual workers	The overall objective of the audit is to evaluate and determine the adequacy of the systems and controls in place in relation to the organisation's processing of payments to casual workers.

## 5.5 Assurance Not Applicable

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

Review Title	Objective
IT Baseline assessment	The overall objective of the audit was to understand the processes and mechanisms in place for management of IG/ ICT within the organisation. The review sought to provide a baseline picture of the organisation's status and provides suggestions for areas of improvement, or future development.

## 6. ACKNOWLEDGEMENT

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

**Paul Dalton**

**Head of Internal Audit**

**Audit and Assurance Services**

**NHS Wales Shared Services Partnership**

**May 2019**

<b>ATTRIBUTE STANDARDS:</b>	
<b>1000 Purpose, authority and responsibility</b>	Internal Audit arrangements are derived ultimately from the NHS organisation's Standing orders and Financial Instructions. These arrangements are embodied in the Internal Audit Charter adopted by the Audit Committee on an annual basis.
<b>1100 Independence and objectivity</b>	Appropriate structures and reporting arrangements are in place. Internal Audit does not have any management responsibilities. Internal audit staff are required to declare any conflicts of interests. The Head of Internal Audit has direct access to the Chief Executive and Audit Committee chair.
<b>1200 Proficiency and due professional care</b>	Staff are aware of the Public Sector Internal Audit Standards and code of ethics. Appropriate staff are allocated to assignments based on knowledge and experience. Training and Development exist for all staff. The Head of Internal Audit is professionally qualified.
<b>1300 Quality assurance and improvement programme</b>	Head of Internal Audit undertakes quality reviews of assignments and reports as set out in internal procedures. Internal quality monitoring against standards is performed by the Head of Internal Audit and Director of Audit & Assurance. WAO complete an annual assessment. An EQA was undertaken in 2018.
<b>PERFORMANCE STANDARDS:</b>	
<b>2000 Managing the Internal Audit activity</b>	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

	<p>audit strategy and annual plan is approved by Audit Committee.</p> <p>Policies and procedures which guide the Internal Audit activity are set out in an Audit Quality Manual. There is structured liaison with WAO, HIW and LCFS.</p>
<b>2100 Nature of work</b>	The risk based plan is developed and assignments performed in a way that allows for evaluation and improvement of governance, risk management and control processes, using a systematic and disciplined approach.
<b>2200 Engagement planning</b>	The Audit Quality Manual guides the planning of audit assignments which include the agreement of an audit brief with management covering scope, objectives, timing and resource allocation.
<b>23000 Performing the engagement</b>	The Audit Quality Manual guides the performance of each audit assignment and report is quality reviewed before issue.
<b>2400 Communicating results</b>	<p>Assignment reports are issued at draft and final stages. The report includes the assignment scope, objectives, conclusions and improvement actions agreed with management. An audit progress report is presented at each meeting of the Audit Committee.</p> <p>An annual report and opinion is produced for the Audit Committee giving assurance on the adequacy and effectiveness of the organisation's framework of governance, risk management and control.</p>
<b>2500 Monitoring progress</b>	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.

### **AUDIT RESULTS GROUPED BY ASSURANCE DOMAIN**

<b>Assurance domain</b>	<b>Audit Count</b>	<b>Not rated</b>	<b>No assurance</b>	<b>Limited assurance</b>	<b>Reasonable assurance</b>	<b>Substantial assurance</b>
Clinical Governance, Quality and Safety	-	-	-	-	-	-
Corporate Governance, Risk and Regulatory Compliance	2	-	-	-	<ul style="list-style-type: none"> <li>● Risk management</li> </ul>	<ul style="list-style-type: none"> <li>● Governance arrangements</li> </ul>
Financial Governance and Management	2	-	-	-	<ul style="list-style-type: none"> <li>● Core financial systems (Financial accounting) -</li> <li>● Core financial systems (Budgetary control) -</li> </ul>	-
Strategic Planning, Performance Management and Reporting	2	-	-	-	<ul style="list-style-type: none"> <li>● <i>Corporate transitional plan (draft)</i></li> </ul>	-

Assurance domain	Audit Count	Not rated	No assurance	Limited assurance	Reasonable assurance	Substantial assurance
					● Performance management	
Information Governance and Security	1	IT Arrangements	-	-	-	-
Operational Service and Functional Management	-	-	-	-	-	-
Workforce Management	1	-	-	● Workforce	-	-
Capital and Estates Management	-	-	-	-	-	-

**Key to symbols:**

● Audit undertaken within the annual Internal Audit plan.

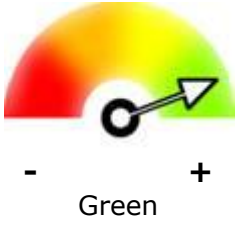
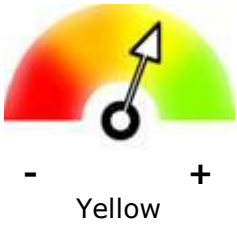
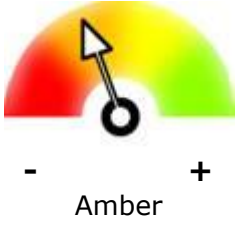
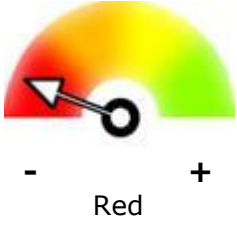
*Italics* Reports not yet finalised but have been issued in draft.

### **PERFORMANCE INDICATORS as at 21 May 2019**

<b>Indicator Reported to NWSSP Audit Committee</b>	<b>Status</b>	<b>Actual</b>	<b>Target</b>	<b>Red</b>	<b>Amber</b>	<b>Green</b>
Operational Audit Plan agreed for 2018/19	<b>G</b>	November 2018	N/A	Not agreed	Draft plan	Final plan
Total assignments reported against plan for 2018/19 [Draft and Final]	<b>G</b>	100%	90%	v > 20 %	10% < v < 20%	v < 10%
Report turnaround: time from fieldwork completion to draft reporting [10 working days]	<b>G</b>	100%	80%	v > 20 %	10% < v < 20%	v < 10%
Report turnaround: time taken for management response to draft report [15 working days]	<b>G</b>	88%	80%	v > 20 %	10% < v < 20%	v < 10%
Report turnaround: time from management response to issue of final report [10 working days]	<b>G</b>	100%	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 <b>substantial assurance</b> that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Few matters require attention and are compliance or advisory in nature with <b>low impact on residual risk</b> exposure.</p>
Reasonable assurance		<p>The Board can take <b>reasonable assurance</b> that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Some matters require management attention in control design or compliance with <b>low to moderate impact on residual risk</b> exposure until resolved.</p>
Limited assurance		<p>The Board can take <b>limited assurance</b> that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. More significant matters require management attention with <b>moderate impact on residual risk</b> exposure until resolved.</p>
No assurance		<p>The Board has <b>no assurance</b> that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Action is required to address the whole control framework in this area with <b>high impact on residual risk</b> exposure until resolved.</p>

## **Confidentiality**

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

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## **Audit**

The audits were undertaken using a risk-based auditing methodology. An evaluation was undertaken in relation to priority areas established after discussion and agreement with the organisation. 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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**GIG**  
CYMRU  
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WALES

Addysg a Gwella Iechyd  
Cymru (AaGIC)  
Health Education and  
Improvement Wales (HEIW)

## Audit and Assurance Committee

<b>Meeting Date</b>	<b>29 May 2019</b>	<b>Agenda Item</b>	<b>2.6</b>
<b>Report Title</b>	<b>Corporate Risk Register</b>		
<b>Report Author</b>	Dafydd Bebb, Board Secretary		
<b>Report Sponsor</b>	Dafydd Bebb, Board Secretary		
<b>Presented by</b>	Kay Barrow, Corporate Services Manager		
<b>Freedom of Information</b>	Open		
<b>Purpose of the Report</b>	To provide the Audit and Assurance Committee with an update on the Corporate Risk Register.		
<b>Key Issues</b>	<p>The report :</p> <ul style="list-style-type: none"> <li>confirms the Corporate Risk Register is aligned to the objectives set out in the Annual Plan for 19/20 and any other areas of inherent risk within the organisation;</li> <li>attaches the current position in relation to the Corporate Risk Register at Appendix A.</li> </ul>		
<b>Specific Action Required</b> <i>(please ✓ one only)</i>	<b>Information</b>	<b>Discussion</b>	<b>Assurance</b>
			✓
<b>Recommendations</b>	<p>Members are asked to:</p> <p>note for <b>Assurance</b> the current position with regard to the Corporate Risk Register as attached at Appendix A.</p>		

# CORPORATE RISK REGISTER

## 1. INTRODUCTION

Risk management is a process to ensure that the organisation is focusing on and managing risks that might arise in the future. The process also focusses on situations where there are continuing levels of inherent risk within current issues within the organisation or in our partnership work.

The Audit and Assurance Committee is asked to note the current position with regard to the Corporate Risk Register as outlined within this report.

## 2. BACKGROUND

As noted in the previous paper to the Committee, the previous Corporate Risk Register focussed on the transitional Programme legacy risks that were inherited by HEIW at its establishment.

The current Corporate Risk Register has been updated to be aligned with the objectives set out in the Annual Plan for 19/20 and any other areas of inherent risk.

It is confirmed the Corporate Risk Register continues to be reviewed on a monthly basis by the Executive Team and Senior Leadership Team.

### **Assessment**

The methodology for assessing risk remains the same as outlined in previous reports and the risk scoring matrix is contained within Appendix A.

There are 22 risks on the corporate risk register, 19 of these are amber and 3 are green.

## 3. GOVERNANCE AND RISK ISSUES

Risk management through the Corporate Risk Register is a core tool for the governance of risk within HEIW.

## 4. FINANCIAL IMPLICATIONS

Risk management through the Corporate Risk Register is a core function of HEIW as a Special Health Authority. There are no anticipated additional cost implications.

## 5. RECOMMENDATION

The Committee is asked to note the note for **Assurance** the current position with regard to the Corporate Risk Register as attached at Appendix A.

<b>Governance and Assurance</b>				
<b>Link to corporate objectives</b> <i>(please ✓)</i>	As a new organisation establishing HEIW as a valued and trusted partner, an excellent employer and a reputable and expert brand	Building a sustainable and flexible health and care workforce for the future.	With Social Care Wales shaping the workforce to deliver care closer to home and to better align service delivery.	Improving quality and safety by supporting NHS organisations find faster and more sustainable workforce solutions for priority service delivery challenges.
	✓			
	Improving opportunities for use of technology and digitalisation in the delivery of education and care.	Reinvigorating leadership development and succession planning across health and social care in partnership with Social Care Wales and Academi Wales	Demonstrating value from investment in the workforce and the organisation.	
<b>Quality, Safety and Patient Experience</b>				
The Corporate Risk Register is the core tool to ensure effective risk management within HEIW. A robust approach to the management of risk is more likely to impact favourably on the safety and experience of patients and staff.				
<b>Financial Implications</b>				
Risk management is a core function of HEIW as a Special Health Authority. There are no anticipated additional costs.				
<b>Legal Implications (including equality and diversity assessment)</b>				
N/A				
<b>Staffing Implications</b>				
The Corporate Risk Register is a Core function of HEIW. There are no additional staffing implications.				
<b>Long Term Implications (including the impact of the Well-being of Future Generations (Wales) Act 2015)</b>				
The Corporate Risk Register is HEIW's core tool to manage risk going forward.				
<b>Report History</b>	The Risk Register is presented to the Audit and Assurance Committee on a regular basis.			
<b>Appendices</b>	The Corporate Risk Register is attached at Appendix A			

### HEIW Corporate Risk Register

Ref RO	Risk Description	Inherent Risk			Mitigating Action	Residual Risk			RAG Status	Progress
		Impact	Probability	Overall Score		Impact	Probability	Overall Score		
1.	<p>If staff do not integrate effectively as part of the new organisation this could impact on service delivery and implementation of the annual plan</p> <p>JR</p>	4	4	16	<ul style="list-style-type: none"> <li>Co-production with staff of a People and OD strategy by the autumn of 2019</li> <li>Continuation of roll-out of lunch and learn sessions focussing on understanding of portfolios across teams, and joint training</li> <li>Execs and SLT to maximise opportunities for matrix working, and to encourage staff to work across</li> <li>Culture Champion Group to monitor and feedback</li> <li>Review of structures 1 year on to ensure they support integrated working</li> </ul>	4	3	12		

HEIW Transitional Corporate Risk Register

Ref RO	Risk Description	Inherent Risk			Mitigating Action	Residual Risk			RAG Status	Progress
2.	If the values and behaviours framework is not effectively embedded in the organisation this will impact on morale, engagement and reputation  JR	4	3	12	<ul style="list-style-type: none"> <li>Refresh of the action plan for embedding values &amp; behaviours framework into core business</li> <li>People and OD strategy to reinforce the importance and expectations on all staff</li> <li>Response to staff survey is framed in context of our values and behaviours and is seen to be acted upon</li> </ul>	3	3	9		
3.	If the organisation does not have effective programme and project management capacity and expertise this may impact on delivery of the annual plan objectives  JR (DOFCS)	4	3	12	<ul style="list-style-type: none"> <li>Identified as a priority area for training in 2019-20 from initial observations in relation to submission and preparation of project plans to deliver annual plan objectives</li> <li>Training in project management to be sourced and rolled out</li> <li>Skills assessment to be undertaken as part of a HEIW TNA to identify prior learning/expertise</li> <li>Best practice examples to be highlighted and shared</li> </ul>	3	3	9		

HEIW Transitional Corporate Risk Register

Ref RO	Risk Description	Inherent Risk			Mitigating Action	Residual Risk			RAG Status	Progress
4.	If the role and functions of HEIW are not fully understood this may impact on engagement and involvement in delivery of objectives, and lead to a mismatch between ambitions and expectations, and reputational damage  JR	4	3	12	<ul style="list-style-type: none"> <li>• Publication of the Comms &amp; engagement strategy and implementation plan early 2019-20</li> <li>• Regular stakeholder bulletins</li> <li>• Targeted comms highlighting specific activities and projects</li> <li>• Execs and staff to maximise opportunities to engage and spread understanding</li> </ul>	3	3	9		
5.	If the relationship with the NHS is not effective this will impact on HEIW service delivery and implementation of the annual plan  JR	4	3	12	<ul style="list-style-type: none"> <li>• Implementation of the Communications &amp; engagement plan for 2019-20</li> <li>• Regular stakeholder bulletins</li> <li>• Execs to be active members of peer networks and national groups</li> <li>• Proactive engagement with NHS organisations including as part of the development of our IMTP and through the annual planning cycle</li> <li>• Understanding of NHS to continue to be a theme through staff events and training in 2019</li> </ul>	3	3	9		

HEIW Transitional Corporate Risk Register

Ref RO	Risk Description	Inherent Risk			Mitigating Action	Residual Risk			RAG Status	Progress
6.	If the relationship with Social Care Wales is not effective, then this could impact on delivery of key priorities for A Healthier Wales  AH	4	3	12	<ul style="list-style-type: none"> <li>Joint exec team and joint Board meetings twice a year</li> <li>1:1 meetings between CEOs</li> <li>Joint steering group for development and delivery of the health &amp; care workforce strategy, as well as underpinning operational management groups</li> </ul>	3	3	9		
7.	If current approaches to professional boundaries remain this will affect HEIW's ability to transform approaches to workforce  SG	4	4	16	<ul style="list-style-type: none"> <li>HEIW Execs to be an active member of executive peer groups</li> <li>Ensure learning opportunities are multi-professional</li> <li>Ensure the HEIW annual plan includes areas of work which challenge professional boundaries, e.g. promotion of delegation guidelines, Development of advanced practice/extended skills, roll out behavioural science approach etc.</li> </ul>	3	3	12		

HEIW Transitional Corporate Risk Register

Ref RO	Risk Description	Inherent Risk			Mitigating Action	Residual Risk			RAG Status	Progress
8.	If the interface with WG is not clear this could result impact on delivery and reputation  AH	5	4	20	<ul style="list-style-type: none"> <li>1:1s with DG</li> <li>1:1s with policy leads</li> <li>Quality and delivery meetings</li> <li>JET meetings</li> </ul>	4	4	16		
9.	If the Workforce Strategy for Health and Social Care does not meet expectations this will impact on reputation and future delivery  JR	4	4	16	<ul style="list-style-type: none"> <li>Joint steering group chaired by CEOs</li> <li>Clear project plan and reporting</li> <li>Additional capacity in terms of consultants</li> <li>Significant engagement periods built into the programme to develop ownership, buy-in and understanding</li> </ul>	4	3	12		
10.	If the quality of postgraduate medical education is not maintained this could impact on patient safety and quality  PM	3	3	9	<ul style="list-style-type: none"> <li>Maintained previous levels of scrutiny by methods sanctioned by the GMC</li> <li>Engage with GMC to review QA process and act as pilot site for review.</li> <li>Ensure effective communication of high risk areas to CEO and MDs of Health Boards and Trust.</li> </ul>	3	3	9	Ongoing risk	GMC QA Pilot commenced  HEIW training role related to recent issues in one Health Board communicated to all CEOs, CMO and CNO.

HEIW Transitional Corporate Risk Register

Ref RO	Risk Description	Inherent Risk			Mitigating Action	Residual Risk			RAG Status	Progress
11.	If universities review their provision of UG programmes and determine to withdraw from the market this will impact on HEIWs ability to deliver commissioned numbers  SG	4	4	16	<ul style="list-style-type: none"> <li>Ensure active communication with HEI to understand their priorities and challenges</li> <li>Through the contracting process work with universities to ensure they are adequately funded for the programmes</li> <li>Work with education providers to determine what other alternatives are possible</li> </ul>	3	3	9		
12.	If there is a delay in producing the leadership strategy this could result in contradictory approaches being developed across Wales  JR	3	3	9	<ul style="list-style-type: none"> <li>HEIW lead in post and making progress, additional team member recruited. SCW lead identified</li> <li>Project plan in place</li> <li>Steering group established and will meet next month.</li> <li>Significant engagement to date in health sector within Wales and across UK, also literature review and identification of models which will continue.</li> <li>Communications &amp; engagement will support the activity</li> </ul>	3	2	6		

HEIW Transitional Corporate Risk Register

Ref RO	Risk Description	Inherent Risk			Mitigating Action	Residual Risk			RAG Status	Progress
13.	If HEIW budgets have been established without a full understanding of the resources needed to deliver the functions this could result in poor financial performance  EW	4	3	12	<ul style="list-style-type: none"> <li>Budget Acceptance letters will be issued to Execs for the delegated resources within their area of responsibility.</li> <li>Finance support will be given to budget holders to support service delivery within budgets available.</li> <li>Regular financial monitoring information will be provided to Board, Executive Team and all budget holders that should enable corrective action to be taken.</li> </ul>	2	2	4		Good progress has been made in taking forward the mitigating actions.
14.	If the Welsh Government do not announce its future intentions over NHS Bursaries it could result in a reduction of applications to health professional education programmes  SG	4	4	16	<ul style="list-style-type: none"> <li>Keep in regular contact with the Welsh Government and provide any assistance they require</li> <li>Update the university sector on Governments thinking as this develops</li> <li>Monitor student uptake of the NHS bursary</li> </ul>	3	3	9		

HEIW Transitional Corporate Risk Register

Ref RO	Risk Description	Inherent Risk			Mitigating Action	Residual Risk			RAG Status	Progress
15.	If the Strategic Review of Health Professional Education does not meet the timescale and future aspirations as agreed by HEIW  SG	5	3	15	<ul style="list-style-type: none"> <li>Ensure robust project management arrangements are in place</li> <li>Secure additional resource for the project</li> <li>Ensure robust stakeholder engagement</li> <li>Ensure it links to the 10 year health and social care workforce strategy</li> </ul>	4	3	12		
16.	If there is no agreement on the future arrangements for allocation of SIFT this could undermine HEIW's ability to improve education	5	3	15	<ul style="list-style-type: none"> <li>Work closely with WG colleagues to progress SIFT discussions</li> <li>Participate in the development of proposals for the future allocation of SIFT</li> <li>Use lessons and experience from across UK to inform plans</li> <li>Ensure that the plans are confirmed and agreed prior to transfer to HEIW</li> </ul>	5	2	10		This is discussed as a regular item during interface meetings with WG

HEIW Transitional Corporate Risk Register

Ref RO	Risk Description	Inherent Risk			Mitigating Action	Residual Risk			RAG Status	Progress
17.	If Pharmacy business case for preregistration pharmacists is not implemented this could impact on Effective training of these students and adversely impact on the reputation of HEIW	3	3	9	<ul style="list-style-type: none"> <li>Make effective plans within HEIW and with stakeholders to ensure capacity is created within the Pharmacy Deanery.</li> <li>Create a project plan with robust milestones for delivery.</li> </ul>	3	2	6		<p>Following meeting with Finance colleagues, resource identified to support project.</p> <p>Team meeting planned to set priorities</p> <p>Pharmacy Dean commitments revised to release time for project</p>
18.	Following GP trainee business case for increasing GP trainees to 160, if we do not identify sufficient training facilities and provide effective training, this could adversely impact on the reputation of HEIW	3	3	9	<ul style="list-style-type: none"> <li>We have actively sought applications for training practices.</li> <li>We have created a framework for selection</li> </ul>	3	2	6		<p>We have had sufficient applications so far.</p>

HEIW Transitional Corporate Risk Register

Ref RO	Risk Description	Inherent Risk			Mitigating Action	Residual Risk			RAG Status	Progress
19.	<p>If the investment required to deliver the annual education and training plan is available it will limit HEIW ability to deliver the future workforce</p> <p>SG</p>	4	3	12	<ul style="list-style-type: none"> <li>Ensure the annual plan is robust and evidence based</li> <li>Ensure the annual education training plan reflects priorities which are reflected in the 10 year workforce strategy</li> <li>Liaise with Welsh Government so they are sighted in advance on the possible level of investment required</li> </ul>	3	3	9		
20.	<p>Apprenticeship Frameworks</p> <p>If HEIW timescales for Apprenticeship Frameworks and qualification development may not align with WG proposed new process for Framework development and review</p> <p>SG</p>	3	4	12	<ul style="list-style-type: none"> <li>Working with WG to understand their process and how HEIW requirements can be accommodated</li> </ul>	3	3	9		

HEIW Transitional Corporate Risk Register

Ref RO	Risk Description	Inherent Risk			Mitigating Action	Residual Risk			RAG Status	Progress
21.	If the Pilot of the Joint Induction Framework with Social Care Wales across Hywel Dda geographical area does not recruit 3 cohorts of 40 learners the programme may over run its timescale  SG	3	4	12	<ul style="list-style-type: none"> <li>Appointment of a Project Manager to oversee the Pilot. We may be able to reduce the risk once the first course is advertised in early June and we know how many applications are received</li> </ul>	3	3	9		
22.	If the loss of Eduroam portal provision following transition out of Cardiff University is not addressed by an effective replacement, it will impact on trainees and trainers ability to undertake and complete appropriate training through a dedicated internet connection. Risk of reputational risk to Wales and Welsh offer.	5	4	20	<ul style="list-style-type: none"> <li>WG and NWIS aware of the issue and working on an amendment to GOVROAM to address our needs and the specific authentication requirements which were previously facilitated by Cardiff University.</li> <li>We are continuing to monitor and press WG for a solution, and will escalate to the CEO NHS Wales as appropriate</li> <li>Communications with trainees and trainers are being handled through consistent messaging</li> </ul>	5	4	20		Until the amendment has been delivered, all we can do is manage the message and continue to press. If the change was delivered, then the residual risk would drop to 12.

