

Bundle Audit and Assurance Committee 30 May 2019

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- 10 ITEMS TO BRING TO THE ATTENTION OF THE BOARD
- 11 Date, time and venue of the next Audit Committee meeting:
Tuesday, 24 September 2019 at 9.00am
Woodlands House, Ground Floor, Nant Fawr 1

**SPECIAL AUDIT COMMITTEE
THURSDAY 30 MAY 2019- 10.00am
WOODLANDS HOUSE, GROUND FLOOR, NANT FAWR 1&2**

AGENDA

1	Welcome and Introductions	John Union
2	Apologies for Absence	John Union
3	Declarations of Interest	John Union
4	ITEMS FOR APPROVAL / RATIFICATION	
5	The Counter Fraud Annual Report for 2018/19	Craig Greenstock
6	A Report on the Annual Accounts of the UHB 2018/19	Robert Chadwick
7	Wales Audit Office ISA 260 Report	Wales Audit Office
8	The Head of Internal Audit Annual Report for 2018/19	Ian Virgil
9	To receive and consider the following for 2018/19: a. The Letter of Representation included within the ISA 260 report (see item 6) b. The response to the audit enquiries to those charged with governance and management c. The Annual Accountability Report including the Financial Statements	Robert Chadwick Robert Chadwick Robert Chadwick and Nicola Foreman
10	ITEMS TO BRING TO THE ATTENTION OF THE BOARD	John Union
11	Date, time and venue of the next meeting Audit Committee: Tuesday, 24 September 2019 at 9.00am, Woodlands House, Ground Floor, Nant Fawr 1	

Report Title:	Report on the Final Annual Accounts of the UHB 2018/19				
Meeting:	Special Audit and Assurance Committee			Meeting Date:	30th May 2019
Status:	For Discussion	For Assurance	For Approval	x	For Information
Lead Executive:	Executive Director of Finance				
Report Author (Title):	Deputy Director of Finance				

SITUATION

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

REPORT

BACKGROUND

In accordance with agreed timescales, the 2018/19 Draft Annual Accounts of the UHB were completed and forwarded to the Welsh Government and the Wales Audit Office on 26th April 2019. With regards to its role in providing advice to the Board, the Audit and Assurance Committee, in accordance with its Terms of Reference, has responsibility to specifically comment upon the Letter of Representation to the external auditors, the Accounts and accounting policies.

The Audit and Assurance Committee also has a key role in reviewing the Annual Accountability Report and the ISA 260 report from the Wales Audit Office. The Annual Accountability Report contains the Annual Accounts and the remuneration report which are the key financial statements. In reviewing the Annual Accountability Report, the Audit Committee needs to consider the work carried out throughout the year by internal audit and counter fraud. Particular reference therefore should be made to the opinion provided by the Head of Internal Audit as part of their Annual Report.

The Draft Accountability Report, Draft Annual Accounts and associated documents were reviewed in detail by the Audit and Assurance Committee at its workshop held on 23rd May 2019.

ASSESSMENT

CHANGES TO THE DRAFT ACCOUNTS

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

- £16.096m to note 20 on provisions regarding clinical negligence;
- £9.438m on 'Other Comprehensive Net expenditure';
- £1.294m in the 'Statement of Changes in Taxpayers Equity';
- Three disclosure corrections.

These are set out in greater detail in Appendix 3 of the ISA 260 report.

There are no significant uncorrected misstatements in the accounts. The Wales Audit Office has however identified four less significant uncorrected misstatements and these are set out below:

- £0.018m understatement of prepayments;
- £0.010m overstatement of the bad debt provision;
- £0.006m overstatement of a purchase order accrual;
- £0.041m overstatement of an accrual for which goods had been received.

The combined impact of these is an overstatement of revenue expenditure of £0.055m.

OVERVIEW OF FINANCIAL PERFORMANCE 2018/19

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

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

A summary of financial performance is set out below.

UHB Performance against its Revenue Resource Limit

For 2018/19, the UHB considered a draft IMTP at its January 2018 Board Meeting. This was submitted to Welsh Government by the end of January 2018 but was not approvable due to assumptions around additional funding. Subsequent to this, the UHB revised its financial plan and agreed with Welsh Government, through the formal Targeted Intervention process, that it would not submit an IMTP for approval as it was significantly away from being financially balanced. As the UHB was not in a position to have an IMTP which could be approved by Welsh Ministers, it therefore **failed to meet its financial duty under section 175 (2A).**

The Health Board considered its position at its March 2018 Board Meeting and approved an operational plan with a projected £19.9m deficit. On 10th July 2018 the UHB submitted its one

year operational plan to Welsh Government. Whilst no formal mechanism exists for its approval, this position was accepted by Welsh Government and the UHB then received £10m additional annual operating plan funding which reduced the UHBs forecast deficit to £9.9m.