HEIW Transitional Corporate Risk Register

Risk Scoring Matrix

<b>LIKELIHOOD</b>	<b>Probable</b>	5	10	15	20	25
	<b>Likely</b>	4	8	12	16	20
	<b>Possible</b>	3	6	9	12	15
	<b>Unlikely</b>	2	4	6	8	10
	<b>Rare</b>	1	2	3	4	5
	<b>Negligible</b>	<b>Minor</b>	<b>Moderate</b>	<b>Major</b>	<b>Critical</b>	
	<b>IMPACT</b>					

Level	Colour	Score Range
Low		1 – 6
Moderate		7 – 14
High		15 – 25



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Addysg a Gwella Iechyd  
Cymru (AaGIC)  
Health Education and  
Improvement Wales (HEIW)

<b>Meeting Date</b>	<b>29 May, 2019</b>	<b>Agenda Item</b>	<b>2.7</b>
<b>Report Title</b>	<b>Audit Enquiries to those Charged with Governance and Management</b>		
<b>Report Author</b>	Martyn Pennell, Head of Financial Accounting		
<b>Report Sponsor</b>	Eifion Williams, Interim Director of Finance		
<b>Presented by</b>	Martyn Pennell, Head of Financial Accounting		
<b>Freedom of Information</b>	Open		
<b>Purpose of the Report</b>	<p>As part of the audit of the statutory accounts, the Wales Audit Office (WAO) are required to review the governance arrangements that are in place at Health Education &amp; Improvement Wales (HEIW). In order to discharge these responsibilities, WAO have written to 'those charged with governance and management' at HEIW to seek assurances on a number of specific areas.</p> <p>This paper sets out the draft response to this letter.</p>		
<b>Key Issues</b>	HEIW are able to provide appropriate assurance with regard to fraud, laws and regulations and related parties for the period 5 October 2017 to 31 March 2019.		
<b>Specific Action Required</b> <i>(please ✓ one only)</i>	<b>Information</b>	<b>Discussion</b>	<b>Assurance</b>
			✓
<b>Recommendations</b>	<p>Members are asked to:</p> <ul style="list-style-type: none"> <li>• <b>Review</b> the draft response to the 'Audit enquiries to those charged with governance and management' letter for the period 5 October 2017 to 31 March 2019, and propose amendments as required.</li> <li>• <b>Approve</b> the submission of the letter to the Wales Audit Office.</li> </ul>		

## **1. INTRODUCTION**

As part of the audit of the statutory accounts, the Wales Audit Office (WAO) are required to review the governance arrangements that are in place at Health Education & Improvement Wales (HEIW). In order to discharge these responsibilities, WAO have written to 'those charged with governance and management' at HEIW to seek assurances on a number of specific areas. This paper sets out the draft responses to this letter.

## **2. BACKGROUND**

WAO are required to carry out their financial audits in accordance with the requirements set out in International Standards on Auditing (ISAs). As part of the requirements of the ISAs, WAO have written to HEIW to formally seek documented consideration and understanding on a number of governance areas that impact on the audit of the financial statements.

In the letter, WAO state that, "The primary responsibility to prevent and detect fraud rests with both management and 'those charged with governance', which for the Special Health Authority is the Audit Committee."

The main areas reviewed are:

- Enquiries of management:
  - in relation to fraud
  - in relation to laws and regulations
  - in relation to related parties
- Enquiries of those charged with governance:
  - in relation to fraud
  - in relation to laws and regulations
  - in relation to related parties

The draft response to the letter has been prepared in consultation with the Chief Executive and Board Secretary and is included in appendix 1.

A copy of the draft letter was submitted to WAO on Friday 3 May 2019.

## **3. GOVERNANCE AND RISK ISSUES**

The draft letter included in appendix 1 sets out the current understanding of the governance position in the organisation.

## **4. FINANCIAL IMPLICATIONS AND KEY ISSUES**

There are no specific financial implications as a result of this paper.

## 5. RECOMMENDATIONS

Members are asked to:

- **Review** the draft response to the 'Audit enquiries to those charged with governance and management' letter for the period 5 October 2017 to 31 March 2019, and propose amendments as required.
- **Approve** the submission of the letter to the Wales Audit Office.

<b>Governance and Assurance</b>				
<b>Link to corporate objectives</b> (please ✓)	As a new organisation establishing HEIW as a valued and trusted partner, an excellent employer and a reputable and expert brand	Building a sustainable and flexible health and care workforce for the future.	With Social Care Wales shaping the workforce to deliver care closer to home and to better align service delivery.	Improving quality and safety by supporting NHS organisations find faster and more sustainable workforce solutions for priority service delivery challenges.
	✓			
	Improving opportunities for use of technology and digitalisation in the delivery of education and care.	Reinvigorating leadership development and succession planning across health and social care in partnership with Social Care Wales and Academi Wales	Demonstrating value from investment in the workforce and the organisation.	
<b>Quality, Safety and Patient Experience</b>				
There is no impact on quality, safety and patient experience.				
<b>Financial Implications</b>				
There are no financial implications				
<b>Legal Implications (including equality and diversity assessment)</b>				
There are no legal implications.				
<b>Staffing Implications</b>				
There are no staffing implications				
<b>Long Term Implications (including the impact of the Well-being of Future Generations (Wales) Act 2015)</b>				
There are no long-term implications.				
<b>Appendices</b>	Appendix 1 - Audit enquiries to those charged with governance and management			



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**Danielle Neale**

*Director of Finance and Corporate Services*

Health Education and Improvement Wales

**Gill Lewis**

*Chair of Audit Committee*

Health Education and Improvement Wales

Via Email

**Reference:** HEIW/TCWG 31-03-19

**Date issued:** 29 January 2019

Dear Danielle, Gill

## Health Education and Improvement Wales: Period ended 31 March 2019

### Audit enquiries to those charged with governance and management

As you will be aware we are required to conduct our financial audit in accordance with the requirements set out in International Standards on Auditing (ISAs). As part of the requirements of the ISAs I am writing to you to formally seek your documented consideration and understanding on a number of governance areas that impact on our audit of your financial statements. These considerations are relevant to both Health Education and Improvement Wales management and 'those charged with governance' the Audit Committee.

I have set out in the attached appendices the areas of governance on which we are seeking your views.

The information you provide will inform our understanding of Health Education and Improvement Wales and its business processes and support our work in providing an audit opinion on your financial statements for the period ended 31 March 2019.

I would be grateful if you could complete the tables in the attached Appendices, which should be formally considered and communicated to us on behalf of both management and those charged with governance by 26 April 2019. In the meantime, if you have queries, please me on 029 2032 0642 or [helen.goddard@audit.wales](mailto:helen.goddard@audit.wales).

Yours sincerely

Helen Goddard, Financial Audit Manager

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## Appendix 1

### Matters in relation to fraud

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

The primary responsibility to prevent and detect fraud rests with both management and 'those charged with governance', which for the Special Health Authority is the Audit Committee. Management, with the oversight of (those charged with governance), 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 those charged with governance exercises oversight of management's processes. We are also required to make enquiries of both management and those charged with governance as to their knowledge of any actual, suspected or alleged fraud. for identifying and responding to the risks of fraud and the internal controls established to mitigate them.

### Enquiries of management - in relation to fraud

#### Question

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?

#### Response for the period 5 October 2017 to 31 March 2019

The risk that the financial statements are materially misstated due to fraud is considered to be low.

The reasons for this assessment are given in the responses to questions 2 to 7 below.

## Enquiries of management - in relation to fraud

### Question

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?

### Response for the period 5 October 2017 to 31 March 2019

A range of processes are adopted in HEIW to minimise the risk of fraud including, but not limited to:

- The Audit & Assurance Committee advise and assure the Board and the Chief Executive (who is the Accountable Officer) on whether effective arrangements are in place - through the design and operation of HEIW's assurance framework - to support them in their decision taking and in discharging their accountabilities for securing the achievement of its objectives, in accordance with the standards of good governance determined for the NHS in Wales. The Committee receives a range of reports to support their role, including updates provided by the Local Counter Fraud Manager. The Committee is required to meet at least quarterly and since the formation of HEIW has met on:
  - 2<sup>nd</sup> October 2018 (Shadow Committee)
  - 13<sup>th</sup> November 2018
  - 12<sup>th</sup> February 2019
  - 29<sup>th</sup> March 2019
- A comprehensive overview of the counter fraud system and processes relevant to the organisation has been presented at the HEIW corporate induction sessions, giving all staff an understanding of fraud and how it can be minimised and reported.
- A range of Financial Control Procedures have been approved by the Board and are published on the organisation's website. These procedures have been backed up with specific technical briefings.
- The organisation is subject to both internal and external audit scrutiny. Internal Audit have completed a review of the financial systems, which was given a 'Reasonable' assurance. Work will continue to maintain and improve this rating.

## Enquiries of management - in relation to fraud

Question	Response for the period 5 October 2017 to 31 March 2019
<p>3. What arrangements are in place to report fraud issues and risks to the Audit Committee?</p>	<p>HEIW has approved a 'Counter Fraud Policy and Response Plan' (FCP 13) outlining the process to be taken with suspected cases of theft, fraud or corruption in the organisation. This document sets out the roles and responsibilities of officers and support organisations in dealing with fraud. It also contains a number of flow-charts showing the process from how to report a potential fraud through to any required investigation. The FCP is available in the organisation's intranet site.</p> <p>There is a Counter-Fraud section on the HEIW intranet site detailing various contact details for the reporting of potential fraud.</p>
<p>4. How has management communicated expectations of ethical governance and standards of conduct and behaviour to all relevant parties, and when?</p>	<p>A comprehensive overview of the counter fraud system and processes relevant to HEIW has been provided at the organisations' induction sessions, giving all staff an understanding of fraud and how it can be reported.</p> <p>The ratification of the Standing Orders and Standing Financial Instructions were announced as part of the Chief Executive update on 18<sup>th</sup> October 2018 and a link is provided to the documents on the intranet.</p>
<p>5. Are you aware of any instances of actual, suspected or alleged fraud within the audited for the period ended 31 March 2019?</p>	<p>The Special Health Authority is not aware of any occurrences of fraud within the organisation for the period ended 31 March 2019.</p>
<p>6. Are you aware of any fraud within the NHS Wales Shared Services Partnership (NWSSP) and NHS Wales Informatics Services (NWIS) for the period ended 31 March 2019?</p>	<p>The Special Health Authority is not aware of any occurrences of fraud within the NHS Wales Shared Services Partnership (NWSSP) and NHS Wales Informatics Services (NWIS) for the period ended 31 March 2019.</p>

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**Enquiries of management - in relation to fraud****Question**

7. Are you aware of any instances of actual, suspected or alleged fraud within the audited body for the period ended 31 March 2019?

**Response for the period 5 October 2017 to 31 March 2019**

The Special Health Authority is not aware of any occurrences of fraud within the organisation for the period ended 31 March 2019.

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

Question	Response for the period 1 October 2018 to 31 March 2019.
<p>1. How does the Audit Committee, 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?</p>	<p>The Audit &amp; Assurance Committee receives regular reports from across the organisation and from external support services in order to discharge its responsibilities including, but not limited to:</p> <ul style="list-style-type: none"><li>• Internal &amp; External Audit - Provides a programme of work identifying key areas for review during the financial year and also completed audit reports for review and consideration. The Committee will review and approve management actions in response to any issues raised.</li><li>• Counter Fraud – Provides a work plan setting out the service to be provided as agreed by the Director of Finance and the Counter Fraud Manager. Regular update reports are presented for consideration.</li><li>• Standing Orders, Standing Financial Instructions &amp; Financial Control Procedures – The Committee will review and recommend any proposed changes to the Board for approval.</li></ul> <p>The Chair of the Audit &amp; Assurance Committee is an Independent Member of the Board.</p>
<p>2. Are you aware of any instances of actual, suspected or alleged fraud with the audited body for the period ended 31 March 2019?</p>	<p>The Audit &amp; Assurance Committee is not aware of any instances of actual, suspected or alleged fraud within HEIW for the period ended 31 March 2019.</p>

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## **Appendix 2**

### **Matters in relation to laws and regulations**

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

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

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

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

### **What are we required to do?**

As part of our risk assessment procedures we are required to make inquiries of management and the Audit Committee as to whether the Special Health Authority 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	Response for the period 5 October 2017 to 31 March 2019
1. How have you gained assurance that all relevant laws and regulations have been complied with?	Legal Implications are considered in all reports presented to the Board and the Audit & Assurance Committee.  Internal and External audit reviews consider legal and statutory compliance.
2. Have there been any instances of non-compliance or suspected non-compliance with relevant laws and regulations since 5 October 2017, with an ongoing impact on the financial statements for the period ended 31 March 2019?	There have been no instances of non-compliance or suspected non-compliance.
3. Are there any potential litigations or claims that would affect the financial statements?	There are no known litigations or claims that would affect the financial statements.
4. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	Further work is to be undertaken in 19/20 in respect of the tax status of contractors.
5. Are you aware of any non-compliance with laws and regulations within the NHS Wales Shared Services Partnership (NWSSP) and NHS Wales Informatics Services (NWIS) for the period ended 31 March 2019?	HEIW is not aware of any non-compliance within NWSSP and NWIS.

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

<b>Question</b>	<b>Response for the period 1 October 2018 to 31 March 2019.</b>
1. How does the Audit Committee, in its role as those charged with governance, obtain assurance that all relevant laws and regulations have been complied with?	The Board and its Committees receive assurance through management reports received.
2. Are you aware of any instances of non-compliance with relevant laws and regulations?	The Audit & Assurance Committee is not aware of any instances of non-compliance.

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### **Appendix 3**

#### **Matters in relation to related parties**

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

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

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

#### **What are we required to do?**

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

## Enquiries of management – in relation to related parties

Question	Response for the period 5 October 2017 to 31 March 2019
<p>1. Confirm that you have disclosed to the auditor:</p> <ul style="list-style-type: none"> <li>• the identity of any related parties, including changes from the prior period;</li> <li>• the nature of the relationships with these related parties;</li> <li>• details of any transactions with these related parties entered into during the period, including the type and purpose of the transactions.</li> </ul>	<p>Confirmed – All fully disclosed within the financial statements.</p>
<p>2. What controls are in place to identify, authorise, approve, account for and disclose related party transactions and relationships?</p>	<p>A 'Standards of Behaviour Framework Incorporating Declarations of Interest, Gifts, Hospitality &amp; Sponsorship' has been approved by the HEIW Board to ensure that its employees and Independent Members practice the highest standards of conduct and behaviour. The policy requires that all staff and Members declare any interest in the 'Register of Interests':</p> <ul style="list-style-type: none"> <li>• At the commencement of employment/ appointment to the Board</li> <li>• Whenever a new interest arises</li> <li>• If asked to do so at periodic intervals by HEIW.</li> </ul> <p>The policy sets out what type of interest needs to be considered along with the consequences of failing to adhere to the policy.</p> <p>HEIW provides a Declarations of Interest Form to be completed by each Executive Director, Independent Member, member of SLT and any employee who may influence the procurement process. . . The form is to be countersigned by the relevant manager/head of service as appropriate.</p>



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

<b>Question</b>	<b>Response for the period 1 October 2018 to 31 March 2019.</b>
1. How does the Audit Committee, 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>Under the 'Standards of Behaviour Framework Incorporating Declarations of Interest, Gifts, Hospitality &amp; Sponsorship', the Board Secretary is responsible for ensuring that:</p> <ul style="list-style-type: none"><li>• A Register of Interests is established and maintained as a formal record of interests declared by Employees and Independent Members. The Register will include details of Directorships, financial and non-financial interests in organisations that may have dealings with the NHS and membership of professional committees and third sector bodies. Where relevant it will also include details of interests of close family members or civil partners.</li><li>• In accordance with the requirements of the Organisation's Freedom of Information Publication Scheme, appropriate information from the Registers of Declarations of Interest and Gifts, Hospitality and Sponsorship is published on the HEIW Website.</li><li>• Reports detailing the content of the above Registers and the effectiveness of the arrangements in place are to be provided to the Audit and Assurance committee at agreed intervals.</li></ul>



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

Partneriaeth  
Cydwasaethau  
Gwasanaethau Archwilio a Sicrwydd  
Shared Services  
Partnership  
Audit and Assurance Services



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

Addysg a Gwella Iechyd  
Cymru (AaGIC)  
Health Education and  
Improvement Wales (HEIW)

## **Health Education and Improvement Wales**

### **INTERNAL AUDIT PROGRESS REPORT**

**Audit and Assurance Committee - May 2019**

**NHS Wales Shared Services Partnership**

**Audit and Assurance Services**

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Appendix A: Table 1 - Status of 2019/20 assignments

**Please note:**

This audit progress report has been prepared for internal use only. Audit & Assurance Services reports are prepared, in accordance with the Internal Audit Charter and the Annual Plan, approved by the Audit and Assurance Committee.

Audit reports are prepared by the staff of the NHS Wales Shared Services Partnership – Audit and Assurance Services, and addressed to Independent Members or officers including those designated as Accountable Officer. They are prepared for the sole use of the Health Education and Improvement Wales and no responsibility is taken by the Audit and Assurance Services Internal Auditors to any director or officer in their individual capacity, or to any third party.

## 1. Introduction

- 1.1. This progress report provides the Audit and Assurance Committee (the 'committee') with the current position regarding the work undertaken by Internal Audit as at 21 May 2019.
- 1.2. The report includes details of the progress made to date against individual assignments along with details regarding the delivery of the 2018/19 and 2019/20 programme of work, and any required updates.

## 2. Outcomes from completed audit reviews

- 2.1 Since the March meeting of the committee the final five assignments have been finalised relating to the 2018/19 programme of work. These are reported in the table below. The full version of these reports are included in the committee's papers as separate items.

Assignments 2018/19	Assurance rating
Workforce	Limited
Risk management	Reasonable
Performance	Reasonable
IT baseline	N/A
Transitional arrangements	Reasonable

## 3 Delivery of 2019/20 Internal Audit plan

- 3.1 The detail of the scheduling and current progress of the audit work is outlined in the assignment status schedule, which is included at Appendix A, table 1.
- 3.2 The schedule includes the planned timing of the audits. These dates may be subject to change as the audit work progresses, and any alterations will be communicated to the committee via future progress reports.

**Table 1: Status of 2019/20 assignments to be reported in May Audit and Assurance Committee or later**

<b>Assignment</b>	<b>Indicative audit days</b>	<b>Status</b>	<b>Assurance</b>	<b>Timing</b>	<b>Notes</b>
Workforce review	10	Planning	-	Q1	Scoping meeting held and fieldwork scheduled for June.
Health & Safety	10	Planning	-	Q1	Scoping meeting held and fieldwork scheduled for June.
Governance arrangements	10	-	-	Q2	
IT/digital review	15	-	-	Q2	
Service review	10	-	-	Q2	
Risk management	10	-	-	Q3	
Strategic planning	15	-	-	Q3	
Performance management	10	-	-	Q3	
Core Financial Systems	15	-	-	Q3	
Freedom of Information and Data Protection	10	-	-	Q4	

<b>Assignment</b>	<b>Indicative audit days</b>	<b>Status</b>	<b>Assurance</b>	<b>Timing</b>	<b>Notes</b>
Additional workforce review	15	-	-	Q4	

# **Health Education & Improvement Wales**

## **Corporate Transitional Plan**

### **Internal Audit Report**

**2018/19**

**May 2019**

**NHS Wales Shared Services Partnership**

**Audit and Assurance Services**

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<b>Review reference:</b>	HEIW1819.03
<b>Report status:</b>	Internal Audit Report
<b>Fieldwork commencement:</b>	18 January 2019
<b>Fieldwork completion:</b>	13 March 2019
<b>Draft report issued:</b>	15 March 2019 & 27 March 2019
<b>Management response received:</b>	21 May 2019
<b>Final report issued:</b>	22 May 2019
<b>Auditors:</b>	Ken Hughes, Principal Auditor Emma Samways, Deputy Head of Internal Audit
<b>Executive sign off:</b>	Dafydd Bebb, Board Secretary
<b>Distribution:</b>	Julie Rogers, Director of Workforce & OD Rhiannon Beckett, Deputy Director of Financial Management, Costing and Contracting Martyn Pennell, Head of Financial Accounting
<b>Committee:</b>	Audit Committee

**ACKNOWLEDGEMENT**

NHS Wales Audit & Assurance Services would like to acknowledge the time and co-operation given by management and staff during the course of this review.

**Disclaimer notice - Please note:**

This audit report has been prepared for internal use only. Audit & Assurance Services reports are prepared, in accordance with the Service Strategy and Terms of Reference, approved by the Audit Committee.

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## 1. Introduction and Background

In line with the 2018/19 Internal Audit Plan for Health Education and Improvement Wales ('HEIW' or 'the organisation') a review of the policies and procedures to support the transitional arrangements was undertaken. The review sought to provide assurance to the Audit Committee that there are effective processes in place to manage the risks associated with the transition of arrangements to the organisation.

HEIW became operational in October 2018 and brought together three key organisations for health: the Eales Deanery; NHS Wales's Workforce Education and Development Services (WEDS); and the Wales Centre for Pharmacy Professional Education (WCPPE).

The relevant leads for the review are the Director of Finance and Corporate Services, the Director of Workforce and OD and the Board Secretary.

## 2. Scope and Objectives

The overall objective of the audit was to evaluate and determine the adequacy of the systems and controls in place in relation to the organisation's corporate transitional plan. The review sought to provide assurance to the Audit Committee that risks material to the system's objectives were being managed appropriately.

The areas that the review sought to provide assurance on were:

### Governance of transition

- Actions on the transition plan are being appropriately managed, reported and are time limited.
- Relevant transitional risks continue to be monitored, reported and scrutinised appropriately.
- There is a process to understand and take forward and share lessons learned.

### Transition of workforce

- The workforce elements on the transition plan are appropriately reported and are time limited.
- There is a process to identify and manage mandatory training needs of staff that have transferred to the organisation.
- Staff appraisal information has been transferred from the three legacy organisations, and consideration has been given to mapping appraisals for staff that were outside of the NHS performance process.
- Where appropriate relevant data relating to key performance indicators (KPIs) for workforce have been migrated from legacy organisations.

- Appropriate policies and procedures have been developed and approved.
- There is a clear, controlled approach for the recruitment of staff into the organisation.

### **Contract and Service Level Agreements arrangements**

- Novated contracts have clear ownership within HEIW.
- There is a clear process for ensuring that assets and liabilities relating to novated contracts have been considered and agreed.
- Contracts, such as key Service Level Agreements (SLAs), which meet the needs of the organisation, have been agreed and signed-off by both parties.
- There is a mechanism in place to review the arrangements of key SLAs so that they can be revisited and updated to reflect the changing needs of the organisation as it develops.
- Contracts have clear ownership within HEIW.
- Contracts are appropriately monitored, reported and scrutinised.
- There is an agreed dispute resolution process.

### **Transfer of policies and procedures**

- Standing Orders, Standing Financial Instructions, and Financial Control Procedures have been appropriately developed and agreed.
- There is a plan to undertake a timely review of policies that have migrated to HEIW to ensure that they are fit for purpose and align with HEIW values.

## **3. Associated Risks**

The potential risks considered in the review were as follows:


- Service delivery problem due to issues identified as part of the transition process not being appropriately managed.
- Service delivery issue arises due to poor contract management.
- Operational issues arise due to uncertainty relating to transferred policies and procedures.

## OPINION AND KEY FINDINGS

### 4. Overall Assurance Opinion

We are required to provide an opinion as to the adequacy and effectiveness of the system of internal control under review. The opinion is based on the work performed as set out in the scope and objectives within this report. An overall assurance rating is provided describing the effectiveness of the system of internal control in place to manage the identified risks associated with the objectives covered in this review.

The overall level of assurance that can be assigned to a review is dependent on the severity of the findings as applied against the specific review objectives and should therefore be considered in that context. The level of assurance given as to the effectiveness of the system of internal control in place to manage the risks associated with the Corporate Transitional Plan is Reasonable Assurance.

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

There are three distinct strands to the Corporate Transitional Plan: Finance; Governance; and Workforce / Organisational Development. The financial aspects of the transitional plan were collated into a Finance Project Plan in October 2018 that contained 40 tasks. A lead officer and timescale was assigned to each task and progress towards completion was regularly reported to the Board. The most recent update provided to the Board in January 2019 reported that just six tasks were outstanding, all of which were ongoing and due to be completed by the end of February 2019.

The governance work stream was informed by the responsibilities set out in the Board Secretary's job description and personal specification. Our review confirmed that the key 'measurable' governance tasks had been completed and reported to the Board. These included approved Terms of Reference for the Board and its committees, a Scheme of Delegation, Standing Orders and Standing Financial Instructions, and a range of policies and procedures. At the time of our audit fieldwork performance appraisal arrangements were in the process of being established for board members, and arrangements were in

hand to produce the 2018/19 Annual Governance Statement and Annual Report. Our review has concluded that good progress has been made in the design and ongoing development of the organisations governance and assurance framework, although we note that no progress has yet been made towards the development of a documented Board Assurance Framework (BAF). This is important as it is the key document that links strategic objectives to risks and assurances, and one of the main tools that a Board can use in discharging its overall responsibility for internal control.




In September 2018, a Joint Consultation Document was issued by the Welsh Government, Cardiff University and NWSSP in respect of the transfer of staff from the NHS and Cardiff University to HEIW. Addendum 5 of the Joint Consultation Document contained a number of proposed 'measures' for the transfer of staff, and this was used to inform the HR and OD 'transitional plan' work stream. Our review confirmed that mandatory training requirements were recorded on the ESR system. HEIW staff had been provided with access to the ESR system in November 2018, and given three months to complete any outstanding mandatory training. A new bespoke staff appraisal policy and procedure has also been developed based on feedback from staff and the newly created HEIW Values and Behaviour Framework. Work was also ongoing to ensure HEIW could report on the three mandatory Welsh Government Workforce KPI's by the end of the current financial year. Our review confirmed that a range of workforce policies and procedures have been developed and approved by the Board, and these have been recorded in a Policy Matrix along with additional policies and procedures that it is anticipated will be added by the end of March 2019. Our audit also confirmed that the recruitment process has been fully documented with all vacancies being managed through the TRAC system. A Business Case must be completed and approved for any recruitment for new posts or temporary appointments.

Overall, we have concluded that whilst different approaches have been taken to the transitional arrangements put in place in each of the three areas, all have worked well. We have identified issues that will need to be addressed including the removal of tasks from the Finance Project Plan without a clear explanation as to why.

Other key areas where issues have been raised include that at the time of our audit neither the NWIS nor Shared Services SLA had been signed off by HEIW despite consuming services since October 2018.

## 5. Assurance Summary

The summary of assurance given against the individual objectives is described in the table below:

Assurance Summary					
<b>1</b>	Governance transition of			✓	
<b>2</b>	Transition workforce of				✓
<b>3</b>	Contract and SLA arrangements		✓		
<b>4</b>	Transfer of policies & procedures			✓	

\* The above ratings are not necessarily given equal weighting when generating the audit opinion.

### Design of Systems/Controls

The findings from the review have highlighted two issues that are classified as weaknesses in the system control/design.

### Operation of System/Controls

The findings from the review have also highlighted four issues that are classified as weaknesses in the operation of the designed system/control.

## 6. Summary of Audit Findings

In this section, we highlight areas of good practice that we identified during our review. We also summarise the findings made during our audit fieldwork. The detailed findings are reported in the Management Action Plan (Appendix A).

### **Governance of transition objectives:**

We note the following areas of good practice:

- There was a documented Finance Project Plan that identified all outstanding Finance tasks as at October 2018 and included a specified a timescale and lead officer for each task to be undertaken. Progress against the plan was regularly reviewed and the plan updated with a RAG rating and narrative comment.
- Addendum 5 of the Joint Consultation Document issued by the Welsh Government, Cardiff University and NWSSP was used as a working document to inform the HR / OD work stream.
- The Board Secretary Personal Specification which included a detailed summary of the Board Secretary Role and key responsibilities was used to inform the Governance work stream both during the shadow period (April to September 2018), and after HEIW had been established (October 2018).
- Progress against all work streams was regularly reported to the Board.
- Transitional risks had been identified and incorporated into the HEIW Transitional Corporate Risk Register.

We identified the following findings:

- Three of the tasks contained within the Finance Project Plan had been removed between two of the Board update reports in January 2019. It is unclear why, as two of the tasks had not been completed at that time, one of which we deem to be a high risk in relation to contractors working status.
- A number of closed and resolved risks had not been removed from the risk register.

### **Transition of workforce objectives:**

We note the following areas of good practice:

- Progress of the workforce elements of the transition plan have been reported to each of the three Board meetings held to date.
- Mandatory training requirements are recorded on ESR for all HEIW staff and all staff were given access to the e-learning module within ESR in November 2018 to enable them to start their mandatory training.

- Staff appraisals are recorded on ESR for all staff that transferred from the NHS and on the Medical Appraisal Revaluation System (MARS) systems for staff that transferred from Cardiff University.
- A new bespoke staff appraisal policy and procedure has been developed for HEIW which is based on the newly created HEIW Values and Behaviour Framework.
- Work is ongoing to ensure HEIW can report on the three mandatory Welsh Government workforce KPI's from April 2019 (Mandatory training rate, sickness absence rate and PDR completion rate).
- A range of policies and procedures deemed essential to meet statutory and governance requirements at 'go live' were approved by the Board in October 2018.
- All approved policies and procedures are available to HEIW staff via SharePoint.

We identified the following finding:

- HEIW job vacancies are not being advertised on the organisations website, instead sole reliance is placed in NHS jobs website.

### **Contract and SLA arrangements:**

The following areas of good practice were noted:

- The Shared Services SLA allows for service variations to be agreed between both parties, which can be discussed during regular SLA meetings between HEIW and NWSSP.
- Either party may make a request to change the manner or scope of services provided under section 2 of the NWIS SLA.

We identified the following finding:

- At the time of our audit fieldwork neither the SLA with NWIS for the provision of IT Services, nor the SLA with Shared Services for the provision of a range of services including Internal Audit, Employment Services, Specialist Estates Services, Legal & Risk Services and Procurement Services, had been signed by HEIW.
- We were unable to evidence that a process had been undertaken to map and assess contracts held by the three previous organisations to consider if they should be novated or viewed as no longer necessary.

It was our initial understanding that no contracts had been novated. However, during our fieldwork we identified evidence of novated contracts.

To monitor and manage contracts we would expect the organisation to maintain a register that would capture both novated and newly agreed contracts.

### **Transfer of policies and procedures:**

We note the following areas of good practice were note:

- Standing Orders and Standing Financial Instructions had been drawn up and approved by the Board.
- A number of Financial Control Procedures and Technical Briefings have been drawn up for staff guidance.

We identified the following finding:

- The policy matrix of complete policies and those still to be developed only includes workforce related polices despite the Board identifying a number of non-workforce related polices that need developing.

## **7. Summary of Recommendations**

The audit findings and recommendations are detailed in Appendix A together with the management action plan and implementation timetable.

A summary of these recommendations by priority is outlined below.

<b>Priority</b>	<b>H</b>	<b>M</b>	<b>L</b>	<b>Total</b>
<b>Number of recommendations</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>6</b>

<b>Finding 1 – Sign-off of SLAs (Operating effectiveness)</b>	<b>Risk</b>
<p>At the time of our audit, neither the SLA with NWIS for the provision of IT Services nor the SLA with Shared Services for the provision of a range of services including Internal Audit, Employment Services, Specialist Estates Services, Legal &amp; Risk Services and Procurement Services had been signed by HEIW. HEIW has been consuming these services since the 1 October 2018.</p> <p>We understand that the Senior Manager responsible for the NWIS SLA had been liaising with NWIS to resolve issues and queries raised by HEIW in relation to the SLA. The Senior Manager felt that these had been sufficiently resolved to enable HEIW to sign off the SLA.</p> <p>There was no clear information provided regarding the status of negotiations with NWSSP to resolve issues and queries raised by HEIW in respect of their SLA.</p>	<p>Service delivery problems due to issues identified as part of the transition process not being appropriately managed.</p>
<b>Recommendation 1</b>	<b>Priority level</b>
<p>Arrangements should be made to sign off the NWIS SLA as soon as is practicably possible.</p> <p>Responsibility for the resolution of issues and queries that are preventing HEIW signing off the NWSSP SLA should be clarified and efforts to resolve the outstanding issues should be prioritised as a matter of urgency. This may be achieved by setting up a Working Group led by a senior member of the Executive Team.</p>	<p><b>High</b></p>

<b>Management Response</b>	<b>Responsible Officer/ Deadline</b>
<p>The 2018/19 NWIS SLA was signed off on 21/03/2019 and issues with the NWSSP SLA have been resolved, with HEIW being added to the overarching SLA.</p>	<p>Deputy Director Planning, Performance &amp; Digital - Complete</p>

<b>Finding 2 –Contracts (Control Design)</b>	<b>Risk</b>
<p>During our audit fieldwork we spoke with the Interim Financial Accountant to understand how contracts from the three previous organisations had been assessed to determine if they were needed by HEIW and should be novated, or cancelled where deemed no longer necessary. This process was also an opportunity to identify any potential duplicate contracts.</p> <p>We were informed that when HEIW was established, new contracts were set up with relevant suppliers as required and there was no novation of contracts from the previous organisations to HEIW.</p> <p>However, we reviewed purchase orders for the period to March 2019 and identified that a number appeared to have been raised in relation to novated contracts from 31 different suppliers.</p> <p>Furthermore, our discussion with Head of Financial Accounting has identified that no register of contracts has been developed to monitor both novated and new contracts.</p> <p>As such, it appears that no form of reconciliation was completed or log generated to ensure all previous contracts had been reviewed and had been transferred or cancelled as appropriate.</p>	<p>Service delivery issue arise due to poor contract management</p> <p>Liabilities in relation to old contracts may exist if the contracts have not been considered.</p>

<b>Recommendation 2</b>	<b>Priority level</b>
<p>The organisation should ensure that all contracts held by the three predecessor organisations have been properly assessed to ensure that they are either cancelled or novated across to HEIW. A register of contracts should be put in place that captures both contracts that have been novated and new contracts entered into by HEIW.</p> <p>The review of contracts should consider if there are any outstanding liability risks.</p>	<p><b>High</b></p>
<b>Management Response</b>	<b>Responsible Officer/ Deadline</b>
<p>We are currently working on the development of a contract register. This register will detail a wide range of arrangements relating to the activities of HEIW including identifying known contractual arrangements, value and termination dates to manage risks associated with procurement.</p> <p>The deadline for completing the contracts register is August. The contracts register will be presented at an Executive Team meeting in August and an update provided to the Audit Committee in September.</p>	<p>Deputy Director Planning, Performance &amp; Digital – August 2019</p>

<b>Finding 3 - Finance project plan (Operating effectiveness)</b>	<b>Risk</b>
<p>A finance project plan was drawn up in October 2018, when the organisation went 'live'. The plan detailed the 40 outstanding finance related tasks that needed to be completed, an assigned Lead Officer and a timescale. Progress against each task was reviewed by management and updated using a RAG rating system and narrative comment. This was reported to the Board on the 25 October 2018, 9 January 2019 and the 24 January 2019.</p> <p>Our review of the Board reports identified that three of the items on the plan had been removed between the updates reported to the Board on the 9 January and the 24 January. It appears that two of these items, one of which we consider high risk, had not been completed. This involves the assessment of casual staff against HMRC tax legislation (IR35) to determine if individuals fall within the scope of scheme for income tax and NI purposes. The two other tasks removed related to the delivery of the staff induction programme, which had been marked as completed, and budgetary control training, which was scheduled to be completed by the end of March 2019.</p> <p>It was not until 20 February 2019 that an email was sent to all staff explaining to them their responsibilities in relation to IR35 when they engage with contractors. At the current time management are uncertain if all contractors had been subject to this process and have requested further audit work in this area. It is therefore unclear why this task was completely removed in January.</p> <p>We note that although this task was originally recorded on the plan as a HR responsibility, an e-mail sent out to all HEIW staff on the 20th February 2019</p>	<p>Service delivery problems due to issues identified as part of the transition process not being appropriately managed.</p>

<p>indicated that it was the responsibility of individual staff engaging contractors to carry out these checks, but this was not always being done.</p>	
<p><b>Recommendation 3</b></p>	<p><b>Priority level</b></p>
<p>The three tasks removed from the finance project plan should be re-instated on the task list and updated to reflect their current status, even if they have now been completed as this ensures a complete record of all actions. This should be reported to the Board.</p> <p>Responsibility for carrying out the HMRC check with casual staff to determine their employment status for tax and NI purposes should be clarified. A process should be put in place to ensure that the employment status of all casual staff is assessed prior to them undertaking any work for HEIW.</p>	<p><b>Medium</b></p>
<p><b>Management Response</b></p>	<p><b>Responsible Officer/ Deadline</b></p>
<p>Finance and HR jointly held workshop training sessions for the recruiting managers in November 2018, on their roles and responsibilities in recruiting these workers and how to undertake the HMRC check. Further guidance was issued to the recruiting managers such as a toolkit and guidance flow charts on how to complete these checks. Although training and support has been provided, more training is being commissioned from an external specialist provider to further train these recruiting managers. A procurement exercise to source an external provider is currently underway.</p>	<p>Head of People &amp; OD &amp; Head of Financial Accounting – September 2019</p>

<p>The remaining items relating to staff induction and budgetary control training have been reinstated on the finance transition plan and marked as complete.</p>	
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<b>Finding 4 - Policy matrix (Operating effectiveness)</b>	<b>Risk</b>
<p>At its meeting in October 2018 the Board approved a range of essential policies and listed a number of other policies that were not deemed essential to be in place immediately but that would need to be developed and approved by the Board by the 1st April 2019.</p> <p>A Policy Matrix has been drawn up that records all approved HR / OD policies and procedures, their issue dates and any planned policies and procedures yet to be developed. However, the matrix does not include the review date or timescale and lead officer for any outstanding policies and procedures.</p> <p>In addition, there is no similar policy matrix capturing the non-HR / OD policies and procedures that had been listed in the October Board report as needing to be developed.</p>	<p>Policies and procedures identified as required may not be drawn up and approved by the Board.</p> <p>Actions on the transition plan are being appropriately managed, reported and are time limited.</p>
<b>Recommendation 4</b>	<b>Priority level</b>
<p>The Policy Matrix currently being used to record HR / OD policies and procedures should be expanded to include all HEIW policies and procedures. The format of the matrix should also be amended to include the review date for each policy and procedure and a lead officer and timescale for any outstanding polices yet to be developed.</p>	<p><b>Medium</b></p>

<b>Management Response</b>	<b>Responsible Officer/ Deadline</b>
<p>The policy matrix will be expanded to incorporate the non-HR policies, responsible officers and deadlines for review and completion.</p> <p>Management wish to record that any future HEIW policies that are new or for review, will apply a standard and consistent approach for HEIW, which will incorporate the organisation’s values and behaviours.</p>	<p>Board Secretary – July 2019</p> <p>Head of People &amp; OD – commencing with immediate effect</p>

<b>Finding 5 - Advertising of vacant posts (Control Design)</b>	<b>Risk</b>
<p>At the time of our audit fieldwork HEIW had approximately 30 vacant posts, which were in the process of being Job Evaluated prior to being advertised on the UK wide NHS jobs website. However, we note that vacancies are not presently advertised on the HEIW website. The vast majority of Welsh NHS organisations advertise vacancies on their own web site as well as via NHS jobs.</p>	<p>Service delivery problems due to issues identified as part of the transition process not being appropriately managed.</p>
<b>Recommendation 5</b>	<b>Priority level</b>
<p>To increase the potential number of candidates it is recommended that all vacancies are advertised concurrently on NHS Jobs and the HEIW website.</p>	<p><b>Low</b></p>
<b>Management Response</b>	<b>Responsible Officer/ Deadline</b>
<p>The HEIW careers/jobs page is work in progress and the People team are working jointly with the Communication team to create the pages on HEIW website.</p>	<p>Head of People &amp; OD – December 2019</p>

<b>Finding 6 - Risk register (Operating effectiveness)</b>	<b>Risk</b>
<p>The HEIW Transitional Risk Register as at the 5 February 2019 contained 24 risks. Although some of these were marked as resolved and ready to be closed, they had not actually been closed on the register. In addition, a number of other risks had been resolved but had not been marked as ready to be closed, and one new risk (#24) had not been assigned to a lead officer.</p> <p>The Risk Register as at the 5 February 2019 was presented to the HEIW Audit Committee on the 12 February 2019, but to date has not been reported to the HEIW Board.</p>	<p>Service delivery problems due to issues identified as part of the transition process not being appropriately managed.</p>
<b>Recommendation 6</b>	<b>Priority level</b>
<p>Risks that have been resolved and are no longer relevant should be marked as such and removed from the risk register.</p> <p>New risks should be assigned to a lead officer as soon as they are added to the risk register.</p> <p>The risk register should be periodically reported to the Board.</p>	<p><b>Low</b></p>
<b>Management Response</b>	<b>Responsible Officer/ Deadline</b>
<p>The risk register will be amended to implement the recommendations on marking resolved risks and on assigning lead officers.</p>	<p>Board Secretary – June 2019</p>

The risk register was presented at March Board. The Board's Forward Work Programme confirms the risk register will be periodically reported to the Board at March and September Board Meetings.

Board Secretary - Completed

## Appendix B - Assurance opinion and action plan risk rating

### Audit Assurance Ratings



**Substantial assurance** - 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.



**Reasonable assurance** - 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.



**Limited assurance** - 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.



**No assurance** - The Board can take **no 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 **high impact on residual risk** exposure until resolved.

### Prioritisation of Recommendations

In order to assist management in using our reports, we categorise our recommendations according to their level of priority as follows.

Priority Level	Explanation	Management action
<b>High</b>	Poor key control design OR widespread non-compliance with key controls. PLUS Significant risk to achievement of a system objective OR evidence present of material loss, error or misstatement.	Immediate*
<b>Medium</b>	Minor weakness in control design OR limited non-compliance with established controls. PLUS Some risk to achievement of a system objective.	Within One Month*
<b>Low</b>	Potential to enhance system design to improve efficiency or effectiveness of controls. These are generally issues of good practice for management consideration.	Within Three Months*

\* Unless a more appropriate timescale is identified/agreed at the assignment.

# **Workforce review: casual workers – employment status**

## **Internal Audit Report**

### **Health Education and Improvement Wales**

**May 2019**

**NHS Wales Shared Services Partnership**

**Audit and Assurance Services**

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Appendix B	Assurance opinion and action plan risk rating
<b>Review reference:</b>	HEIW-1819-07
<b>Report status:</b>	Internal Audit Report
<b>Fieldwork commencement:</b>	3 April 2019
<b>Fieldwork completion:</b>	24 April 2019
<b>Draft report issued:</b>	3 May 2019
<b>Management response received:</b>	21 May 2019
<b>Final report issued:</b>	21 May 2019
<b>Auditors:</b>	Paul Dalton – Head of Internal Audit Emma Samways – Deputy Head of Internal Audit Murray Gard – Principal Auditor
<b>Executive sign off:</b>	Julie Rogers – Deputy Chief Executive / Director of Workforce and OD
<b>Distribution:</b>	Foula Evans - Head of People
<b>Committee:</b>	Audit and Assurance Committee

### **ACKNOWLEDGEMENT**

NHS Wales Audit & Assurance Services would like to acknowledge the time and co-operation given by management and staff during the course of this review.

### **Disclaimer notice - Please note:**

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Audit reports are prepared by the staff of the NHS Wales Shared Services Partnership – Audit and Assurance Services, and addressed to Independent Members or officers including those designated as Accountable Officer. They are prepared for the sole use of Health Education and Improvement Wales, no responsibility is taken by the Audit and Assurance Services Internal Auditors to any director or officer in their individual capacity, or to any third party.

## 1. Introduction and Background

In line with the 2018/19 Internal Audit Plan for Health Education and Improvement Wales ('HEIW' or 'the organisation'), and following discussion with management a review of the casual worker employment status process was undertaken. The review seeks to provide assurance to the HEIW Audit and Assurance Committee that there was an effective process in place to manage the use of casual workers.

HEIW was established as the first Special Health Authority on 5 October 2017 and commenced trading on 1 October 2018. It has brought together three key organisations for health: the Wales Deanery; NHS Wales's Workforce Education and Development Services (WEDS); and the Wales Centre for Pharmacy Professional Education (WCPPE).

Casual workers, such as lecturers and trainers, are used by the organisation to provide additional learning support to students and professionals within medicine, dentistry and pharmacy.

In addition, related to the use of casual workers, in April 2017 HMRC revised its legislation in relation to IR35 known as 'intermediaries' legislation'. This sets out the rules that require staff at engaging organisations, such as HEIW, to undertake an online check using the HMRC tool, to assess if a casual worker should be 'on', or 'off' payroll.

Completing the HMRC tool provides staff with a decision as to whether the casual worker should be considered as an employee, 'on payroll', and so processed through the payroll system meaning that they would receive employee rights such as sick pay and annual leave, or 'off payroll', where they are considered to be self-employed and processed through the invoicing system.

This assessment also ensures the correct deductions are made for any National Insurance and tax adjustments that may be required if the casual worker is assessed as 'on payroll'. The outcome of the decision should be communicated to the casual worker.

The relevant lead for the review is the deputy Chief Executive / Director of Workforce and OD.

## 2. Scope and Objectives

The overall objective of the audit was to evaluate and determine the adequacy of the systems and controls in place in relation to the organisation's processing of casual workers. The review sought to provide assurance to the Audit and Assurance Committee that risks material to the system's objectives are managed appropriately. The three departments tested as part of this review were: GPs; dentistry; and pharmacy.

The areas that the review sought to provide assurance on were:

- There is an appropriate process in place that is available to staff, for the appointment and use of casual workers.

- Appropriate procurement procedures have been followed when using casual staff.
- Appropriate guidance and training on HMRC legislation has been provided to staff who are involved in engaging with casual staff.
- Assessments are undertaken and outcomes recorded of the employment status of casual staff prior to work being undertaken.
- Monitoring arrangements are in place to review the correct application of HEIW guidance.

### 3. Associated Risks

The potential risks considered in the review are as follows:


- Financial penalties if the employment status of casual staff is not properly decided.
- Reputational damage if action is taken against the organisation.

## OPINION AND KEY FINDINGS

### 4. Overall Assurance Opinion

We are required to provide an opinion as to the adequacy and effectiveness of the system of internal control under review. The opinion is based on the work performed as set out in the scope and objectives within this report. An overall assurance rating is provided describing the effectiveness of the system of internal control in place to manage the identified risks associated with the objectives covered in this review.

The level of assurance given as to the effectiveness of the system of internal control in place to manage the risks associated with established controls for the employment status of casual workers is Limited assurance.

RATING	INDICATOR	DEFINITION
<b>Limited assurance</b>		The Board can take <b>limited assurance</b> that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. More significant matters require management attention with <b>moderate impact on residual risk</b> exposure until resolved.





We identified that overall there is a suitable process to follow for the engagement of casual workers.

We identified three high priority findings relating to: the completions of casual worker's engagement documentation; retaining an effective audit trail that justifies the employment status; and monitoring arrangements.

The overall level of assurance that can be assigned to a review is dependent on the severity of the findings as applied against the specific review objectives and should therefore be considered in that context.

## 5. Assurance Summary

The summary of assurance given against the individual objectives is described in the table below:

Assurance Summary					
<b>1</b>	Appropriate processes are in place.				✓
<b>2</b>	Appropriate procurement procedures have been followed.			✓	
<b>3</b>	Appropriate guidance and training on HMRC legislation is in place.			✓	
<b>4</b>	Assessments and outcomes are recorded.		✓		
<b>5</b>	Monitoring arrangements are in place.		✓		

\* The above ratings are not necessarily given equal weighting when generating the audit opinion.

### Design of Systems/Controls

The findings from the review have highlighted two issues that are classified as weaknesses in the system control for the employment status process for casual workers.

### Operation of System/Controls

The findings from the review have highlighted three issues that are classified as weaknesses in the operation of the designed control for the employment status process for casual workers.

## 6. Summary of Audit Findings

In this section, we highlight areas of good practice that we identified during our review. We also summarise the findings made during our audit fieldwork. The detailed findings are reported in the Management Action Plan (Appendix A).

### **Objective 1: There is an appropriate process in place that is available to staff, for the appointment and use of casual workers.**

We note the following areas of good practice:

- Management has established flow charts that document the process for assessing the employment status of casual workers.
- HEIW has produced a suite of templates to aid standardisation, which has been circulated to staff. The suite contains:
  - Casual worker engagement form;
  - Casual worker timesheets;
  - IR35 Enrolment forms;
  - Letters confirming employment status.

We did not identify any findings under this objective.