Therefore, the operational plan for 2018/19 was to achieve a year-end out-turn position of a £9.9m deficit, whilst maintaining the quality and safety of services and delivering upon agreed performance measures. The UHB made good progress in delivering against this plan and the out-turn position is a deficit of £9.872m being £0.028m better than the one year operational plan.

The UHB had a deficit of £29.243m in 2016/17 and a deficit of £26.853m in 2017/18. This means that over the three year period the aggregated deficit is £65.968m. Thus **the UHB has failed to meet its financial duty under section 175 (1) against its Revenue Resource Limit.**

Performance against its Capital Resource Limit

The UHB effectively managed its considerable capital programme during the year and the accounts show a small surplus of £0.074m against its capital resource allocation of £48.487m.

The UHB had a surplus of £0.078m in 2016/17 and £0.088m in 2017/18 against its Capital Resource Limit. This means that over the three year period the aggregated surplus is £0.240m. **Thus the UHB has met its financial duty to break-even against its Capital Resource Limit over the three years 2016/17 to 2018/19.**

ASSURANCE

In reviewing the Annual Accounts and recommending for approval the Annual Accountability report, the key assurances are provided by:

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

RECOMMENDATION

The Audit and Assurance Committee is asked to:-

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

Shaping our Future Wellbeing Strategic Objectives

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

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

Five Ways of Working (Sustainable Development Principles) considered

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

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

Kind and caring
Caredig a gofalgar

Respectful
Dangos parch

Trust and integrity
Ymddiriedaeth ac uniondeb

Personal responsibility
Cyfrifoldeb personol



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

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

Audit year: 2018-19

Date issued: May 2019

Document reference: 1267A2019-20



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.

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

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

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Summary report

Introduction

- 1 The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of Cardiff and Vale University Local Health Board (the Health Board) at 31 March 2019 and its income and expenditure for the year then ended.
- 2 We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.
- 3 The quantitative level at which we judge such misstatements to be material for the Health Board is £14 million. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and reporting sensitivity. Areas of the financial statements that we judge to be material by nature include, for example, the remuneration report and the related party disclosures.
- 4 International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. This report sets out the relevant matters for consideration by the Audit Committee and the Board.

Status of the audit

- 5 The Health Board provided us with its draft 2018-19 financial on 26 April 2019, being the deadline stipulated by the Welsh Government. We have substantially completed our audit work.
- 6 At the time of writing this report we were due to receive the Health Board's PDF document that combines the accountability report and the financial statements. This is the final document that is to be signed by the Health Board and certified by the Audit General. It is subject to our audit checks for accuracy.
- 7 We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with the Director of Finance.

Proposed audit report

- 8 Once you have provided us with a Letter of Representation based on that set out in [Appendix 1](#), it is the Auditor General's current intention to:
 - issue an unqualified audit opinion on the 2018-19 financial statements, with regard to them being true, fair and properly prepared; and
 - issue a qualified opinion on regularity because the Health Board has breached its revenue resource-limit by spending £65.968 million over its

authorised limit of £2,693 million for the three-year period 2016-17 to 2018-19, which therefore constitutes irregular expenditure.

- 9 The proposed audit certificate and report are set out in [Appendix 2](#), which the Auditor General is due to sign on 11 June 2019. The Auditor General intends to issue a substantive report (as opposed to a 'nil' report) that explains the statutory financial duties applicable for 2018-19 and the duties that the Health Board has breached.
- 10 There are two breaches for 2018-19. The £65.968 million revenue overspend that is set out at paragraph 8; and the lack of an integrated medium-term plan (IMTP) for 2018-19 to 2020-21 that the Welsh Government had approved.
- 11 The Auditor General closes his substantive report by recognising that the Welsh Government has recently approved the Health Board's IMTP for 2019-20 to 2021-22. This approved IMTP is relevant to next year's audit of the 2019-20 financial statements.