### **Objective 2: Appropriate procurement procedures have been followed when using casual staff.**

We note the following area of good practice:

- HEIW has a set of standard financial instructions that was approved by the Board in October 2018. These include high-level procedures and procurement thresholds. This is supplemented by additional guidance contained within schedule 1 'Procurement of works, goods and services', which provides a high-level governance framework.

We identified the following finding:

- At an operational level there is no procurement manual for a consistent approach to obtaining services, which would incorporate the approach to casual workers, as such no testing could be undertaken to confirm the correct application of procurement procedures.

### **Objective 3: Appropriate guidance and training on HMRC legislation has been provided to staff who are involved in engaging with casual staff**

We note the following area of good practice:

- Within the GP area guidance documents have been established for various casual worker engagements, such as facilitation sessions, and panel members. These guidance documents provide steps on how to complete the HMRC online tool.

We identified the following finding:

- Guidance and training surrounding completing the HMRC online tool for checking employment status was inconsistent within the areas that we reviewed.

**Objective 4: Assessments are undertaken and outcomes are recorded of the employment status of casual staff prior to work being undertaken**

We identified the following findings:

- Our review identified issues in the assessment of casual workers engaged by HEIW. Such as, a lack of documentation supporting the 'off payroll' assessment.
- Documentation for casual workers that had been assessed as 'on payroll' were not insufficiently completed.

**Objective 5: Monitoring arrangements are in place to review the correct application of HEIW guidance**

We identified the following finding:

- Appropriate monitoring arrangements to ensure compliance to HEIW guidance were not in place.

## 7. Summary of Recommendations

The audit findings and recommendations are detailed in Appendix A together with the management action plan and implementation timetable.

A summary of these recommendations by priority is outlined below.

Priority	H	M	L	Total
Number of recommendations	3	2	0	5

<b>Finding 1 - Employment Status (Operating effectiveness)</b>	<b>Risk</b>
<p>Completing the HMRC tool provides staff with a decision as to whether the casual worker should be considered 'on payroll', and so processed through the payroll system, or 'off payroll', where they are considered to be self-employed and processed through the invoicing system. HMRC toolkit states that <i>'If HMRC investigate this engagement, the end client would need to agree and demonstrate that they could not or did not exert their right of control over the worker'</i>.</p> <p>We tested a sample of 20 instances where HEIW had undertaken the HMRC employment status check for casual workers to ensure that they had been appropriately assessed. We also tested this sample to confirm that the outcome of the assessment had been communicated to the individual. Of the sample of 20 individuals, nine had been assessed as 'off payroll'. We note the following in relation to the nine individuals:</p> <ul style="list-style-type: none"> <li>Two individuals were classified in the HMRC employment status checks as 'The Intermediaries legislation does not apply to this engagement', and so should be considered 'off payroll'. However, we did not see evidence demonstrating that there was 'no control over the worker' for these two individuals.</li> <li>Four individuals that we sampled were classified as self-employed. However, there were handwritten notes on their status checks stating 'unable to invoice'. We were unable to confirm if it was appropriate to alter</li> </ul>	<p>Financial penalties if the employment status of casual staff is not properly decided.</p>

<p>the assessment of the individuals, or confirm if the officer changing the assessment had authority to do so. These individuals were subsequently processed as casual workers through payroll. As such, this could entitle the individuals to inappropriate employments rights such as annual leave, or sick pay.</p> <p>Furthermore, for our sample of 20 individuals, there were no records of employment letters being sent to individuals to confirm their status. However, we acknowledge that this is a relatively new addition to the process (February 2019).</p>	
<p><b>Recommendation 1</b></p>	<p><b>Priority level</b></p>
<p>A) Management should ensure an effective audit trail is maintained that justifies employment status.</p> <p>B) Management should review the employment status of individuals for appropriateness.</p> <p>C) Management should remind staff of the need to issue employment status letters and to retain copies.</p>	<p style="text-align: center;"><b>High</b></p>
<p><b>Management Response</b></p>	<p><b>Responsible Officer/ Deadline</b></p>
<p>A) HEIW Finance &amp; People teams provided recruiting managers with training in this area in November 2018: this covered effective audit trails, how to undertake and complete the employment status checks, etc. to support the roll out of the toolkits, flow charts and employment status letters to the</p>	<p>Head of People &amp; OD Head of Financial Accounting - June 2019</p>

<p>recruiting managers. Finance &amp; People Teams felt satisfied at the time the recruiting managers had sufficient information to complete the checks appropriately and issue employment letters. An email reminder was sent to those staff that engage casual workers on 12/04/2019, reminding them of the importance of doing checks and that letters need to be sent. The findings of this objective &amp; the management response to it will be shared with the Senior Leadership Team and expectations cascaded.</p> <p>B) Given the findings of this objective, the People team will be asking recruiting managers to submit copies of the ESS checks and employment status letters to the People Team at the same time as submitting the casual worker engagement forms. That way we can centrally monitor compliance and ensure an audit trail is maintained.</p> <p>C) Further training will be offered to recruiting managers on the importance of the need to issue the employment status letters and to retain copies.</p>	<p>Head of People &amp; OD – June 2019</p> <p>Head of People &amp; OD Head of Financial Accounting – By September 2019</p>
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<p><b>Finding 2 – ‘On payroll’ casual worker documentation (Operating effectiveness)</b></p>	<p><b>Risk</b></p>
<p>We tested a sample of 20 instances where HEIW had undertaken the HMRC employment status check for casual workers to ensure that they had been appropriately assessed. Of the sample of 20 individuals, 11 had been assessed as ‘on payroll’. We also looked at timesheet records for these workers. We note the following in relation to the 11 individuals:</p> <ul style="list-style-type: none"> <li>• Six instances where Section C (right to work checks) was not fully completed.</li> <li>• Two instances where Section D (declaration by the worker) was not fully completed.</li> <li>• Five instances where Section E (line manager’s declaration) was not fully completed.</li> <li>• Eight instance where the time sheet forms had not been fully completed. For example, no assignment numbers, subjective code, or line manager’s signature had been completed. We also note that one of these time sheets was not completed in good time. It took around 4 weeks from the individual signing the form to it being approved by management.</li> </ul>	<p>Reputational damage to the organisation if action is taken against the organisation</p>

Recommendation 2	Priority level
<p>A) Staff should be reminded of the need to ensure engagement forms and timesheets are appropriately completed.</p> <p>B) The organisation should review existing arrangements to ensure that current casual workers have been appropriately assessed.</p>	<p><b>High</b></p>
Management Response	Responsible Officer/ Deadline
<p>A) The People Team will send a reminder to the recruiting managers to let them know that all sections of the casual worker engagement forms and timesheets need to be completed otherwise they will be returned and won't be processed until fully complete. To ensure timely completion of timesheets, we will amend the form to include that claims MUST be submitted within 3 months of work being carried out in order to be paid.</p> <p>B) As per response to Recommendation 1, going forward recruiting managers will be expected to send the completed ESS checks to the People Team so we can check they have been done and the correct process has been followed depending on the outcome.</p>	<p>Head of People &amp; OD – June 2019</p>

<b>Finding 3 - Monitoring Arrangements (Control design)</b>	<b>Risk</b>
<p>The 'flow chart' guide that has been developed by the workforce team makes reference to monitoring of casual workers. However, it does not specifically set out the nature of the monitoring that is required.</p> <p>During our fieldwork we saw little evidence of proactive monitoring to ensure compliance with HEIW guidance. For example, to ensure that casual workers have been appropriately classified. There are implications to the organisation should casual workers be inappropriately assessed such as penalties that can be applied by HMRC.</p>	<p>Opportunities for improvements in the system are not identified in a timely manner.</p>
<b>Recommendation 3</b>	<b>Priority level</b>
<p>Management should consider implementing a programme of spot checks or peer reviews to ensure the correct application of HEIW processes. Having a range of these measures would enhance the control environment for the assessment and treatment of casual workers.</p>	<p><b>High</b></p>
<b>Management Response</b>	<b>Responsible Officer/ Deadline</b>
<p>All engagement forms and timesheets already come to the People Team, and we will check these forms to ensure they have been completed correctly. Although more training for the recruiting managers is currently being sourced, HEIW will also create a peer group/network for the recruiting managers to enable them to</p>	<p>Head of People &amp; OD Head of Financial Accounting – July 2019</p>

support each other in the correct completion of the treatment of casual workers, ESS checks and employment status letters. The People Team and Finance would oversee this group and undertake spot checks to ensure the documentation and audit trail complies with legislation.

<b>Finding 4 - Procurement Process (Control design)</b>	<b>Risk</b>
<p>HEIW has a high-level governance framework for the procurement of works, goods and services in place. The use of casual workers would be through this process.</p> <p>However, there is no procurement manual or formal standardised process that sets out operational responsibilities or implications. Such a manual might provide guidance for obtaining the services of casual workers. This would could also provide clarity with regards to how often a casual worker should be re-assessed to consider if they are 'on' or 'off' payroll if there are gaps between their engagements with the organisation.</p> <p>Our testing did not identify any cases of engagements of casual workers that exceeded £5,000 therefore needing quotes. Our discussions with staff during our audit fieldwork in relation to casual workers appeared to identify that the process for the procurement of services under £5,000, such as the discretionary need for quotations, were not well known.</p>	<p>Inappropriate commissioning takes place.</p>
<b>Recommendation 4</b>	<b>Priority level</b>
<p>Management should consider establishing a documented operational procurement procedure (Procurement Manual) to ensure a standard approach is used across HEIW.</p>	<p><b>Medium</b></p>


<b>Management Response</b>	<b>Responsible Officer/ Deadline</b>
<p>HEIW is in discussion with NWSSP Procurement Team regarding further training and support for staff undertaking procurement within HEIW. We will consider the inclusion of specific training and guidance for on the engagement of casual workers in HEIW within that context.</p>	<p>Head of People &amp; OD                      Head of Financial Accounting                      – July 2019</p>


<b>Finding 5 - Guidance and Training (Operating Effectiveness)</b>	<b>Risk</b>
<p>We found that the guidance and training surrounding the completion and frequency for checking the employment status of casual workers using the HMRC online tool was inconsistent. While there was guidance to help staff from the GP area, we found that:</p> <ul style="list-style-type: none"> <li>• Within dentistry, there is no guidance to help staff complete the HMRC online tool and through our conversations with staff there appears to be a knowledge gap surrounding the process and associated responsibilities.</li> <li>• Within pharmacy, there was again no guidance document noted, although, through conversations staff appeared to be more confident in completing the tool and this is supported in the outcome of our testing.</li> </ul>	<p>Employees do not understand how to correctly deliver their role.</p>
<b>Recommendation 5</b>	<b>Priority level</b>
<ul style="list-style-type: none"> <li>A) Guidance on completing and rechecking the HMRC online tool should be produced for all required areas.</li> <li>B) Management should consider assessing the training requirement and provide updates accordingly.</li> </ul>	<p><b>Medium</b></p>


<b>Management Response</b>	<b>Responsible Officer/ Deadline</b>
<p>As outlined earlier, training and guidance was made available to all recruiting managers in HEIW in November 2018. However the audit shows that there are clearly further training requirements around ESS checks and processes for engaging casuals. The People Team are currently scoping further training, which will be made available to all staff.</p>	<p>Head of People &amp; OD – training to be scoped by July 2019 &amp; rolled out by September 2019 (see also recommendation 1)</p>


## Appendix B - Assurance opinion and action plan risk rating

### Audit Assurance Ratings

 **Substantial assurance** - 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.

 **Reasonable assurance** - 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.

 **Limited assurance** - 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.

 **No assurance** - The Board can take **no 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 **high impact on residual risk** exposure until resolved.

### Prioritisation of Recommendations

In order to assist management in using our reports, we categorise our recommendations according to their level of priority as follows.

Priority Level	Explanation	Management action
<b>High</b>	Poor key control design OR widespread non-compliance with key controls. PLUS Significant risk to achievement of a system objective OR evidence present of material loss, error or misstatement.	Immediate*
<b>Medium</b>	Minor weakness in control design OR limited non-compliance with established controls. PLUS Some risk to achievement of a system objective.	Within One Month*
<b>Low</b>	Potential to enhance system design to improve efficiency or effectiveness of controls. These are generally issues of good practice for management consideration.	Within Three Months*

\* Unless a more appropriate timescale is identified/agreed at the assignment.

## **IT Baseline assessment**

### **Final Internal Audit Report**

**HEIW 2018/19**

**May 2019**

**NHS Wales Shared Services Partnership**

**Audit and Assurance Services**

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<b>Review reference:</b>	HEIW-1819-08
<b>Report status:</b>	Final Internal Audit Report
<b>Fieldwork commencement:</b>	1 April 2019
<b>Fieldwork completion:</b>	12 April 2019
<b>Draft report issued:</b>	15 April 2019
<b>Management response received:</b>	1 May 2019
<b>Final report issued:</b>	2 May 2019
<b>Auditor:</b>	Martyn Lewis
<b>Executive sign off:</b>	Deputy CEO, Director of Workforce and OD
<b>Distribution:</b>	Head of Business Planning, Performance and Corporate Services
<b>Committee:</b>	Audit Committee

### **ACKNOWLEDGEMENT**

NHS Wales Audit & Assurance Services would like to acknowledge the time and co-operation given by management and staff during the course of this review.

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Audit reports are prepared by the staff of the NHS Wales Shared Services Partnership – Audit and Assurance Services, and addressed to Independent Members or officers including those designated as Accountable Officer. They are prepared for the sole use of the HEIW Board and no responsibility is taken by the Audit and Assurance Services Internal Auditors to any director or officer in their individual capacity, or to any third party.

## 1. Introduction and Background

In line with the 2018/19 Internal Audit Plan for Health Education and Improvement Wales ('HEIW' or 'the organisation') a baseline review of the arrangements in place for the management and control of Information Governance (IG) and Information Communications Technology (ICT) has been undertaken. The review seeks to provide a baseline picture to the HEIW Audit Committee of the governance arrangements in place of IG / IT.

HEIW was established as the first Special Health Authority on 1 October 2018 and brought together three key organisations for health: the Wales Deanery; NHS Wales's Workforce Education and Development Services (WEDS); and the Wales Centre for Pharmacy Professional Education (WCPPE).

The relevant lead for the review is the Deputy CEO, Director of Workforce and OD.

## 2. Scope and Objectives

The overall objective of the audit was to understand the processes and mechanisms in place for management of IG/ ICT within the organisation. The review sought to provide a baseline picture of the organisation's status and provides suggestions for areas of improvement, or future development. We considered:

### Information Governance

- The information governance process in place.
- IG policies and procedures in place.

### ICT and Security

- ICT responsibilities are clear.
- The ICT governance process in place.
- The funding / resource available for ICT.
- ICT strategy.
- IT security policies and procedures.
- IT continuity and disaster recovery processes.
- Compliance against obligations (e.g. GDPR, NIST, PCI DSS etc.)
- The process to track ICT assets.
- IG / ICT risk identification and management.

As this is a baseline review, the assignment has not been allocated an assurance rating, but advice and recommendations are provided to facilitate change and improvement.

### 3. Summary of Audit Findings

From discussions with key staff and review of documentation we have summarised the position in respect of the arrangements in place for the management and governance of IM&T. These are presented below along with observations where actions could be taken to improve the governance arrangements.

#### **Objective 1: Governance**

The organisation's Board Secretary is the named SRO (Senior Risk Owner). There is defined overall lead of IM&T who sits within the Finance and Corporate Services directorate.

However, the governance structures of the organisation are currently being developed and at present there is no formal Board committee or group that has responsibility for the oversight and governance of IM&T.

**Observation 1:** HEIW should consider establishing a formal committee of the Board to provide an overseeing, decision making and governance framework for IM&T and Information Governance.

#### **Objective 2: Policies and Procedures**

The establishment of HEIW considered the need for policies, and the Board has tracked these and split policies into three groups: All Wales policies; policies deemed essential on establishment; and those, which should be developed by 1 April 2019. IM&T related policies were included within the essential grouping. The following policies were migrated across from the predecessor organisations:

- Freedom of Information Act Policy;
- Data Quality Policy;
- Information security Policy;
- Software Policy;
- Anti-Virus Policy;
- Data Protection & Confidentially Policy;
- Information asset policy;
- Records Management policy;
- Information governance policy; and
- Business Continuity.

In terms of underpinning procedures, at the time of our fieldwork these had not been fully defined and it is acknowledged by HEIW that the next stage is to develop a plan for ensuring relevant procedures are in place. However, we note that each of the departments of HEIW would have had their own pre-existing procedures as part of their operation in precursor

organisations, and these will still be extant and valid for the business as usual operations.

**Observation 2:** The underpinning procedures for the work undertaken by the Digital and IT Team should be reviewed / developed.

### **Objective 3: Plan and Strategy**

There is no formalised, overarching strategy or vision for IM&T within HEIW. We understand that departments are developing their strategies, many of which contain IM&T components, and these are being considered as part of the planning process.

In addition, the HEIW annual plan for 2019/20 contains IM&T related objectives for improving the use of technology and digitisation, which set out the overall objectives. These provide a framework for developing a strategy, however the objectives are not currently underpinned by a plan or road map that defines the work needed to deliver the IM&T requirements.

**Observation 3:** An IM&T Strategy / Digital Strategy should be developed that sets out how HEIW intends to use technology to achieve its objectives. This should be underpinned by a roadmap / action plan to provide defined actions for the delivery of this.

### **Objective 4: Resourcing**

IT support for desktop computers and networks is provided by the NHS Wales Informatics Service (NWIS) under a Service Level Agreement. However, the Digital & IT team has a large amount of 'business as usual' in order to continue to support the operation of HEIW and although the establishment of HEIW included the relevant staffing involved in the 'day to day' operation of IM&T aspects of the business, there was no funding or resource provided for an internal IM&T function. This has been acknowledged by management and the Welsh Government (WG) and a successful business case produced and approved by WG for the creation of a HEIW IT team in order to provide enhanced local IT support, and manage the handover of assets from precursor organisations. At the time of our fieldwork the team was not fully in place as two out of three roles were filled using temporary staff, and the third remained vacant.

HEIW inherited a number of legacy IT systems. These will need to be rationalised, with key systems being further developed as defined within the HEIW annual plan, and within the proposed IM&T Strategy. Management plan to start an IT project to move all the systems 'in house'. In the interim there is a three year SLA in place with Cardiff University for hosting arrangements.

Without an appropriate IT team in place these actions cannot be undertaken properly and the systems may not be moved into HEIW, rationalised or developed appropriately.

**Observation 4:** Following the development of an IM&T strategy and action plan, the structure of the Digital and IT team should be reviewed to ensure it is appropriate.

### **Objective 5: Risk and Compliance**

There is a high-level risk register in place and we note that the March 2019 Board papers included the transitional risk register, which included IT related risks. However, at lower level there is nothing more granular for IT risk management and no Digital and IT department risk register. Accordingly, there is no formal process in place to identify and manage IM&T related risks within HEIW.

**Observation 5:** A Digital and IT department risk register should be developed to identify and manage IM&T related risks.

In terms of compliance, management were aware of the key requirements such as Freedom of Information (FoI), and GDPR. However, the lack of an IM&T committee means that there is no formal process for compliance and providing assurance that HEIW is complying with legislative and industry requirements.

**Observation 6:** A formal assessment of the compliance requirements for HEIW should be made and a subsequent assessment of compliance undertaken. This should be reported via the proposed IM&T governance group.

### **Objective 6: Continuity**

There is no formal Business Continuity or Disaster Recovery plan in place. However, management have identified this and work is in progress and a plan is being developed.

The establishment of HEIW did not involve the movement of IT assets, with systems and servers being retained within their precursor organisations. As such, the IT resilience position has not changed with the previous protections being extant in all organisations (NWIS; Cardiff University; NWSSP). Similarly, the responsibility for ensuring patches are applied remain with the hosting organisations.

### **Objective 7: Information Governance**

As noted above there is no formal overseeing committee for Information Governance. The work in the IG area is being undertaken by a part time IG manager based within NWSSP. This support is provided for two days a

week, with the lead working through the IG agenda to develop appropriate processes and documentation, however at present this work is not complete.

The HEIW website contains information relating to GDPR and FoI, however the FoI requires subsequent information to be in place such as a publication scheme, which sets out the commitment to make certain information routinely available, and this is not in place.

**Observation 7:** The requirement for an IG manager should be assessed alongside the sustainability of the use of the NWSSP manager.

**Observation 8:** The HEIW website should be further developed to include a disclosure log and publication scheme.

#### 4. Conclusion

HEIW is a new organisation and the governance processes are still being developed. This has fed into the governance of IM&T and IG with the operational practices carried forward into the new organisation, without a dedicated, formalised governance process in place. The strategic direction of IM&T is still being formulated, with IM&T risks only identified at the corporate level, and procedures are in the process of being developed for HEIW.

The staff resource for IM&T in HEIW is not fully in place due to the lack of internal IT support resource being identified and provided when the organisation was established. Currently this matter is partly covered by temporary staff. Similarly, there is no Information Governance Manager post within the establishment, with this support being provided, on a part time basis, by NWSSP.

In summary, the position reflects what might be expected for a young organisation. However, management acknowledge this and are currently working to improve the IM&T governance processes.

## **Risk management**

### **Internal Audit Report**

## **Health Education & Improvement Wales 2018/19**

**May 2019**

**NHS Wales Shared Services Partnership**

**Audit and Assurance Services**

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Appendix A	Assurance opinion and action plan risk rating
<b>Review reference:</b>	HEIW-1819-01
<b>Report status:</b>	Final
<b>Fieldwork commencement:</b>	11 April 2019
<b>Fieldwork completion:</b>	23 April 2019
<b>Draft report issued:</b>	26 April 2019
<b>Management response received:</b>	9 May 2019
<b>Final report issued:</b>	14 May 2019
<b>Auditor:</b>	Johanna Butt, Principal Internal Auditor
<b>Executive sign off:</b>	Dafydd Bebb, Board Secretary and Alex Howells, Chief Executive
<b>Distribution:</b>	Dafydd Bebb, Board Secretary and Alex Howells, Chief Executive
<b>Committee:</b>	Audit and Assurance Committee

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## 1. Introduction and Background

In line with the 2018/19 Internal Audit Plan for Health Education and Improvement Wales ('HEIW' or 'the organisation') we undertook a review of the risk management arrangements within the organisation. The review sought to provide assurance to the HEIW Audit and Assurance Committee that there are effective processes in place to manage risks.

HEIW was established as the first Special Health Authority on 5 October 2017 and commenced trading on 1 October 2018. It has brought together three key organisations for health: the Wales Deanery; NHS Wales's Workforce Education and Development Services (WEDS); and the Wales Centre for Pharmacy Professional Education (WCPPE).

The relevant leads for the review are the Board Secretary and the Chief Executive.

## 2. Scope and Objectives

The overall objective of the audit was to evaluate and determine the adequacy of the systems and controls in place in relation to the organisations risk management arrangements. The review sought to provide assurance to the Audit and Assurance Committee that risks material to the system's objectives were managed appropriately.

The areas that the review sought to provide assurance on were:

- HEIW has a risk register in place that captures the risk inherited from the three organisations when services were transferred. The risk register is updated to capture the organisation's risk as they are identified and has been developed in line with the risk management policy and strategy, with risks scored in line with the risk appetite and appropriate mitigating actions and controls recorded against each risk.
- Risk is actively monitored and scrutinised by an appropriate committee, and at appropriate level within the organisation.
- The organisation has a comprehensive plan in place for the development and implementation of its approach to risk management. The plan articulates the responsibilities of individuals and committees, and details the organisation's risk appetite.
- There is a clear plan for the implementation of a Board Assurance Framework (BAF).

## 3. Associated Risks

The potential risks considered in the review were as follows:

- Risks are not effectively managed due to the lack of an approved strategy / policy and structure.


- Risk becomes an issue as staff are unaware of the process for managing them.
- Risks to the achievement of the organisation's objectives are not effectively managed.

## **OPINION AND KEY FINDINGS**

### **4. Overall Assurance Opinion**

We are required to provide an opinion as to the adequacy and effectiveness of the system of internal control under review. The opinion is based on the work performed as set out in the scope and objectives within this report. An overall assurance rating is provided describing the effectiveness of the system of internal control in place to manage the identified risks associated with the objectives covered in this review.

The level of assurance given as to the effectiveness of the system of internal control in place to manage the risks associated with established controls for governance arrangements is **Reasonable** assurance.

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

The organisation has a corporate transitional risk register in place that is regularly reviewed by the leadership team and is scrutinised by the Audit and Assurance Committee. In addition, HEIW has a plan in place to develop a Board Assurance Framework.

The organisation's risk policy and procedure are in draft and the plan to implement these has not been fully developed. While these documents remain in draft there is an increased likelihood that risk management through the organisation is not consistent and clear leading to the possibility that risks may not be identified and managed within the organisation.





While we acknowledge that the organisation only began its operations in October 2018, the minutes of Board and committee meetings record that risk management processes were to be developed by April 2019, at the time of our fieldwork in early April 2019 HEIW was not as far forward as it had planned to be.

As we have seen progress in the development of risk management within the organisation during our fieldwork, and evidence of active monitoring of risk at a senior level, we have assessed risk management as Reasonable assurance, but with further work to be undertaken over the next few months to embed a comprehensive risk management approach.

The overall level of assurance that can be assigned to a review is dependent on the severity of the findings as applied against the specific review objectives and should therefore be considered in that context.

## 5. Assurance Summary

The summary of assurance given against the individual objectives is described in the table below:

Assurance Summary					
1	HEIW has an appropriate risk register in place that is in line with risk management strategy and policy		✓		
2	Risk is actively monitored and scrutinised			✓	
3	There is a comprehensive plan in place for the development and implementation of an approach to risk management		✓		
4	There is a clear plan for the implementation of a Board Assurance Framework (BAF)			✓	

\* The above ratings are not necessarily given equal weighting when generating the audit opinion.

### Design of Systems/Controls

The findings from the review have highlighted two issues that are classified as weaknesses in the system control/design for risk management.

## Operation of System/Controls

The findings from the review has identified two issue that are classified as weaknesses in the operation of the designed system/control for risk management.

### 6. Summary of Audit Findings

In this section, we highlight areas of good practice that we identified during our review. We also summarise the findings made during our audit fieldwork. The detailed findings are reported in the Management Action Plan (Appendix A).

**Objective 1: HEIW has a risk register in place that captures the risk inherited from the three organisations when services were transferred. The risk register is updated to capture the organisation's risk as they are identified and has been developed in line with the risk management policy and strategy, with risks scored in line with the risk appetite and appropriate mitigating actions and controls recorded against each risk.**

We note the following area of good practice:

- The organisation has a transitional corporate risk register which capture both inherited risks from the predecessor organisations, and new risks as they are identified.

We identified the following findings in relation to this objective:

- At the time of our fieldwork the organisation's draft risk management policy and associated procedure, which will set out the organisation's expectations around risk registers, was not developed enough for us to review.
- The organisation has a risk register that is reported to the Audit and Assurance Committee. However, given that there is no formal procedure available to staff for the identification and management of risk, it is possible that risks to the organisation will not be appropriately identified, assessed and captured on the register.

**Objective 2: Risk is actively monitored and scrutinised by an appropriate committee, and at appropriate level within the organisation.**

We note the following area of good practice:

- In addition to scrutiny by the Audit and Assurance Committee, the risk register is reviewed at the monthly Executive Management Team (EMT) meetings and the Senior Leadership Team (SLT), which is made up of executives and direct leads.

While we did not identify any specific findings under this objective. We have commented on the need to understand and assess the level of risk scrutiny within the organisation in finding 3 of appendix A.

**Objective 3: The organisation has a comprehensive plan in place for the development and implementation of its approach to risk management. The plan articulates the responsibilities of individuals and committees, and details the organisation's risk appetite.**

We note the following area of good practice:

- The organisation has a plan in place for the development of its Board Assurance Framework.

We identified the following finding under this objective:

- We understand that the organisation is in the process of developing a plan to implement its approach to risk management, although at the time of our audit fieldwork the document was in early draft and as such we were unable to review it.

However, we acknowledge that a plan is in place for the development of a Board Assurance Framework.

**Objective 4: There is a clear plan for the implementation of a Board Assurance Framework (BAF).**

We note the following area of good practice:

- The organisation is in the process of developing a BAF, and a draft was presented to the March 2019 meeting of the Board.

We identified the following finding under this objective:

- The BAF development plan refers to the organisation's risk policy and procedures as being key documents that underpin it. However, the organisation has not yet developed and approved its risk management policy and procedure, which will be integral to the successful implementation of the BAF.

## 7. Summary of Recommendations

The audit findings and recommendations are detailed in Appendix A together with the management action plan and implementation timetable. A summary of these recommendations by priority is outlined below.

Priority	H	M	L	Total
Number of recommendations	2	1	1	4

<p><b>Finding 1 - Risk management strategy, policy and procedures (Control Design)</b></p>	<p><b>Risk</b></p>
<p>Our review of the organisation’s Board papers identified that the Board recognised that a risk management policy and risk assessment procedure was an essential policy that should be developed by April 2019. However, at the time of our fieldwork the draft risk management policy and associated procedure was not developed enough for us to review.</p> <p>We would expect a risk policy to outline the high-level arrangements for risk management within the organisation. At a minimum a policy would include reference to:</p> <ul style="list-style-type: none"> <li>• Roles and responsibilities of staff.</li> <li>• Training.</li> <li>• Categories of risk, such as strategic or information risk.</li> <li>• An overview of risk management within the organisation.</li> <li>• Risk appetite, which is the level of risk that the organisation is willing to accept in the pursuit of its long-term objectives.</li> </ul> <p>Accompanying the policy, the organisation should develop a procedure to provide more detail in the processes to be followed for managing risk within the organisation.</p>	<p>An issue develops as the organisation does not effectively manage a risk due to the lack of a clear policy or procedure</p>

<b>Recommendation</b>	<b>Priority level</b>
<p>Management should ensure that they develop and approve an appropriate risk management policy and accompanying risk management procedure as soon as practically possible.</p> <p>The policy and procedure should then be communicated to staff within the organisation as appropriate.</p>	<b>High</b>
<b>Management Response</b>	<b>Responsible Officer/ Deadline</b>
<p>Risk Management Policy to be completed and presented to the Executive Team in May. May Board to be provided with an update in respect of the policy. The policy will be considered at June SLT and communicated to staff immediately following SLT.</p>	<p>Board Secretary. Policy finalised May 2019. Communicated to staff June 2019.</p>

<b>Finding 2 - Risk management plan (Operating effectiveness)</b>	<b>Risk</b>
<p>From our review of the minutes of the Senior Leadership Team meeting we note that Independent Members had requested that the organisation’s risk management strategy and risk management plan were to be presented at the February 2019 Board Development session, but this did not happen.</p> <p>We understand that the organisation is in the process of developing a plan to implement its approach to risk management, at the time of our audit fieldwork the document was in early draft and as such we were unable to review it.</p> <p>However, we acknowledge that a plan is in place for the development of a Board Assurance Framework.</p>	<p>An issue develops as the organisation does not effectively implemented its risk management policy or procedure</p>
<b>Recommendation</b>	<b>Priority level</b>
<p>Management should continue to develop its risk management plan, which includes key actions, responsibilities and timeframes for its implementation.</p> <p>The plan should be appropriately monitored to ensure that all milestones are delivered on target and remedial action taken where issues are identified.</p>	<p style="text-align: center;"><b>High</b></p>

<b>Management Response</b>	<b>Responsible Officer/ Deadline</b>
<p>(As above) Risk Management Policy to be completed and presented to the Executive Team in May. May Board to be provided with an update in respect of policy. The policy will be considered at June SLT and communicated to staff immediately following SLT.</p>	<p>(As above). Board Secretary. Policy finalised May 2019. Communicated to staff June 2019.</p>

<b>Finding 3 – Risk register (Operating effectiveness)</b>	<b>Risk</b>
<p>In finding 1 we identified that, at the time of our audit fieldwork, the organisation did not have a risk management policy or procedure in place. The policy should provide clear guidance for staff with regards to the organisation’s expectations on the need for additional risk registers that feed into the risk register presented at committees.</p> <p>We acknowledge that the organisation has a risk register that is reported to the Audit and Assurance Committee and is reviewed by the EMT and SLT. However, given that there is no formal procedure available to staff for the identification and management of risk, it is possible that risks to the organisation will not be appropriately identified, assessed and captured on the current register.</p>	<p>An issue develops as the organisation does not effectively manage a risk due to the lack of a clear policy or procedure</p>
<b>Recommendation</b>	<b>Priority level</b>
<p>The organisation’s risk policy and procedure should clearly set out its expectations with regards to risk registers. For example, it may be appropriate to develop directorate level risk registers that ‘feed’ into the risk register that is reported to committees of the Board.</p> <p>The organisation’s risk policy and procedure should be communicated to staff so that the approach to risk is clearly accessible.</p>	<p style="text-align: center;"><b>Medium</b></p>

<b>Management Response</b>	<b>Responsible Officer/ Deadline</b>
<p>The risk policy, which is to be completed in May, will set out HEIW's expectations in respect of the risk register will include reference to the creation of directorate level risk registers.</p> <p>HEIW risk policy will be presented at June SLT and communicated to staff thereafter.</p>	<p>Board Secretary. May 2019.</p> <p>Board Secretary. June 2019.</p>

<b>Finding 4 – Board Assurance Framework development (Operating effectiveness)</b>	<b>Risk</b>
<p>The organisation is in the process of developing a Board Assurance Framework (BAF), and a draft was presented to the March 2019 meeting of the Board. The organisation’s plan for the development of the BAF outlines the responsibilities and timeframes for actions.</p> <p>However, the draft BAF and development plan refers to the organisation’s risk policy and procedures as being key documents that underpin it. As we have detailed in finding 1 above, the organisation has not yet developed and approved its risk management policy and procedure, which will be integral to the successful implementation of the BAF.</p>	<p>The organisation does not achieve its strategic objectives as issues develop from strategic risks that are not effectively managed</p>
<b>Recommendation</b>	<b>Priority level</b>
<p>The BAF should be developed with consideration to the organisation’s risk management policy and procedure.</p>	<p><b>Low</b></p>
<b>Management Response</b>	<b>Responsible Officer/ Deadline</b>
<p>The BAF will be developed to take account of the risk management policy. Risk Management policy to be completed in May and will be taken into consideration in respect of the BAF thereafter.</p>	<p>Board Secretary. June 2019.</p>

## Appendix A - Assurance opinion and action plan risk rating

### Audit Assurance Ratings



**Substantial assurance** - 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.



**Reasonable assurance** - 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.



**Limited assurance** - 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.



**No assurance** - The Board can take **no 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 **high impact on residual risk** exposure until resolved.

### Prioritisation of Recommendations

In order to assist management in using our reports, we categorise our recommendations according to their level of priority as follows.

Priority Level	Explanation	Management action
<b>High</b>	Poor key control design OR widespread non-compliance with key controls. PLUS Significant risk to achievement of a system objective OR evidence present of material loss, error or misstatement.	Immediate*
<b>Medium</b>	Minor weakness in control design OR limited non-compliance with established controls. PLUS Some risk to achievement of a system objective.	Within One Month*
<b>Low</b>	Potential to enhance system design to improve efficiency or effectiveness of controls. These are generally issues of good practice for management consideration.	Within Three Months*

\* Unless a more appropriate timescale is identified/agreed at the assignment.

# **Health Education & Improvement Wales**

## **Performance Management**

### **Final Internal Audit Report**

**2018/19**

**May 2019**

## **NHS Wales Shared Services Partnership**

### **Audit and Assurance Services**

Performance Management

Health Education & Improvement Wales

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Appendix A

Management Action Plan

Appendix B

Assurance opinion and action plan risk rating

**Review reference:**

HEIW18/19-04

**Report status:**

Final Internal Audit Report

**Fieldwork commencement:**

8 April 2019

**Fieldwork completion:**

18 April 2019

**Draft report issued:**

29 April 2019

**Management response received:** 8 May 2019

**Final report issued:**

9 May 2019

**Auditor:**

Ken Hughes, Audit Manager

**Executive sign off:**

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**Committee:**

Audit and Assurance Committee

Performance Management  
Health Education & Improvement Wales

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## **ACKNOWLEDGEMENT**

NHS Wales Audit & Assurance Services would like to acknowledge the time and co-operation given by management and staff during the course of this review.

### **Disclaimer notice - Please note:**

Audit and Assurance Service

This audit report has been prepared for internal use only. Audit & Assurance Services reports are prepared, in accordance with the Service Strategy and Terms of Reference, approved by the Audit Committee.

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## **1. Introduction and Background**

In line with the 2018/19 Internal Audit Plan for Health Education and Improvement Wales ('HEIW' or 'the organisation') a review of performance management was undertaken. The review sought to provide assurance to the HEIW Audit and Assurance Committee that there were effective processes in place to manage performance risks.

HEIW was established as the first Special Health Authority on 5 October 2017 and commenced trading on 1 October 2018. It has brought together three key organisations for health: the Wales Deanery; NHS Wales's Workforce Education and Development Services (WEDS); and the Wales Centre for Pharmacy Professional Education (WCPPE). While the review focused on the performance management measures and indicators that have been inherited by HEIW from each of the previous organisations, we also considered the implementation of the new performance framework for 2019/20.

The relevant lead for the review was the Chief Executive.

## **2. Scope and Objectives**

The overall objective of the audit was to evaluate and determine the adequacy of the systems and controls in place in relation to the organisation's performance management arrangements. The review sought to provide assurance to the Audit and Assurance Committee that risks material to the system's objectives were being managed appropriately.

The areas that the review sought to provide assurance on were:

- Performance measures transferred from the previous organisations have been appropriately allocated to responsible officers within the organisation.
- There are clear processes in place to capture and scrutinise the data required to produce performance information.
- Mechanisms are in place that enable management to regularly report performance information to the Board, its committees, and other groups as appropriate.
- There is a planned approach to the implementation of the new performance framework to be introduced in 2019/20.

## **3. Associated Risks**

The potential risks considered in the review were as follows:

- Failure to achieve objectives due to limited monitoring and reporting of performance information.

## **OPINION AND KEY FINDINGS**


### **4. Overall Assurance Opinion**

- Inappropriate decisions made due to inaccurate reporting of performance data.

We are required to provide an opinion as to the adequacy and effectiveness of the system of internal control under review. The opinion is based on the work performed as set out in the scope and objectives within this report. An overall assurance rating is provided describing the effectiveness of the system of internal control in place to manage the identified risks associated with the objectives covered in this review.

The level of assurance given as to the effectiveness of the system of internal control in place to manage the risks associated with performance management is Reasonable Assurance.

The overall level of assurance that can be assigned to a review is dependent on the severity of the findings as applied against the specific review objectives and should therefore be considered in that context.

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

Performance monitoring has continued for 2018/19 using the inherited performance monitoring arrangements for the three legacy organisations that formed HEIW. This is based on the monitoring of progress towards the achievement of each organisation's objectives as recorded in their respective annual plans for 2018/19. The results have been collated into a HEIW Consolidated Plan performance report for 2018/19 which runs to some 130 pages. A summary of this was reported to the Board in November 2018.

Our review of the report for the quarter ended December 2018 showed that the majority of deliverables and required actions had either been completed or were on track to be completed by the end of March 2019, although a number of tasks were also being carried forward into 2019/20.

In January 2019 performance reporting to the Board focused on the progress against achievement of the seven new core HEIW objectives contained within the HEIW remit letter. While performance measures relating to the legacy organisations were produced, they were not formally reported to the Board or its committees.





An Integrated Performance Framework is being developed for use for 2019/20 performance. This will report on progress against the HEIW's seven core objectives from its 2019/20 annual plan, and will include a range of performance indicators, which will be summarised into a 'dashboard' for enhanced visual reporting.

Overall, we confirmed that there are performance monitoring arrangements in place for 2018/19, and work is underway to develop the new Integrated Performance Framework for 2019/20 which will need to evolve over time to fully meet the Board's reporting requirements. However, Board members will need to be more involved with the development of the framework to ensure that it meets the needs of Board and its committees.

In addition, the performance monitoring reports provided to the Board for the quarters ended September and December 2018 did not provide enough detail to ensure sufficient scrutiny over the inherited performance measures. As part of the year-end process, more comprehensive performance reporting may be required.

## 5. Assurance Summary

The summary of assurance given against the individual objectives is described in the table below:

Assurance Summary					
<b>1</b>	Transferred performance measures			✓	
<b>2</b>	Data capture processes			✓	
<b>3</b>	Board reporting		✓		

## Design of Systems/Controls

4	New Integrated Performance Framework			✓	
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\* The above ratings are not necessarily given equal weighting when generating the audit opinion.

The findings from the review have highlighted no issues that are classified as a weakness in the system control/design.

### Operation of System/Controls

The findings from the review have highlighted five issues that are classified as weaknesses in the operation of the designed system/control.

## 6. Summary of Audit Findings

In this section, we highlight areas of good practice that we identified during our review. We also summarise the significant findings made during our audit fieldwork. Significant findings are those rated as high or medium priority. The detailed findings are reported in the Management Action Plan (Appendix A).

### **Objective 1: Performance measures transferred from the previous organisations have been appropriately allocated to responsible officers within the organisation.**

We note the following area of good practice:

- Performance measures transferred from the Wales Deanery and WEDS had been allocated to relevant responsible officers within the organisation, and these were recorded on the Consolidated Plan 2018/19 performance report.

The following significant finding was identified for this objective:

- The Consolidated Plan 2018/19 for quarter 3 did not contain inherited performance measures relating to dentistry.

Performance measures transferred from the WCPPE had not been allocated to a responsible officer.

### **Objective 2: There are clear processes in place to capture and scrutinise the data required to produce performance information.**

We note the following area of good practice:

- There were established, inherited processes in place to capture and scrutinise the data required to produce performance information.

The following significant finding was identified for this objective:

- There is an heavy reliance on the Deputy Director Planning, Performance and Digital to effectively review, scrutinise and collate performance data, and develop the new Integrated Performance Framework until additional staff resources are recruited.

**Objective 3: Mechanisms are in place that enable management to regularly report performance information to the Board, its committees and other groups as appropriate.**

We note the following areas of good practice:

- Performance against each legacy organisation's Annual Plan objectives was recorded in the Consolidated Plan 2018/19 performance report.
- Summary performance information from the Consolidated Plan 2018/19 was reported to the Board for quarter 2 in November 2018. We identified the following significant finding for this objective:
- Performance reports from the legacy organisations can be reported to the Board. However, in November 2018 a summary report was presented that did not contain much detail, and in January 2019 a report relating to HEIW's objectives, as set out in the Welsh Government remit letter, was submitted that did not clearly demonstrate performance against legacy measures.

**Objective 4: There is a planned approach to the implementation of the new performance framework to be introduced in 2019/20.**

We note the following areas of good practice:

- A template has been developed to record performance monitoring data for the HEIW's seven core objectives. The template can be flexed to report additional performance data and measures.
- The template includes a dashboard for summarised reporting.

We identified the following significant finding for this objective.

- The Board has had no input to the new Integrated Performance Framework template and dashboard, and no clear timescale has been set for its implementation.

## 7. Summary of Recommendations

The audit findings and recommendations are detailed in Appendix A together with the management action plan and implementation timetable.

A summary of these recommendations by priority is outlined below.

<b>Priority</b>	<b>H</b>	<b>M</b>	<b>L</b>	<b>Total</b>
<b>Number of recommendations</b>	<b>1</b>	<b>3</b>	<b>1</b>	<b>5</b>

<b>Finding 1 - Board Reporting (Operating effectiveness)</b>	<b>Risk</b>
<p>HEIW has monitored performance for services inherited from the three legacy organisations by monitoring progress against the achievement of strategic objectives from their respective annual plans using a narrative update and RAG rating. This has continued up to the end of 2018/19.</p> <p>The Wales Deanery had six 'Obligations' and three sub-tasks for 2018/19, WCPPE has seven objectives and WEDS has five objectives. These were broken down into numerous sub-sections to create the full 'Consolidated Plan 2018/19 performance report'. This report was produced for the quarters ended September (Quarter 2), and December 2018 (Quarter 3).</p> <p>In November 2018 a summary report of Quarter 2 performance was taken to Board, but this contained little detail of performance against the three legacy organisation's individual objectives.</p> <p>In January 2019 neither the detailed performance report nor a summary report was taken to the Board. Instead, a report detailing progress against HEIW's objectives that were set out in the Welsh Government's remit letter was presented.</p> <p>While we understand that management decided not to present the detailed report due to the level of detail and size (in excess of 130 pages), at this early stage in the development of the organisation more detail could have been provided to ensure that the Board were sighted on potential performance issues. For</p>	<p>Inappropriate decisions made due to inaccurate reporting of performance data.</p>



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<p>example, a 'quarter on quarter' at a high-level 'objective' level for each organisation of the legacy organisations.</p> <p>We understand that a template that has been developed as part of work relating to the organisation's Integrated Performance Framework may be used to report performance for the first quarter of 2019/20, but at the time of our audit fieldwork this had not been completed.</p>	
<p><b>Recommendation 1</b></p>	<p><b>Priority level</b></p>
<p>A high-level summary performance monitoring report should be prepared at objective level for each organisation of the legacy organisations. This should be reported to the Board for the year ended 31 March 2019, and if necessary, quarterly until the new Integrated Performance Framework is fully implemented.</p>	<p><b>High</b></p>
<p><b>Management Response</b></p>	<p><b>Responsible Officer/ Deadline</b></p>
<p>A board update is scheduled for May Board which will incorporate the recommendations above for the period to end of March 2019. An integrated report utilising the performance dashboard is scheduled for its first iteration for the period to end of June 2019.</p>	<p>Deputy Director Planning, Performance &amp; Digital / May 2019</p>

<p><b>Findings 2 - New Integrated Performance Framework (Operating effectiveness)</b></p>	<p><b>Risk</b></p>
<p>A new Integrated Performance Framework is being developed to replace the existing performance management arrangements. The framework will report progress against HEIW's strategic objectives, and will include a range of performance indicators. Performance data will be collected via a template, which will summarise the data in a performance dashboard. Management plan to use the new framework for reporting from the first quarter of 2019/20.</p> <p>The template framework and dashboard have been developed, but at the time of our fieldwork they had not been presented to the Board to enable them to have an input into how performance measures will be reported to them. In addition, there was no clear timescale or target date for the implementation of the new framework.</p> <p>Furthermore, we understand that the framework will include the three Welsh Government mandated performance measures relating to workforce: staff sickness rate; personal appraisal and development review (PADR) levels; and mandatory training completion rates. However, it was unclear when all staff would have access to the staff Electronic Staff Record (ESR) system to enable reporting of these and any additional performance indicators that may rely on ESR data to commence.</p>	<p>Inappropriate decisions made due to inaccurate reporting of performance data.</p>

<b>Recommendation 2</b>	<b>Priority level</b>
<p>Management should ensure that the Board are engaged in the development of the new Integrated Performance Framework and dashboard to ensure the proposed format and content meets their performance monitoring requirements. A planned timescale should be developed for the roll out of ESR to all staff, and for the implementation of the new Integrated Performance Framework.</p>	<b>Medium</b>
<b>Management Response</b>	<b>Responsible Officer/ Deadline</b>
<p>To date, the development has involved an independent member (JH-T) reviewing progress at a meeting alongside CEO on 9 April. The draft dashboard was also discussed at a Board development session at the end of April. Responses have been positive and Board is aware of the iterative nature of the development over the course of the next 6-12 months.</p> <p>All staff who are employed and paid by HEIW now have access to ESR and its self-service functionality. First live data report to be presented to Board in July 2019 for period to end of Quarter 1.</p>	Deputy Director Planning, Performance & Digital / Ongoing

<b>Finding 3 - Completeness of performance reporting (Operating effectiveness)</b>	<b>Risk</b>
<p>Individual performance measures inherited from the Wales Deanery and WEDS have been allocated to staff members within HEIW. However, performance measures for WCPPE that were contained within the Consolidated Plan 2018/19 performance report that we reviewed had not been individually allocated to responsible officers within HEIW.</p> <p>In addition, the detailed Consolidated Plan 2018/19 report for Quarter 3 did not contain updates in respect of objectives relating to dentistry for the Wales Deanery.</p>	<p>Inappropriate decisions made due to inaccurate reporting of performance data.</p>
<b>Recommendation 3</b>	<b>Priority level</b>
<p>Each of the performance measures contained within the Consolidated Plan 2018/19 Report for the WCPPE should be allocated to individual officers from within the organisation to help ensure that performance is appropriately monitored.</p> <p>Management should ensure that an update is obtained for all areas contained within the Consolidated Plan 2018/19 report for the period ended March 2019.</p>	<p><b>Medium</b></p>

<b>Management Response</b>	<b>Responsible Officer/ Deadline</b>
<p>This omission is acknowledged and has been rectified for the responses to the end of Quarter 4 in relation to Dentistry.</p> <p>For WCPPE responses, although not specifically named, the returns are based on responses by the Pharmacy Dean and deputies. As a small team at this stage, this is manageable and provides appropriate responses.</p>	<p>Deputy Director Planning, Performance &amp; Digital / Immediately</p>

<b>Finding 4 - Performance team - staff resources (Operating effectiveness)</b>	<b>Risk</b>
<p>At the time of our fieldwork the Deputy Director of Planning, Performance &amp; Digital had sole responsibility for consolidating and collating performance data from the three legacy organisations. While we acknowledge that there was staff ownership of individual performance measures, the ability to effectively review and scrutinise performance measures is a challenge for one individual. In addition, the deputy director is developing the new Integrated Performance Framework for HEIW, which is scheduled to 'go live' in the first quarter of 2019/20.</p> <p>At the time of our fieldwork there appeared to be a significant amount of work to be complete for the framework to be ready. For example, to date there has been no clear mapping of the existing performance measures from the legacy organisations through to the new framework.</p> <p>We understand that additional staff resources will be recruited to assist with performance monitoring and development of the new framework but at present these additional staff have yet to be recruited. This could result in delays to the completion of the new framework, and to the oversight of performance monitoring reporting.</p>	<p>Failure to achieve objectives due to limited monitoring and reporting of performance information.</p>

<b>Recommendation 4</b>	<b>Priority level</b>
<p>Consideration should be given to providing additional staff resources on a temporary basis to assist with the preparation of quarterly performance reports and the development of the new integrated Performance Framework until additional permanent staff have been recruited to the Planning and Performance unit.</p>	<p><b>Medium</b></p>
<b>Management Response</b>	<b>Responsible Officer/ Deadline</b>
<p>Resource gaps are acknowledged. A job description has been developed to provide Business Partner support in this area of work. Agency support is to commence on 7 May whilst permanent recruitment processes are undertaken.</p>	<p>Deputy Director Planning, Performance &amp; Digital / Early May 2019</p>

<b>Finding 5 - Consolidated Plan 2018/19 Report (Operating effectiveness)</b>	<b>Risk</b>
<p>The introduction pages on the Consolidated Plan 2018/19 report had not been updated between the November and January iterations. For example, the 'background' section on page 1 of the report to the end of December 2018 reads as follows '<i>This initial document provides the board with progress updates of the annual plans as of 30 September whilst showing alignment to the 7 strategic goals of HEIW</i>'. This is inaccurate.</p>	<p>Inappropriate decisions made due to inaccurate reporting of performance data.</p>
<b>Recommendation 5</b>	<b>Priority level</b>
<p>Management should ensure that reports taken to Board are presented so that an appropriate context for the report is established for the reader.</p>	<b>Low</b>
<b>Management Response</b>	<b>Responsible Officer/ Deadline</b>
<p>This will be rectified for the upcoming report.</p>	<p>Deputy Director Planning, Performance &amp; Digital / May 2019</p>

## Appendix B - Assurance opinion and action plan risk rating

### Audit Assurance Ratings



Performance Management

Final Internal Audit Report

Health Education & Improvement Wales

**Substantial assurance** - 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.



**Reasonable assurance** - 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.



**Limited assurance** - 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.



**No assurance** - The Board can take **no 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 **high impact on residual risk** exposure until resolved.

### Prioritisation of Recommendations

In order to assist management in using our reports, we categorise our recommendations according to their level of priority as follows.

Priority Level	Explanation	Management action
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<b>High</b>	Poor key control design OR widespread noncompliance with key controls. PLUS Significant risk to achievement of a system objective OR evidence present of material loss, error or misstatement.	Immediate*
<b>Medium</b>	Minor weakness in control design OR limited non-compliance with established controls. PLUS Some risk to achievement of a system objective.	Within One Month*
<b>Low</b>	Potential to enhance system design to improve efficiency or effectiveness of controls. These are generally issues of good practice for management consideration.	Within Three Months*

\* Unless a more appropriate timescale is identified/agreed at the assignment.



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

Addysg a Gwella Iechyd  
Cymru (AaGIC)  
Health Education and  
Improvement Wales (HEIW)

<b>Meeting Date</b>	<b>29 May 2019</b>	<b>Agenda Item</b>	<b>2.9</b>
<b>Report Title</b>	<b>Draft Audit Recommendations Tracker</b>		
<b>Report Author</b>	Kay Barrow, Corporate Governance Manager		
<b>Report Sponsor</b>	Dafydd Bebb, Board Secretary		
<b>Presented by</b>	Kay Barrow, Corporate Governance Manager		
<b>Freedom of Information</b>	Open		
<b>Purpose of the Report</b>	<p>To present to the Audit and Assurance Committee, for compliance and assurance purposes, the audit recommendations tracking database (Audit Tracker) that contains the current agreed actions in response to the recommendations within Internal Audit and Wales Audit Office reports.</p> <p>To provide the Committee with assurance that those recommendations contained within the Audit Recommendations Tracker are being progressed, monitored and completed.</p>		
<b>Key Issues</b>	<p>The Audit Tracker, the status of which is represented using a Red; Amber; Green (RAG) rating, currently covers nine recommendations.</p> <p>The draft Audit Tracker is attached at Appendix 1 for consideration by the Committee.</p>		
<b>Specific Action Required</b> <i>(please ✓ one only)</i>	<b>Information</b>	<b>Discussion</b>	<b>Assurance</b>
		✓	
<b>Recommendations</b>	Members are asked to discuss the draft Audit Recommendation Tracker (Appendix 1) and to provide comment.		

## **AUDIT RECOMMENDATIONS TRACKER**

### **1. INTRODUCTION**

In line with good practice, the Audit and Assurance Committee (Committee) should closely monitor progress with the programme of internal and external audit reports undertaken at HEIW. A detailed Audit Tracker has been established to record the progress of all the recommendations contained in each of the Internal and External Audit reports completed since the establishment of HEIW.

The Audit Tracker will be a source of assurance for the Audit and Assurance Committee that those recommendations are being progressed, monitored and completed.

### **2. BACKGROUND**

The Committee should play a crucial role in supporting the effective governance of HEIW. It should play a pivotal role in ensuring that HEIW functions in accordance with good governance, applying appropriate accounting and auditing standards, and adopting appropriate risk management arrangements.

### **3. GOVERNANCE AND RISK ISSUES**

In line with good governance, the coordination and reporting of organisational actions for audit activity are key elements of HEIW's overall assurance arrangements.

### **4. FINANCIAL IMPLICATIONS**

There may be financial consequences of individual actions however there is no direct financial impact associated with this report at this stage.

### **5. RECOMMENDATION**

Members are asked to discuss the draft Audit Recommendations Tracker (Appendix 1) and to provide comment.

<b>Governance and Assurance</b>				
<b>Link to corporate objectives</b> <i>(please ✓)</i>	As a new organisation establishing HEIW as a valued and trusted partner, an excellent employer and a reputable and expert brand	Building a sustainable and flexible health and care workforce for the future.	With Social Care Wales shaping the workforce to deliver care closer to home and to better align service delivery.	Improving quality and safety by supporting NHS organisations find faster and more sustainable workforce solutions for priority service delivery challenges.
	✓			
	Improving opportunities for use of technology and digitalisation in the delivery of education and care.	Reinvigorating leadership development and succession planning across health and social care in partnership with Social Care Wales and Academi Wales	Demonstrating value from investment in the workforce and the organisation.	
<b>Quality, Safety and Patient Experience</b>				
Impact on quality, safety and patient experience where appropriate will be highlighted within the individual actions and assurance requirements.				
<b>Financial Implications</b>				
There may be financial consequences of individual actions however there is no direct financial impact associated at this stage.				
<b>Legal Implications (including equality and diversity assessment)</b>				
There are no legal implications.				
<b>Staffing Implications</b>				
There are no staffing implications.				
<b>Long Term Implications (including the impact of the Well-being of Future Generations (Wales) Act 2015)</b>				
WBFGA considerations will be included within the consideration of individual actions where appropriate.				
<b>Report History</b>				
<b>Appendices</b>	<ul style="list-style-type: none"> <li>• Draft Audit Recommendations Tracker Appendix 1.</li> </ul>			



## Audit Recommendations Tracker – May 2019

No.	Report title and date reported to Audit Committee	Recommendation	Deadline	Responsible Officer	Management Response – Update on Current Progress	STATUS
1. (IA)	Core Financials – Budgetary Control <i>February 2019</i>	To ensure clear responsibility and acceptance of ownership of a budget, L1 budget forms should be in place for all key delegated budgets and should be appropriately completed and authorised.  <b>Medium Priority</b>	31 March 2019	Director of Finance and Corporate Services	A review of L1 budget delegation forms will be undertaken to ensure that they are complete and appropriately authorised in accordance with the scheme of delegation.  <b>Current Progress:</b>  <b>Complete</b> – All L1 forms have been reviewed and are complete and correctly authorised.	
2. (IA)	Core Financials – Budgetary Control <i>February 2019</i>	Consideration should be given requesting budget holders to formally sign to accept their budget at the start of the financial year.  <b>Low Priority</b>	31 March 2019	Director of Finance and Corporate Services	Agreed that this will be an important aspect of the budget setting process for 2019/20. It will be key to ensuring that budget holders have authority to commit to expenditure within their delegated budgetary level but also confirm their responsibility managing within it. Danielle  <b>Current Progress:</b> Discussion undertaken at Executive Team on 15 May 2019. Budget allocation letters have been drafted for Executive Directors signed by the Chief Executive and distributed. It is anticipated that they will all be signed and returned by 31 <sup>st</sup> May 2019.	



## Audit Recommendations Tracker – May 2019

No.	Report title and date reported to Audit Committee	Recommendation	Deadline	Responsible Officer	Management Response – Update on Current Progress	STATUS
3. (IA)	Core Financials – Financial Accounting <i>February 2019</i>	<p>Now that HEIW has been operating for a number of months, FCPs should be reviewed to ensure they are complete and reflect the process being carried out within the organisation, whilst ensuring the expected controls remain. The department should create desktop procedures that outline to staff the process to be followed when performing tasks. This will facilitate a standardised approach to work and can act as guide for new or less experienced staff to use.</p> <p><b>Medium Priority</b></p>	March 2019	Head of Financial Accounting	<p>There is a journal register within Oracle so there is no need for a duplicate hard copy. However, the FCP can be clarified for this point. The manual (ad hoc) payments of £9.1m were processed using the same documentation as required by Accounts Payable. The method of payment is different i.e. direct payments rather than BACS but remaining information is the same. Whilst the FCPs were approved by audit committee in October 2018 with a yearly review process it is agreed that some will be reviewed before the start of the financial year and where necessary updated in light of the audit findings. Shared services subsequently changed their approach to miscellaneous payments in November 2018 which meant that the payments are now made via Accounts Payable using the same backing documentation. No clarification is therefore required in the FCP as this approach has been used by precursor organisations, in particular, Shared Services, and presumably has been dealt with satisfactorily in the past. Since the audit fieldwork was undertaken, desk top procedures have been written.</p> <p><b>Current Progress:</b></p> <p><b>On-going</b> – Processes are still being reviewed and refined to reflect best practice identified from other organisations and from discussions as part of the year-end audit. Working papers and desktop notes are being prepared to reflect the operational procedures. It is anticipated this will be complete by the end of July 2019.</p>	



## Audit Recommendations Tracker – May 2019

No.	Report title and date reported to Audit Committee	Recommendation	Deadline	Responsible Officer	Management Response – Update on Current Progress	STATUS
4. (IA)	Core Financials – Financial Accounting <i>February 2019</i>	Backing documentation provided to support a payment request should be more robust, ideally be in the form of an invoice and include key information including the service that has been provided, the date of service delivery and a breakdown of the costs. All payment request forms should be completed in full with the amount the authorising officer is signing for written clearly on the form.  <b>Medium Priority</b>	February 2019	Head of Financial Accounting	As has been noted the process has firmed up over the period since the start of HEIW. Reassurance is obtained in that the payments can be traced back to the correct suppliers and the coding is correct. It should be noted that all the payments are supported by backing documents and therefore any risk is very low. Indeed it is reassuring that no mis-payments have been identified in this audit. However, controls can always be improved and the payment request form will be completed in full going forward but the payments can be traced back to the backing documentation.  <b>Current Progress:</b>  <b>Complete</b> – A revised manual payment request form has been issued requiring additional information and all payments are logged. The majority of all payments are now made through the Accounts Payable system.	
5. (IA)	Core Financials – Financial Accounting <i>February 2019</i>	A sample review of the balance sheet codes reconciliations should take place once the responsibility of completing the reconciliations has been given to the Assistant Financial Accountant. This will ensure that the	February 2019	Head of Financial Accounting	The balance sheet code reconciliations are being undertaken and reviewed. In addition, there is a sample review undertaken by interim Head of Financial Accounting but earlier in the review process than required by the FCP. As regards the banking and other reconciliations being completed by senior staff, this is referring effectively to a Financial Accountant completing but the interim Head of Financial Accounting was reviewing and authorising the reconciliations. The key point is that there is segregation of duty between the person completing and the person	

## Audit Recommendations Tracker – May 2019

No.	Report title and date reported to Audit Committee	Recommendation	Deadline	Responsible Officer	Management Response – Update on Current Progress	STATUS
		<p>department are following the formal month end process as outlined in the FCP. In the mean-time consideration should be given to a peer review of the reconciliations to confirm accuracy.</p> <p><b>Low Priority</b></p>			<p>authorising the reconciliation – in line with good accounting practice. A sample check is being undertaken on the other reconciliations. The FCP's will be reviewed on an annual basis as there is currently no significant inherent control weakness.</p> <p><b>Current Progress:</b></p> <p><b>Complete</b> – A revised timetable has been prepared and all reconciliations are reviewed in line with the agreed timescales.</p> <p>For year-end detailed balance sheet reconciliations were prepared for all codes and this process will continue monthly. From July 2019 a monthly 'Corporate Control Meeting' will be held to review balance sheet transactions with service teams on a rotational basis. This will introduce an additional level of challenge and scrutiny to the overall financial position.</p>	
6. (IA)	Core Financials – Financial Accounting <i>February 2019</i>	<p>The department should ensure that two members of staff are aware of the access code to the safe to allow access to be granted during times of absence. The current location of the safe should be considered.</p> <p><b>Low – Priority</b></p>	February 2019	Head of Financial Accounting	<p>There has been nothing of value in the safe until the middle of January 2019, when some petty cash has been stored. However, all Financial Accounting staff are now aware of the code to the safe. The location of the safe will be moved to the second floor, where the financial accounts team moved on 26 January 2019.</p> <p><b>Current Progress:</b></p> <p><b>Complete</b> – All Financial Accounting staff are now aware of the code to the safe.</p>	

## Audit Recommendations Tracker – May 2019

No.	Report title and date reported to Audit Committee	Recommendation	Deadline	Responsible Officer	Management Response – Update on Current Progress	STATUS
7. (IA)	Core Financials – Financial Accounting <i>February 2019</i>	All purchasing card transaction summary forms should be approved by the budget holder or line manager as per the Purchasing Card FCP. Where card holders are of a senior position within the organisation, forms should be countersigned by staff member of similar authority.  <b>Low Priority</b>	February 2019	Head of Financial Accounting	This is a very low risk as the level of spend by senior directors is minimal. However, this will be amended going forward.  <b>Current Progress:</b>  <b>Complete</b> - Approvals are made through the service desk requests.	
8. (IA)	Core Financials – Financial Accounting <i>February 2019</i>	Purchasing card holders should be reminded that cards should only be used in circumstances where existing purchasing agreements or contracts are not in place.  <b>Low Priority</b>	February 2019	Head of Financial Accounting	This is a very low risk but this should be dealt with on a case by case basis. For example, stationery may be required if someone is travelling on business. Such purchases would not be on the framework but could still provide value for money overall.  <b>Current Progress:</b>  <b>Complete</b> – Update sent 24/05/2019. From 1/4/19 quarterly summaries of purchasing card transactions will be sent to NWSSP procurement to review expenditure and procurement routes.	



## Audit Recommendations Tracker – May 2019

No.	Report title and date reported to Audit Committee	Recommendation	Deadline	Responsible Officer	Management Response – Update on Current Progress	STATUS
9. (IA)	Governance Arrangements <i>February 2019</i>	To help both existing and new staff the organisation should consider mapping its committee structure to pictorially show the flow of information between committees, other key groups and external parties.  <b>Low Priority</b>	June 2019	Board Secretary	A pictorial representation of the committee structure will be created.  <b>Current Progress:</b>  <b>Complete</b> – This is now included in the Corporate Governance Reporting as part of the .Accountability Report 2018/19.	



## **COUNTER FRAUD & CORRUPTION**

### **ANNUAL REPORT 2018/19**

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

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## 1. Management Summary

1.1 This Annual Report has been written in accordance with the provisions of the Welsh Government Directions on fraud and corruption, which require Local Counter Fraud Specialists (LCFS) to provide a written report, at least annually, to the Trust on Counter Fraud work. The report content and style used complies with the model prescribed by NHS Counter Fraud Authority (formerly NHS Protect).

1.2 Established on 1 October 2018, Health Education and Improvement Wales (HEIW) is the only Special Health Authority within NHS Wales. It sits alongside Welsh Health Boards and Trusts and has a leading role in the education, training, development, and shaping of the healthcare workforce in Wales, in order to ensure high-quality care for the people of Wales.

1.3 The HEIW's (HEIW) Nominated Lead Local Counter Fraud Specialist (LCFS), Craig Greenstock, was nominated to the post with effect from 1<sup>st</sup> April 2012. He completed his Counter Fraud training in December 2000 and was accredited in January 2001.

During 2018/19 there have been no case referrals to Counter Fraud which required further investigation.

1.4 Advice as to how to proceed would be sought on each individual case from the NHS CFS (Wales) and once the investigation into the allegations had been concluded, legal opinion would also be taken from the Specialist Fraud Division - Crown Prosecution Service as to whether there was sufficient evidence to warrant and support a criminal prosecution.

1.5 Any case progress reports would be submitted to the Audit Committee on a regular basis.

1.6 There are currently no ongoing cases under investigation.

1.7 Close liaison and good working relationships have been established and still continue to operate with the NHS Counter Fraud Service (Wales).

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

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

Due to unforeseen staff changes, however, coupled with a long term sickness absence within the Counter Fraud Team, it has only been possible to undertake a few fraud awareness sessions during the financial year. However, arrangements are now being put in place to ensure this is taken forward and completed within the 2019/20 Financial Year.

2.2 In accordance with the Welsh Government Directions, as in **Appendix 1**, the LCFS' will:

- Proactively seek and report to NHS Counter Fraud Authority opportunities where details of Counter Fraud work (involving action on prevention, detection, investigation, sanction or redress) can be used within presentations or publicity in order to deter Fraud and Corruption in the NHS.
- Report all allegations of fraud to NHS Counter Fraud Authority

- Share information with other LCFS' throughout the NHS in order to build on good practice and identify areas where fraud may be prevented.

### **3. Prevent Fraud**

- 3.1 The LCFS' will assist by providing information and by communicating messages effectively within their Health Body.

The LCFS' will regularly liaise with relevant HEIW Managers and any other NHS staff on all allegations of fraud received. This work, by the LCFS', will hopefully have a positive impact in identifying and reporting fraudulent activity within the Health Body.

The deterrence effect is often difficult to measure. However, as a result of previous awareness presentations to the various staff groups in other Health Bodies, a wider understanding of the role of the LCFS' can then be established. It is anticipated that as this develops then there is may be an increase in the number of cases being reported. At that stage, decisions can then be made on how best to proceed and which cases may be more suited to be taken forward under the HEIW own Disciplinary Policy.

However, hopefully as more and more HEIW staff become aware of the potential areas for fraud, they will be then be prepared to take action and report any concerns to the LCFS', which can then be investigated.

- 3.2 To be effective locally, publicity needs to have local relevance and it is important for the LCFS' to communicate any local successes, particularly around sanctions and redress. It is proposed that outline details of previous and any future successful prosecutions will continue to be reported on the relevant Counter Fraud intranet pages.
- 3.3 The LCFS' will, subject to HEIW's Policies and Procedures, also consider publicity in any case of fraud, where a successful outcome is achieved as a result of counter fraud action. This helps to reinforce the messages about action being taken to reduce fraud which will be carried out through the appropriate channels.

### **4. Deter Fraud**

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

- NHS Counter Fraud Authority
- NWSSP Internal Audit
- Audit Committee
- External Audit

This will be achieved by:

- Submission of new case notifications and intelligence reports via the NHS Counter Fraud Authority FIRST Case Management System. System weaknesses relating to any cases investigated are updated on FIRST and NWSSP Internal Audit are also notified if relevant.
- Providing regular reports and/or presentations to the Trust's Audit Committee and Trust Senior Managers.
- Regular liaison with NWSSP Internal Audit and the Trust's External Auditors with reference to investigations for assistance and any previous reports held by them.

- Where, as a result of Counter Fraud work, any system weaknesses have been identified then the LCFS' will provide an investigation report where appropriate, with potential solutions and recommendations.

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

4.3 The LCFS will also provide reports on system weaknesses identified as the result of fraud investigations, recommending changes in HEIW practices and or procedures.

4.4 An exercise to fraud proof HEIW policies will be put in place and continue through into 2019/20 and beyond on an ongoing basis.

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

5.1 The LCFS' will take account of:

- Information from the NWSSP Internal Audit and the Trust's External Audit functions regarding system weaknesses
- NHS Counter Fraud Authority analyses on data, reports and trends in order to prioritise any area of detection work
- The LCFS' own enquiries and analysis of data, reports (including Whistle Blowing) and trends.

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

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

The LCFS' will refer cases to NHS CFS (Wales) in accordance with the Welsh Government Directions and all cases will be reported using the FIRST Case Management System. For 2018/19, the LCFS' has continued to electronically record information regarding any investigations onto the FIRST Case Management System, which is held within a restricted area within NHS Counter Fraud Authority internet webpage.

6.2 Referrals received by the LCFS are not necessarily and/or automatically reported on the NHS Counter Fraud Authority FIRST Case Management System.

6.3 The LCFS' will and do provide NHS Counter Fraud Authority, NWSSP Internal Audit, and HEIW Finance Director with regular update reports which are also submitted to the Audit Committee on significant case developments and progress.

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

7.1.1 The LCFS' will give consideration to the different sanctions available to them with regard to the "Triple Track" approach to investigations, i.e. Criminal, Civil and Disciplinary action. To ensure that correct, prompt action is taken in each case, a close working relationship has been developed with the relevant Workforce & OD Managers.

7.1.2 The LCFS' will supply the Health Body with information where fraud is established to enable them to recover the lost resources. A full file is maintained on each of the investigations carried out to provide information to assist the recovery of funds.

## **8. Annual Assessment Declaration**

8.1 Since 2013/14 and following a review of the practice whereby NHS Counter Fraud Authority would determine how effective a Health Body's Counter Fraud arrangements were when compared to other NHS Bodies, a significant change was introduced into the way in which Health Bodies were to report and then be assessed.

8.2 This new process, based on a risk based approach, now requires each Health Body to undertake it's own Self Risk Tool (**Appendix 3**) based on a set of criteria and standards.

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

## WELSH GOVERNMENT DIRECTIONS

The following grid identifies the key requirements under Welsh Government Directions and outlines current activity within each section.

Paragraph	Instruction	Action by HEIW
2 (1)	<p>Each NHS body must take all necessary steps to counter fraud in the NHS in accordance with:</p> <ul style="list-style-type: none"> <li>• These Directions</li> <li>• The NHS Counter Fraud and Corruption Manual</li> <li>• NHS Counter Fraud Authority policy statement applying appropriate sanctions consistently.</li> </ul>	<p>Counter Fraud arrangements have been put into place including the nomination of a lead LCFS.</p> <p>Where possible the Manual has been referred to for guidance and appropriate action taken. An updated Manual has now been issued following a revision, by the Welsh Government, after taking into account changes in legislation within the NHS in England.</p>
2 (2)	Each health body must require its Chief Executive and Director of Finance to monitor and ensure compliance with these Directions.	Regular meetings are held between the Finance Director and Nominated Lead LCFS.
3 (1) to (6)	Co-operation with NHS Counter Fraud Authority	Arrangements have been put in place via NHS CFS Wales for appropriate working practices to be established with NHS Counter Fraud Authority.
4 (1) to (2)	Co-operation with NHS CFS (Wales)	An effective working relationship has been developed with NHS CFS Wales. To date there has been no issue with regards to this arrangement and full co-operation between the LCFS and NHS CFS Wales and vice versa is in place
5 (1) to (8)	Appointment of Local Counter Fraud Specialists	HEIW's Nominated Lead LCFS is Craig Greenstock.
6 (1) to (3)	Responsibilities and functions of the LCFS	A job description has been produced for the LCFS role. The Nominated Lead LCFS reports directly to Finance Director, informs him/her of all cases as they are received, and keeps him/her updated on any progress/closures.

7 {1}	Responsibilities of NHS bodies in relation to the LCFS	<p>A signed work plan is in place, in line with the NHS Counter Fraud Standards and general areas of counter fraud activity.</p> <p>The lead LCFS or delegated LCFS, has attended, when required, the relevant Audit Committees that have been held during the year.</p> <p>The Lead LCFS has access to all Audit Committee members, staff, systems and records.</p> <p>The Lead LCFS has the support of HEIW to ensure that the LCFS' can operate effectively and efficiently.</p>
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## Further Information

## 1. Reporting lines

<b>Chief Executive</b>	Alex Howells Health Education and Improvement Wales Tŷ Dysgu Cefn Coed Nantgarw CF15 7QQ Email: <a href="mailto:Alex.Howells@wales.nhs.uk">Alex.Howells@wales.nhs.uk</a>
<b>Interim Director of Finance and Corporate Services</b>	Eifion Williams Health Education and Improvement Wales Tŷ Dysgu Cefn Coed Nantgarw CF15 7QQ Email: <a href="mailto:Eifion.Williams6@wales.nhs.uk">Eifion.Williams6@wales.nhs.uk</a>
<b>Nominated Lead Local Counter Fraud Specialist</b>	Craig Greenstock Counter Fraud Manager 2 <sup>nd</sup> Floor, Monmouth House University Hospital of Wales, Heath Park Cardiff CF14 4XW Email: <a href="mailto:Craig.Greenstock@wales.nhs.uk">Craig.Greenstock@wales.nhs.uk</a>

## 2. Mix of cases

Number of cases in 2018/19, including those brought forward from previous years:

Area (based on initial reported category)	Number of cases	Closed	Ongoing
	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 3. NHS Counter Fraud Authority Website

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

Appendix 3

Summary of Risk against the Contract and Standards as at 31<sup>st</sup> March 2019

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

AREA OF ACTIVITY	DAYS USED
STRATEGIC GOVERNANCE	8
INFORM AND INVOLVE	2
PREVENT AND DETER	0
HOLD TO ACCOUNT	0
TOTAL DAYS USED	10

COST OF ANTI-FRAUD, BRIBERY AND CORRUPTION WORK	
PROACTIVE COSTS	£2,800.00
REACTIVE COSTS	0
TOTAL COSTS	£2.800.00

### Declaration

I declare that the Anti-Fraud, Bribery and Corruption work carried out during the financial year 2018/19, within the HEIW, has been self-reviewed against the NHS Counter Fraud Authority Standards for Providers - Fraud, Bribery and Corruption/NHS Standard Contract and the rating as detailed in Appendix 4 has been achieved.

### Organisation Name

HEIW

### Interim Director of Finance

Eifion Williams

### Date

3<sup>rd</sup> May 2019

# SRT Process Summary

Overall Score : **AMBER**

Submitted By : Mr Craig Greenstock

Submitted Date : 03/05/2019 07:27:14

# 1. Sections

## 1.1. General

## 1.2. Strategic Governance

## 1.3. Inform and Involve

## 1.4. Prevent and Deter

## 1.5. Hold to Account

### General

Standard	Comments
Name of the organisation	HEALTH EDUCATION AND IMPROVEMENT WALES (HEIW)
Annual budget of the organisation *	£ 190 million to £ 260 million
Staff headcount at the organisation including contracted employees *	Under 500
Organisation code	T1530
Organisation/provider type *	Special Health Authority
Name of the member of the executive board or equivalent body responsible for overseeing and providing strategic management *	Mr Eifion Williams
Region *	WALES
Date of completion of this review	02/05/2019
Name and email of the Local Counter Fraud Specialist*	Craig Greenstock - craig.greenstock@wales.nhs.uk
Name of the counter fraud provider organisation (including in-house) *	Cardiff and Vale University Health Board
Name of the Chair of the Audit Committee	Ms Gill Lewis
Email of the Chair of Audit Committee	Gill.Lewis@wales.nhs.uk
Strategic Governance, Inform and Involve and Prevent and Deter days used (Maximum 3 digits)*	10
Hold to Account days used (Maximum 3 digits)*	0
Total days used for counter fraud work	10
Number of referrals received during the most recent financial year	0
Number of cases opened during the most recent financial year	0
Number of cases closed during the most recent financial year	0
Number of cases open as at 31/03/2019	0
Amount of fraud losses identified during the most recent financial year	£0.00
Amount of fraud losses recovered during the most recent financial year	£0.00
Number of criminal sanctions applied during the year	0
Number of civil sanctions applied during the year	0
Number of disciplinary sanctions applied during the year	0
Cost of counter fraud staffing per financial year - Strategic Governance, Inform and Involve and Prevent and Deter*	£2,800.00
Cost of counter fraud staffing per financial year - Hold to Account	£0.00
Total costs for counter fraud work	£2,800.00

### Strategic Governance

No	Standard	Rating	Comments
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1.1	A member of the executive board or equivalent body is responsible for overseeing and providing strategic management and support for all counter fraud, bribery and corruption work within the organisation.	GREEN	The Health Body's Finance Director has delegated responsibility for overseeing and providing all aspects of such work within the organisation. Evidence to support this is contained in various documentation such as the Annual Counter Fraud Report, regular Counter Fraud Progress Reports which are then tabled at Audit Committee and Board meetings in conjunction with the Health Body's Policies and Procedures which relate to and support the Counter Fraud work being undertaken.
1.2	The organisation's non-executive directors and board level senior management provide clear and demonstrable support and strategic direction for counter fraud, bribery and corruption work. Evidence of proactive management, control and evaluation of counter fraud, bribery and corruption work is present. If the NHSCFA has carried out a qualitative assessment, the non-executive directors and board level senior management ensure recommendations made are fully actioned.	GREEN	There is clear evidence to support this in the form of Counter Fraud Progress Reports which have been tabled at Audit Committee meetings.
1.3	The organisation employs or contracts in one or more accredited, nominated LCFs to undertake the full range of counter fraud, bribery and corruption work, including proactive work to prevent and deter fraud, bribery and corruption and reactive work to hold those who commit fraud, bribery and corruption to account.	GREEN	As part of a Service Level Agreement, the HEIW employ an LCFs' to carry out the full range of Counter Fraud work on behalf of the Health Body.
1.4	The organisation has carried out risk assessments to identify fraud, bribery and corruption risks, and has counter fraud, bribery and corruption provision that is proportionate to the level of risk identified. Measures to mitigate identified risks are included in an organisational work plan, progress is monitored at a senior level within the organisation and results are fed back to the audit committee.	AMBER	This is a newly established Health Body and so risk assessments are being established which would ensure that any fraud, bribery and/or corruption could and would be identified at any early stage. On-going work will continue in this area during 2019/20 and this will be reported in the form of regular Counter Fraud Progress Reports to be presented to future Audit Committees in addition to the Health Body's own Risk Register reports. Services provided by the body were however subject to LCFs scrutiny by previous organisations prior to incorporation into HEIW.

1.5	The organisation reports annually on how it has met the standards set by the NHSCFA and NHS CFS Wales in relation to counter fraud, bribery and corruption work, and details corrective action where standards have not been met.	GREEN	The Health Body is required to produce an Annual Counter Fraud Report which will then be tabled at the relevant Audit Committee meeting. In addition and as part of the NHS Counter Fraud Authority's required process, the Health Body is also required to complete and submit a Self Review Tool (SRT) which details the level achieved when compared to the individual Standards on Fraud, Bribery and Corruption.
1.6	The organisation ensures that those carrying out counter fraud, bribery and corruption work have all the necessary tools and resources to enable them to carry out their role efficiently, effectively and promptly. This includes (but is not limited to) access to IT systems and access to secure storage.	GREEN	The LCFS' have dedicated offices and interview under caution facilities together with an additional secure storage room which enables all records including confidential material to be securely stored and in a lockable location.
1.7	The organisation ensures that there are effective lines of communication between those responsible for counter fraud, bribery and corruption work and other key staff groups and managers within the organisation, including (but not limited to) audit, risk, finance, communications and human resources. There is evidence of positive outcomes as a result of this liaison.	GREEN	The LCFS' have access to all staff groups within the Health Body including, but not limited to, Board Members, Audit Committee Chair, Independent Members and Senior Executives which also includes the full support of the Health Body's Finance Director.

## Inform and Involve

No	Standard	Rating	Comments
2.1	The organisation has an ongoing programme of work to raise awareness of fraud, bribery and corruption. This should cover the NHSCFA's Fraud and Corruption Reporting Line and online fraud reporting tool, and the role of the accredited counter fraud specialist. Content may be delivered through presentations, newsletters, leaflets, posters, intranet pages, induction materials for new staff, emails and other media, making use of the NHSCFA's fraud awareness toolkit as appropriate. The effectiveness of the awareness programme is measured.	RED	This is a new Health Body that was only established in the latter part of 2018/19. As a result, a programme to raise fraud awareness will be agreed with the Finance Director as part of the 2019-20 Annual CF Work-plan. Services provided by the body were however subject to LCFs scrutiny by previous organisations prior to incorporation into HEIW

2.2	The organisation has a counter fraud, bribery and corruption policy that follows the NHSCFA's strategic guidance, publicises the NHSCFA's Fraud and Corruption Reporting Line and online reporting tool, and has been approved by the executive body or senior management team. The policy is reviewed, evaluated and updated as required, and levels of staff awareness are measured.	GREEN	The Health Body does have a policy in place which has been approved and details the individuals roles and responsibilities should a fraud be identified and/or suspected.
2.3	The organisation liaises with other organisations and agencies (including local police, local authorities, regulatory and professional bodies) to assist in countering fraud, bribery and corruption. All liaison complies with relevant legislation, such as the Data Protection Act 1998 - General Data Protection Regulation (GDPR), and with relevant organisational policies. The organisation can demonstrate improved investigative and operational effectiveness as a result of the liaison.	GREEN	As part of the agreed SLA, evidence would include e-mails, meeting notes, case files and progress sheets with the LCFS then having liaised with key stakeholders both internally and externally. These links include, but are not limited to the Police, CFS Wales, Payroll Services, Local Authorities, External and Internal Audit.
2.4	The organisation has a fully implemented code of conduct that includes reference to fraud, bribery and corruption and the requirements of the Bribery Act 2010. The effectiveness of the implementation of the process and staff awareness of the requirements of the code of conduct are regularly tested.	RED	The Health Body is in the process of implementing a Standards of Behaviour Policy which would incorporate Declarations of Interest, Gifts, Hospitality and Sponsorship and outlines the roles and responsibilities for staff and monitoring of actions. A report would then be produced to the Audit Committee annually in relation to this process, by the Health Body's Governance Department, who would also review the process. Declarations of Interest and Gifts and Hospitality would then be reported to the Audit Committee.

## Prevent and Deter

No	Standard	Rating	Comments
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3.1	<p>The organisation reviews new and existing relevant policies and procedures, using audit reports, investigation closure reports and guidance from the NHSCFA and NHS CFS Wales, to ensure that appropriate counter fraud, bribery and corruption measures are included. This includes (but is not limited to) policies and procedures in human resources, standing orders, standing financial instructions and other finance and operational policies. The organisation evaluates the success of the measures in reducing fraud, bribery and corruption, where risks have been identified.</p>	GREEN	<p>The Health Body's Policies and /or Procedures which are to be reviewed and which have any reference to Fraud, Bribery and/or Corruption would require "sign off" by the Counter Fraud Manager as part of the review process. Once approved such documents would then be disseminated across the Health Body and also placed on the Health Body's Intranet and Internet websites.</p>
3.2	<p>The organisation uses relevant information and intelligence to identify anomalies that may be indicative of fraud, bribery and corruption and takes the appropriate action, including proactive exercises, to address them. Relevant information and intelligence may include (but is not limited to) internal and external audit reports, evidence of primary care work, information on outliers, recommendations in investigation reports and information from payroll. The findings are acted upon promptly.</p>	GREEN	<p>As part of the agreed joint working arrangements with NWSSP Internal Audit, a reporting format of any suspicion of fraud has been agreed and documented. In addition, any system weaknesses are included within the individual Internal Audit reports that are tabled at Audit Committee meetings. The Lead LCFS is also the Health Body's Key Contact as part of the bi-annual National Fraud Initiative.</p>
3.3	<p>The organisation issues, implements and complies with all appropriate fraud, bribery and corruption intelligence bulletins, prevention guidance and alerts issued by the NHSCFA or NHS CFS Wales. In addition, the organisation issues local counter fraud, bribery and corruption warnings and alerts to all relevant staff following guidance in the NHSCFA Intelligence Alerts, Bulletins and Local Warnings Guidance. The organisation has an established system of follow up reviews to ensure that it remains vigilant and that all appropriate action has been taken.</p>	AMBER	<p>The Health Body would be pro-active in it's approach to identifying and addressing any system weaknesses. These are reported on and any recommendations made then implemented to ensure mitigation of any weaknesses that have been identified. The LCFS' also use the FIRST Database to record any system weaknesses on behalf of the Health Body. The LCFS also takes positive action in distributing any Fraud Warning Notices received from the NHS Counter Fraud Authority and/or NHS CFS (Wales) to all key stakeholders.</p>

3.4	The organisation ensures that all new staff are subject to the appropriate level of pre-employment checks, as recommended by NHS Employers, before commencing employment within the organisation. Assurance is sought from any employment agencies used that the staff they provide have been subject to adequate vetting checks, in line with guidance from NHS CFS Wales, NHS Employers and the Home Office.	AMBER	Whilst this is a newly established Health Body, evidence will still show that in conjunction with NWSSP Recruitment Department, any anomalies with the pre-employment checks (e.g. adverse DBS) would be referred in accordance with the agreed process to the LCFS for further investigation.
3.5	The organisation has proportionate processes in place for preventing, deterring and detecting fraud, bribery and corruption in procurement.	AMBER	The LCFS already has a targeted approach in place in relation to this work to ensure that this issue is fully covered when delivering future awareness sessions and there is an agreed checking mechanism in place in conjunction with NHS Wales Shared Service Partnership to ensure that Procurement Services fully meet the requirement of this standard at each stage of any procurement, tendering and/or ordering process.
3.6	The organisation has proportionate processes in place for preventing, deterring and detecting invoice fraud, bribery and corruption, including reconciliation, segregation of duties, processes for changing supplier bank details and checking of deliveries.	GREEN	The NWSSP are responsible for ensuring that appropriate procedures are in place throughout NHS Wales. Any potential alerts which are issued by NHS CFS Wales are then forwarded to the relevant key stakeholders within the Health Body in addition to NWSSP Accounts Payable Managers to ensure that a clear segregation of duties also exists.

### Hold to Account

No	Standard	Rating	Comments
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4.1	<p>The organisation ensures that the case management system is used to record all reports of suspected fraud, bribery and corruption, to inform national intelligence. The case management system is also used to record all system weaknesses identified during the course of investigations and/or proactive prevention and detection exercises.</p>	GREEN	<p>FIRST is an information gathering, intelligence disseminating and case management toolkit provided by the NHS Counter Fraud Authority for the use of organisations to assist them with the management of referrals, intelligence and fraud enquiries. The system is used by Accredited Counter Fraud Specialists to ensure that compliance with the Criminal Procedure and Investigations Act 1996 (CPIA) is adhered to and FIRST is then updated on a regular basis and within timescales, recording all appropriate information as stipulated in the NHS Counter Fraud Authority guidance previously issued.</p>
4.2	<p>The organisation uses a case management system to support and progress the investigation of fraud, bribery and corruption allegations, in line with NHSCFA guidance.</p>	GREEN	<p>Files are updated within the required timescales. All appropriate information is recorded and cases identified for closure appropriately. The NHS CFS Operational Manager reviews information on FIRST on a regular basis to ensure that all appropriate information is recorded timely and used to identify any investigations that require further action or files for closure. This ensures that, where there may have been a break in activity on a case the reason can then be recorded to ensure compliance with due process and any legislative requirements.</p>
4.3	<p>The organisation shows a commitment to pursuing, and/or supporting the NHSCFA and NHS CFS Wales in pursuing, the full range of available sanctions (criminal, civil, disciplinary and regulatory) against those found to have committed fraud, bribery or corruption in primary and secondary care sectors, as detailed in the NHSCFA guidance and following the advice of the Operational Fraud Manager in NHS CFS Wales.</p>	GREEN	<p>The Health Body has guidance in place in the form of it's Counter Fraud Bribery and Corruption Policy. This outlines procedures, the organisational stance against fraud and the commitment that the Health Body would take when pursuing the relevant sanctions (e.g. criminal, civil and/or disciplinary).</p>

4.4	The organisation completes witness statements that follow best practice and comply with national guidelines.	GREEN	Any witness statements would be found to be fully compliant with the National File Standards and any relevant guidance issued.
4.5	Interviews under caution are conducted in line with the National Occupational Standards (CJ201.2) and the Police and Criminal Evidence Act 1984.	GREEN	All interview under cautions would be fully compliant with guidance issued, CJ201.2 and the Police And Criminal Evidence Act 1984 (PACE). The caution would be explained appropriately and there would be a clear understanding of conversation management and lines of questioning pursued in relation to any allegations made. The closure of the interview would also include a summary of the discussions held. The process required has recently been re-enforced and updated as part of sessions carried out by NHS CFA training staff.
4.6	The organisation seeks to recover, and/or supports the NHSCFA and NHS CFS Wales in seeking to recover, NHS funds that have been lost or diverted through fraud, bribery and corruption, following an assessment of the likelihood and financial viability of the recovery. The organisation publicises cases that have led to successful recovery of NHS funds.	GREEN	As part of the SLA, the Health Body does have a Counter Fraud and Corruption Policy which clearly outlines the recovery processes that would be followed when seeking Redress. Recoveries would be monitored by the Health Body to ensure full recovery and further action would then be taken against the defendant should any payments be missed. In addition to these recoveries, NHS CFS Wales would also assist in the civil recovery on behalf of the organisation.



## HEALTH EDUCATION AND IMPROVEMENT WALES (HEIW) COUNTER FRAUD WORK PLAN 2019 - 2020

### 1 Background

- 1.1 This Work-Plan provides a basis to formulate local Counter Fraud arrangements. The tasks outlined should be considered and reviewed on an annual basis. This guidance recommends the resources necessary to undertake work effectively across the areas of action outlined in NHS Counter Fraud Policy and Procedures. These recommendations are based on an annual Quality Assurance Programme, comprising two main processes, assurance and assessment. Both of which are closely linked to the anti-fraud, corruption and bribery corruption standards set out on an annual basis by NHS Counter Fraud Authority
- 1.2 The Quality Assurance process includes an Annual Self- Review against the standards, which is conducted by the individual Health Body and submitted to NHS Counter Fraud Authority together with the organisation's Counter Fraud Annual Report. The Quality Assurance process is conducted by NHS Counter Fraud Authority's Quality and Compliance team in partnership with the Health Body.
- 1.3 This Work-Plan is applicable to all NHS Trust's, Health Boards and Hosted Bodies in Wales. The individual NHS Trust's and integrated Health Board's are responsible for planning, designing, developing and securing delivery of Primary, Community, Secondary Care services, and Specialist and Tertiary services for their areas, to meet identified local needs within the National Policy and Standards Framework as set out by the Cabinet Secretary for Health.
- 1.4 The reorganisation of NHS Wales came into effect on 1<sup>st</sup> October 2009 and as such NHS Counter Fraud Authority, formerly NHS Protect, maintains a commitment to supporting the new structure via this Work-Plan for the year 2019-20. Organisations are expected to formulate Work-Plans by taking a Risk Based Approach, and this guidance should be used to assist in providing a framework on which such arrangements can be developed. Future guidance will encourage organisations to formulate bespoke plans.

## Health Education and Improvement Wales (HEIW) Counter Fraud Work-Plan 2019-20

1.5 The Wales Audit Office, in relation to the tem-plate work-plan, previously made the following comments:

“ - - - [the Template Work-plan] appears to be a comprehensive and demanding proactive programme of Counter Fraud work. If the plan is delivered to a high standard across the NHS in Wales, [it] will make a significant impact in the prevention of fraud in the NHS.

It may be worth reminding LCFS' of the importance of liaison with External Auditors when planning local Counter Fraud work in order to prevent duplication of effort. There are some elements of the Counter-Fraud Work-Plan which External Auditors may review on a risk basis as part of their own reviews of Governance Arrangements, e.g. Whistle-Blowing arrangements, Declaration of Interests; Gifts and Hospitality. External Auditors will certainly be seeking to gain assurance that Counter Fraud arrangements are robust, particularly in the light of NHS reorganisation in Wales.”

The Wales Audit Office also recognised that effective delivery of the plan does represent a substantive programme of work.

- 1.6 The total number of suggested **pro-active and reactive days** to be allocated in 2019-20 for the Health Education and Improvement Wales (HEIW) is **50days**. This response has been allocated using data from previous years work and organisations in both Primary and Secondary Care Sectors.
- 1.7 When planning the resources for Counter Fraud work, it is important that the Health Body legislates for reactive time and this should be reflected in any contracting arrangements with Counter Fraud providers. Reactive work is highlighted in boxes throughout this Work Plan.
- 1.8 Pro-Active work (i.e. Strategic, Culture, Deterrence, Prevention and Detection) should not be absorbed by reactive activity or *vice versa* and to this end NHS Counter Fraud Authority strongly encourages Pro-Active work to be 'ring-fenced'. Effective Pro-Active work needs to be undertaken otherwise the Health Body may be at risk from Fraud and/or Corruption.
- 1.9 We appreciate that organisations can vary in size and they should use the following scale to adjust the number of days accordingly.

<b>Number of staff</b>	<b>Number of Pro-Active Counter Fraud days</b>
<u>Less than 4,999</u>	<u>295</u>
<u>5,000 to 9,999</u>	<u>305</u>
<u>10,000 to 13,999</u>	<u>315</u>
<u>More than 14,000</u>	<u>325</u>

## Health Education and Improvement Wales (HEIW) Counter Fraud Work-Plan 2019-20

- 1.10 It is important to note that, whilst this is a Work-Plan to ensure effective Counter Fraud arrangements, it is not a maximum requirement and both NHS Trusts and Health Boards are strongly urged to consider further local requirements that might result in the recommended resource levels being exceeded. This Work-Plan provides assistance when considering Counter Fraud arrangements, but it is important that bespoke plans are implemented for each organisation using a Risk Based approach (see section 2).
- 1.11 Organisations that fall below this guidance should be able to provide evidence as to why decisions on work planning have been taken and these should be provided to NHS Counter Fraud Authority and/or NHS CFS (Wales) upon request. It should be noted that the **50days** referred to above are specific to HEIW and additional days are also undertaken within Velindre University NHS Trust and the NWSSP's own work-plans.
- 1.12 The Work-Plan is a framework on which to build robust Counter Fraud arrangements and is therefore analogous with the Annual Quality Assurance Programme and Self Risk Assessment that each NHS Trust and Health Board is then asked to submit at the end of the financial year.

## 2 Taking a risk-based approach to planning local counter fraud work

- 2.1 Those who are locally based are best placed to identify and understand the Counter Fraud requirements for their organisation. The successful implementation of NHS Policy for Countering Fraud relies greatly on the success of the Local Counter Fraud Specialist (LCFS) role.
- 2.2 The Counter Fraud Work-Plan should be bespoke for the NHS organisation it is designed for. For example, utilising local Annual Staff Survey results will identify areas to concentrate on in terms of awareness work, whilst examination of referral data might reveal the need for increased work on prevention or highlight that greater awareness is needed in a particular area or staff group.
- 2.3 Meeting with key personnel within HEIW is crucial to information gathering and, along with staff survey results, can assist in the formulation of planning and provide information on the most effective methods of communication. Responses may also indicate areas of perceived risk and this may also be supported by previous experiences which could highlight a need for Pro-Active preventative or detection work.
- 2.4 The LCFS should have effective liaison with the individual whom, within the HEIW and/or Hosted Body, is responsible for managing risk. It is recommended that frauds that have occurred within the organisation and beyond be brought to this person's attention to ascertain the risk to the HEIW and/or Hosted Body, from the same type of fraud. Once identified, the fraud can be proactively addressed.

## Health Education and Improvement Wales (HEIW) Counter Fraud Work-Plan 2019-20

- 2.5 Risks identified by the LCFS need to be placed onto the Risk Register to provide another level of assurance that the risk will be managed appropriately.
- 2.6 Whilst every effort should be made to identify local risks, it is also important that consideration is given to information provided from outside the organisation (for example, from NHS Counter Fraud Authority fraud alerts) and this too must be incorporated into risk-based planning in the same way that local information is.
- 2.7 Keeping accurate records of Counter Fraud work is crucial for successful work-planning as is utilising previous LCFS outcomes, Risk Register entries and Internal Audit Reports. The end of year Quality Assurance Programme and Self Risk Assessment also encourages accurate record keeping and accountability and these documents should also be used to identify strengths and weaknesses.
- 2.8 To assist organisations to take a risk-based approach to Counter Fraud work and work planning, NHS Counter Fraud Authority has issued a Risk Assessment tool to guide LCFS' to undertake a Risk Assessment of the Counter Fraud arrangements in place at their own organisation. This tool has also been designed to complement the Quality Assurance process, and provides organisations with a mechanism to review Counter Fraud arrangements prior to completing the end of year Quality Assurance Programme.

### **3 Focusing on outcomes and not merely activity**

- 3.1 The Counter Fraud work that is completed at the organisation should have outcomes that are demonstrable, they might relate to successful investigations or progress being made in the proactive areas. For example, the staff survey supports progress being made in developing an Anti-Fraud Culture or that Fraud Proofing Policies has seen a cessation of referrals from that particular area. Clearly the NHS must get value for the money it spends on Counter Fraud work and in planning for the year ahead consideration needs to be given to obtaining evidence to demonstrate this is happening.

4 Work-Plan template

<b>INFORM AND INVOLVE</b>		
Number of allocated days for Inform and Involve (25)	Recommended task / objective	Outcome and Impact
<b>Identifying the risks and consequences of crime against the NHS, and raising awareness of these risks amongst NHS staff, stakeholders, and the public</b>	Take part in the development of the Induction programme for all HEIW staff and deliver awareness presentations on Counter Fraud work to those staff.	
	LCFS is to provide all staff with their role and contact details and inform staff that such Counter Fraud presentations are available to all staff groups.	
	Review the induction pack to be distributed during HEIW's induction process, including slides handouts, leaflets and CFS forms.	
	A programme of counter fraud awareness training to be delivered to staff at all levels within HEIW (e.g. managerial staff, junior staff etc). The LCFS should aim to complete at least 10 presentations to staff groups. The aim of this is to ensure the Health Body is being proactive in raising fraud awareness and able to build a real anti-fraud culture. These should include presentations: <ul style="list-style-type: none"> <li>• at Senior Leadership Team meetings</li> <li>• at Student Induction events</li> <li>• at any Team Briefings/Meetings (e.g. Finance)</li> <li>• at Management Forums</li> <li>• to any Authorised Signatories</li> <li>• as part of Counter Fraud displays relating to any fraud awareness initiatives</li> </ul>	
	Evaluate all presentations, collate results, and amend presentations as a result of feedback. Write up a report on the outcomes for the Director of Finance.	
	Review localised fraud leaflets, posters, and newsletters, to promote the anti-fraud work being undertaken within HEIW. Distribute at appropriate locations.	
	Develop and maintain counter fraud information on HEIW's intranet site. Having a Counter Fraud site will allow staff easy access to Counter Fraud related information. Items to include on the site are:	

Health Education and Improvement Wales (HEIW) Counter Fraud Work-Plan 2019-20

	<ul style="list-style-type: none"> <li>• overview of the Counter Fraud initiative locally and nationally</li> <li>• Role of the LCFS</li> <li>• Counter Fraud Policy</li> <li>• Proven NHS fraud related cases</li> <li>• Presentation Slides</li> <li>• Link to NHS Counter Fraud Authority website</li> <li>• Link to any appropriate HR policies (including whistleblowing policy)</li> <li>• Counter Fraud articles</li> <li>• Contact details of the Lead LCFS</li> <li>• Feedback Form</li> </ul> <p>The LCFS should be able to maintain a record of the number of staff who may have visited the site.</p>	
	<p>Undertake and analyse one or more of the following methods to identify level of fraud awareness (<b>NB.</b> this list is not exhaustive):</p> <ul style="list-style-type: none"> <li>• staff survey (consider putting a link on the intranet)</li> <li>• focus groups</li> <li>• internet quizzes</li> <li>• number of hits on the Counter Fraud webpage</li> </ul>	
	<p>LCFS to meet with key personnel within HEIW to discuss fraud matters including:</p> <ul style="list-style-type: none"> <li>• Chief Executive</li> <li>• Board Members</li> <li>• Director of Finance</li> <li>• Relevant staff when appointments process has been completed.</li> </ul>	
	<p>Arrange for a pay-slip message to be utilised when required.</p>	
	<p>Undertake and/or participate in Local Fraud Awareness initiatives and events.</p>	
	<p>The HEIW has an Anti-Fraud, bribery and corruption policy which has been approved by Velindre NHS Trust's Board. The policy is reviewed and updated as required.</p>	

Health Education and Improvement Wales (HEIW) Counter Fraud Work-Plan 2019-20

	Meet regularly with the Head of Internal Audit and in accordance with the agreed protocol to discuss potential system weaknesses identified during audits or investigations and highlight work being undertaken by the LCFS, e.g. National or local proactive work.	
	Regular liaison with other bodies and forums to keep updated of any local concerns and/or issues	

<b>PREVENT and DETER</b>		
<b>Number of allocated days for Prevent and Deter (5)</b>	<b>Recommended task / objective</b>	<b>Outcome and Impact</b>
<b>Discouraging those who may want to commit crimes against the NHS and ensure that such opportunities are minimised.</b>	Meet with HEIW's Communications staff to discuss: <ul style="list-style-type: none"> <li>• NHS Counter Fraud Authority Communications &amp; Business Development Unit (CBDU)</li> <li>• Publicity of Counter Fraud work</li> <li>• Advance Warning system</li> <li>• Utilise not only publicity at HEIW but also local, regional and national cases that may be relevant.</li> </ul>	
	Review the Communication Strategy so that the most effective ways to communicate with staff at HEIW are utilised.	
	Intelligence bulletins and alerts issued by NHS Counter Fraud Authority and/or NHS CFS Wales are actioned and followed up to ensure that preventative measures applied have achieved their intended outcome.	

Health Education and Improvement Wales (HEIW) Counter Fraud Work-Plan 2019-20

	Recommended task / objective	Outcome and Impact
	Review distribution of the annual Conflict of Interest statements and ascertain if this is sufficient to deter potential risks in this area. Are the sanctions for fraud clearly indicated on the declaration which is then required to be signed by staff?	
	Include a heading entry in the Risk Register to specifically record fraud as a risk to HEIW. Periodically review the Risk Register.	
	Liaise with HEIW's Risk Management Group to establish a link between Risk and Counter Fraud work and a methodology for addressing this. The intelligence gathered should be used proactively to make Risk Assessments. Meet with managers to discuss risk areas and refer high risk areas or trends to NHS Counter Fraud Authority's Head of Risk.	
	Meet with HEIW's Head of Corporate Services to discuss risk areas or other areas of concern	
	Establish a formal written protocol with Internal Audit for the dissemination of information for areas where control weaknesses may allow a potential fraud to remain undetected and where investigations have identified system weaknesses that may require a future Internal Audit review.	
	<p>Fraud proof a selection of general policies, procedures and claim forms used throughout HEIW where there is a potential risk of fraud occurring.</p> <p><i>Policies/procedures/claim forms that could be considered for fraud proofing may include:</i></p> <ul style="list-style-type: none"> <li>➤ <i>Recruitment including the controls covering qualification, employment history checks and DBS checks</i></li> <li>➤ <i>Timesheets and associated procedures/policies</i></li> <li>➤ <i>Travel and associated expenses</i></li> <li>➤ <i>Security of confidential data held by HEIW</i></li> <li>➤ <i>Recovery of overpayments/advances of pay</i></li> <li>➤ <i>Service contracts checking work completed prior to payment</i></li> <li>➤ <i>Asset verification checks (inventory and capital items)</i></li> </ul>	

Health Education and Improvement Wales (HEIW) Counter Fraud Work-Plan 2019-20

	Recommended task / objective	Outcome and Impact
	<ul style="list-style-type: none"> <li>➤ <i>Standards of Business Conduct and conflict of interest declarations</i></li> <li>➤ <i>Acceptance of gifts and hospitality</i></li> <li>➤ <i>Mobile phone policy and private phone calls</i></li> <li>➤ <i>Losses and Special Payment controls and monitoring</i></li> <li>➤ <i>Delegated ordering controls</i></li> <li>➤ <i>Authorising signatory controls</i></li> <li>➤ <i>Absence Reporting and Monitoring</i></li> </ul> <p><i>Checks to be undertaken with Internal Audit to avoid duplication of effort when looking at such documentation/policies and procedures.</i></p>	
	<p>Use the Systems Weakness Reporting (SWR) form to inform NHS CFS (Wales) at the earliest opportunity of any system weaknesses identified during the course of investigations which have potential national implications.</p>	

Health Education and Improvement Wales (HEIW) Counter Fraud Work-Plan 2019-20

	Recommended task / objective	Outcome and Impact
	Undertake local Pro-Active Exercises at HEIW as agreed with the Director of Finance and in conjunction with HEIW's Internal Audit Plan.	
	Provide NHS Counter Fraud Authority Central Intelligence Unit with information to support the intelligence function using the facilities provided. Information submitted may be about a person, organisation or methodology and should relate to fraud or corruption within the NHS.	

<b>HOLD to ACCOUNT</b>		
Number of allocated days for Hold to Account (15)	Recommended task / objective	Outcome and Impact
<b>Detecting and investigating crime, prosecuting those who have committed crimes and seeking redress as a result</b>	Conduct investigations as required in line with Appendix 5 of the <i>NHS Counter Fraud and Corruption Manual</i> , which outlines relevant procedural investigative legislation.	
	Interviews under caution are conducted in line with the Police and Criminal Evidence Act 1984	
	Witness statements follow best practice and comply with national guidelines.	
	Assist NHS Counter Fraud Authority with information as required for any regional or national fraud cases. Ensure comprehensive information to enable risk exercises to be carried out effectively is submitted in a timely manner.	
	The development (or revision) of a policy with HEIW nominated Employment Services on the interaction of these parties and the application of parallel sanctions: civil, disciplinary and criminal, as outlined in the NHS policy document <i>Applying Appropriate Sanctions Consistently (December 2007)</i> should provide a framework to this work. Knowledge of this process should be delivered to and agreed by HEIW Senior Managers in conjunction with Velindre NHS Trust and should be tested to ensure it is understood, this will assist in the message becoming embedded within the organisational culture.	
	That HEIW shows a commitment in pursuing the full range of available sanctions and that these sanctions are applied consistently	

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	That HEIW seeks to recover any NHS monies which can be identified as having been lost and/or diverted through fraud, bribery and/or corruption.	
	That HEIW publicises cases that have led to the successful recovery of any NHS funds which have been lost through fraud, corruption and/or bribery.	
	Identify and maintain a record of the actual proven amount of loss to HEIW so that appropriate recovery procedures can be actioned. To ensure that HEIW has a procedure in place to recover money.	

## STRATEGIC GOVERNANCE

Number of allocated days for Strategic Governance (5)	Recommended task / objective	Outcome and Impact
<p><b>Ensuring that anti crime measures are embedded at all levels across the organisation</b></p>	Attendance at all LCFS meetings held by NHS CFS (Wales).	
	Completion and agreement of Work-Plan with Director of Finance.	
	Regular meetings/liaison with Director of Finance are held	
	That HEIW reports annually on the anti fraud, bribery, and corruption work carried out and details corrective action if standards have not been met.	
	Takes active part in the collation and preparation of the hosted body's, Velindre NHS Trust, Quality Assurance programme and Self Risk Assessment Tool.	
	Preparation for and attendance at HEIW Audit Committee meetings. (including providing regular progress reports)	
	Undertake additional related training as required by NHS CFS (Wales) and/or NHS Counter Fraud Authority.	
	<p>The HEIW ensures that there are effective lines of communication and reporting between those responsible for anti-fraud, bribery, and corruption work, and key operational staff and management</p> <p>The HEIW demonstrates proactive support and direction for the anti-fraud, bribery, and corruption work</p>	

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	<p>The HEIW has at least one or more qualified and accredited LCFS to undertake the full range of anti-fraud bribery and corruption work, and there are sufficient resources in place to allow this work to be fully supported.</p>	
	<p>Conduct a risk assessment on overall counter fraud bribery and corruption arrangements in place. Any identified risks are translated into HEIW's work plan.</p>	

**Appendix 1**

**Number of Days agreed with Health Education Improvement Wales (HEIW) Finance Director for the 2019/20 Financial Year is 50 days.**

**Agreed/signed by**

**Signature: E Williams**

**Date: 2<sup>nd</sup> May 2019**

**EIFION WILLIAMS  
Interim Director of Finance - HEIW**

**Signature: C Greenstock**

**Date: 2<sup>nd</sup> May 2019**

**CRAIG GREENSTOCK  
Counter Fraud Manager - Cardiff and Vale University Health Board**



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

Addysg a Gwella Iechyd  
Cymru (AaGIC)  
Health Education and  
Improvement Wales (HEIW)

<b>Meeting Date</b>	<b>29 May 2019</b>	<b>Agenda Item</b>	<b>2.11</b>
<b>Report Title</b>	<b>Committee Self-Assessment</b>		
<b>Report Author</b>	Dafydd Bebb, Board Secretary		
<b>Report Sponsor</b>	Dafydd Bebb, Board Secretary		
<b>Presented by</b>	Kay Barrow, Corporate Governance Manager		
<b>Freedom of Information</b>	Open		
<b>Purpose of the Report</b>	To provide the Committee with a draft Audit and Assurance Committee Effectiveness Checklist.		
<b>Key Issues</b>	<p>In line with good practice, the Committee should assess its effectiveness annually.</p> <p>A draft Audit and Assurance Committee checklist is attached at Appendix 1 for consideration by the Committee.</p>		
<b>Specific Action Required</b> <i>(please ✓ one only)</i>	<b>Information</b>	<b>Discussion</b>	<b>Assurance</b>
		✓	
<b>Recommendations</b>	Members are asked to discuss the draft Audit and Assurance Committee Effectiveness Checklist and to provide comment.		

## **COMMITTEE SELF ASSESSMENT**

### **1. INTRODUCTION**

In line with good practice the Audit and Assurance Committee (Committee) should assess its effectiveness annually. The draft Audit and Assurance Committee Effectiveness Checklist (Checklist) is proposed as a tool to help assess its effectiveness.

### **2. BACKGROUND**

The Committee should play a crucial role in supporting the effective governance of HEIW. It should play a pivotal role in ensuring that HEIW functions in accordance with good governance, applying appropriate accounting and auditing standards, and adopting appropriate risk management arrangements.

It is proposed that the Audit and Assurance Committee use the Checklist annually to measure its effectiveness. The assessment to take place in time for the January meeting of the Committee.

### **3. GOVERNANCE AND RISK ISSUES**

The Checklist will assist the Committee to assess its effectiveness in respect of governance and risk issues.

### **4. FINANCIAL IMPLICATIONS**

There are no financial implications.

### **5. RECOMMENDATION**

Members are asked to discuss the draft Audit and Assurance Committee Effectiveness Checklist (Appendix 1) and to provide comment.

<b>Governance and Assurance</b>				
<b>Link to corporate objectives</b> <i>(please ✓)</i>	As a new organisation establishing HEIW as a valued and trusted partner, an excellent employer and a reputable and expert brand	Building a sustainable and flexible health and care workforce for the future.	With Social Care Wales shaping the workforce to deliver care closer to home and to better align service delivery.	Improving quality and safety by supporting NHS organisations find faster and more sustainable workforce solutions for priority service delivery challenges.
	✓			
	Improving opportunities for use of technology and digitalisation in the delivery of education and care.	Reinvigorating leadership development and succession planning across health and social care in partnership with Social Care Wales and Academi Wales	Demonstrating value from investment in the workforce and the organisation.	
<b>Quality, Safety and Patient Experience</b>				
n/a				
<b>Financial Implications</b>				
There are no financial implications.				
<b>Legal Implications (including equality and diversity assessment)</b>				
There are no legal implications.				
<b>Staffing Implications</b>				
There are no staffing implications.				
<b>Long Term Implications (including the impact of the Well-being of Future Generations (Wales) Act 2015)</b>				
n/a				
<b>Report History</b>				
<b>Appendices</b>	<ul style="list-style-type: none"> <li>Draft Audit and Assurance Committee Effectiveness Checklist attached at Appendix 1.</li> </ul>			



## **Audit and Assurance Committee Effectiveness Checklist**

The members of the Audit Committee and those who work with the Committee, will undertake an annual self-evaluation of its effectiveness and impact.

### **How to use this Effectiveness Tool**

Committee members and other regular attendees should consider whether the Committee meets the detailed good practice question – “yes” (or adequate for the entity), “no”, or “comment”. As well as providing an opportunity to comment on an issues, the last of these categories could indicate uncertainty, that there is room to enhance practice in this area, or that the practice is not relevant. As an aide memoire, there is also space to note issues and actions identified at the end of each section.

## AUDIT AND ASSURANCE COMMITTEE: SELF ASSESSMENT CHECKLIST

Question/Checklist		Yes	No	N/A	Comments
<b>Principle 1 – Membership, Independence, Objectivity and Understanding</b>					
1	Do we have a minimum of three members, all Independent Members, at least two of whom, including the Audit and Assurance Committee Chair, are Independent Members of the organisation's Board?				
2	Does the Director of Finance, the Head of Internal Audit and the External Auditor routine attend Audit and Assurance Committee meetings?				
3	Are we satisfied with the range, frequency and number of Executives and other participants attending the Audit and Assurance Committee meetings? (Numbers of attendees should be sufficient to deal adequately with the agenda, but not so many as to blur the issues).				
4	Is our relationship and communication with the wider organisation effective in support of the Annual Governance Statement?				
5	Are conflicts recorded and declared at the start of every meeting, and is appropriate action taken when relevant matters are discussed?				
6	Do we have a clear understanding of our terms of appointment, including what is expected of use, how our individual performance will be appraised, the duration of our appointment, training required and how this will be provided?				
<b>Conclusion</b>					
Are we performing effectively in this area?					
Are there any actions we want to take to build our effectiveness?					

Question/Checklist		Yes	No	N/A	Comments
<b>Principle 2 – Skills</b>					
7	Are we satisfied that, collectively, we have the range of skills we need to ensure that the Accountable Officer and the Board gain the assurance they need to governance, risk management, the control environment and on the integrity of all elements of the Annual Report and Accounts?				
8	Do we possess the wider skills necessary to be fully effective (e.g. in relation to the core business of the organisation, change management, the wider political landscape and other strategically relevant issues)?				
9	Does at least one member have recent and relevant financial experience sufficient to allow them to competently analyse the financial statements and understand good financial management discipline?				
10	Where we need additional skills are we empowered to co-opt additional members or procure specialist advice?				
11	Do we have effective induction and training arrangements for new members and does the Audit and Assurance Committee Chair ensure that all members have an appropriate programme of engagement with the organisation to help build sufficient understanding?				
<b>Conclusion</b>					
Are we performing effectively in this area?					
Are there any actions we want to take to build our effectiveness?					

Question/Checklist	Yes	No	N/A	Comments	
<b>Principle 3 and 4 – The Role and Scope of the Committee</b>					
12	Do we have a clear understanding of the role and responsibilities of the Audit and Assurance Committee?				
13	Does our work programme cover the assurance needs of the Board and Accountable Officer through a balance of agenda items?				
14	Do we provide insight and strong, constructive challenge to the organisation where required?				
15	Do we have sufficient understanding of the organisation's overall control environment, including its governance and any outsourcing arrangements, and review its effectiveness regularly to provide assurance that arrangements are responding to risks within the organisation?				
16	Do we use assurance mapping to target the areas of greatest risk in our organisation?				
17	Do we critically review the comprehensiveness and reliability of assurances that we receive from across the organisation?				
18	Are we proactive in commissioning additional assurance work where we have identified a risk or control issues which is not subject to sufficient review?				
19	Do we draw the Accountable Officer and the Board's attention to the results of our work on risk?				
20	Do we lead on the assessment of the annual Governance Statement for the Accountable Officer and Board, including the provision of advice on its preparation and scope?				

Question/Checklist		Yes	No	N/A	Comments
21	Do we give sufficient and timely attention to financial management and reporting issues, including consideration of key accounting policies, estimates and judgements and the quality of the year-end financial statements?				
22	Do we sufficiently consider and challenge the work of internal audit and external audit?				
23	Do we track all audit recommendations (internal and external) and hold the organisation to account for their implementation?				
24	Do we regularly review anti-fraud and corruption arrangements?				
25	Do we regularly review the organisation's cyber risk management and consider the appropriateness of the organisation's risk mitigation strategies?				
26	Do we ensure that a senior Board member has overall responsibility for whistleblowing arrangements within the organisation?				
27	Do we regularly review our Terms of Reference?				
<b>Conclusion</b>					
Are we performing effectively in this area?					
Are there any actions we want to take to build our effectiveness?					

Question/Checklist	Yes	No	N/A	Comments	
<b>Principle 5 – Communication and Reporting</b>					
28	Is our work effectively and promptly reported to the Board and Accountable Officer?				
29	Are our relationships and communications sufficiently will developed with those we seek briefings from and those we provide assurance to, including where risks cross organisational boundaries				
30	Do we provide an Annual Report to the Board, timed to support the Governance Statement; is our report open and honest in presenting our views and opinions from the work we have done during the year; and is its content consistent with good practice?				
31	Does the Audit and Assurance Committee Chair have regular bilaterals with the key attendees (e.g. Accountable Officer, Director of Finance, the Head of Internal Audit and the External Auditor)?				
32	Where appropriate, do we communicate our work across the organisation?				
<b>Conclusion</b>					
Are we performing effectively in this area?					
Are there any actions we want to take to build our effectiveness?					

Question/Checklist		Yes	No	N/A	Comments
<b>Principle 6 – Meetings</b>					
33	Has the Committee established a plan of matters to be dealt with across the year?				
34	Does the Committee meet sufficiently frequently to deal with planned matters and is enough time allowed for questions and discussions?				
35	Does the Committee's calendar meet the Board's requirements and financial and governance calendar?				
36	Are Committee papers distributed in sufficient time for members to give them due consideration?				
37	Are Committee meetings scheduled prior to important decisions being made?				
38	Is the timing of Committee meetings discussed with all the parties involved?				
<b>Conclusion</b>					
Are we performing effectively in this area?					
Are there any actions we want to take to build our effectiveness?					