Significant issues arising from the audit

Uncorrected misstatements

- 12 There are no non-trivial uncorrected misstatements identified in the financial statements. Where our audit identified misstatements, the Health Board's management has corrected them in the audited statements that are being presented for approval and signing.
- 13 While there are no significant uncorrected misstatements, each year we do draw your attention to less significant misstatements that are uncorrected. We report them to you as they can be relevant to our audit of subsequent financial years and our consideration of the Health Board's performance each year against its rolling three-year resource limit (in terms of our regularity opinion).
- 14 For 2018-19 we are reporting the following less-significant misstatements that collectively result in revenue expenditure being overstated by £55,354, as set out below:
 - the understatement of prepayments by £17,803 due to the incorrect assessment of the period of the services being provided to the Health Board (with a corresponding overstatement of expenditure);
 - the overstatement of the bad debt provision by £9,910 due to spreadsheet error (with a corresponding understatement of expenditure);
 - the overstatement of a purchase-order accrual by £6,093 due to the incorrect inclusion of VAT on a purchase order (with a corresponding overstatement of expenditure); and
 - the overstatement of an accrual by £41,368 for which goods had been received after 31 March 2019 (with a corresponding overstatement of expenditure).

- 15 In the past two years we have reported the following less significant misstatements, being:
- the overstatement of a purchase-order accrual by £5,600 due to the incorrect inclusion of VAT on a purchase order (to a supplier that does not charge VAT);
 - the overstatement of pharmaceutical non-cash limited expenditure and understatement of pharmaceutical cash limited expenditure (Note 3.1) of £19,244;
 - the overstatement of other creditors (and expenditure) by £15,305 due to a supplier invoice for the period 1 October 2016 to 31 July 2017 not being partly accounted for as a prepayment (for the element relating to 2017-18); and
 - the overstatement of other creditors (and expenditure) by £4,035 due to a supplier invoice for the period 1 March 2017 to 28 February 2018 not being partly accounted for as a prepayment (for the element relating to 2017-18).
- 16 We can confirm that these reported misstatements for the past three years do not affect the proposed audit opinions that are set out in [Appendix 2](#).

Corrected misstatements

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

Other significant issues arising from the audit

- 18 During the course of the audit we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. Our conclusions are as follows:
- **We have no concerns about the qualitative aspects of your accounting practices and financial reporting, although we do draw some matters to your attention.** Generally, we found the information provided to be relevant, reliable, comparable, material and easy to understand. We concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear.
- Over the coming months we will meet with the Health Board's finance and governance teams to review the processes in place and discuss our respective experiences. This engagement will enable both parties to identify and agree where further improvement can be made for 2019-20.
- We did not encounter any significant difficulties during the audit.** We generally received good quality information in a timely and helpful manner and were not restricted in our work. We engaged with officers regularly

throughout May to provide an update on our audit issues, review progress, and agree actions. The Health Board's officers prepared a detailed closedown plan for 2018-19 that incorporated our audit requirements. This approach continues to help the preparation and audit of the accountability report and financial statements to the tight deadlines in place.

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

Recommendations arising from our 2018-19 financial audit work

- 19 Following the audit certification by the Auditor General we will issue a separate report setting out:
- the Health Board's actions against last year's recommendations; and
 - our audit observations and recommendations from this year's audit, together with senior officers' responses and intended actions.
- 20 The areas that we expect to cover will include:
- the need to strengthen the Health Board's policy and process for the evaluation and approval of 'retire and return' applications by staff, with a particular need to apply the Department of Health's guidance in full; and
 - weakness in the Health Board's arrangements for the counting and recording its year-end stock (known as 'inventories' in the financial statements).
- 21 That report will be considered by the Audit Committee at its next meeting.

Independence and objectivity

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

Appendix 1

Final Letter of Representation

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

30 May 2019

Representations regarding the 2018-19 financial statements

This letter is provided in connection with your audit of the financial statements (including that part of the Remuneration Report that is subject to audit) of Cardiff and Vale University Local Health Board (the Health Board) for the year ended 31 March 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 the Health Board will continue in operation.
- Ensuring the regularity of any expenditure and other transactions incurred. On this point it is important to note that the Health Board has breached its revenue resource-limit for the three-year period 2016-17 to 2018-19.

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

Information provided

We have provided you with:

- Full access to:
 - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects the Health Board and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.
- Our knowledge of all possible and actual instances of irregular transactions.

Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

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

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

Disclosures in the Remuneration Report are accurate and complete.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

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

Leonard Richards

Chief Executive

30 May 2019

Maria Battle

Chair

30 May 2019

Appendix 2

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

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

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements of Cardiff and Vale University Local Health Board for the year ended 31 March 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 Cardiff and Vale University Local Health Board as at 31 March 2019 and of its net operating costs for the year then ended; and
- have been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by Welsh Ministers.

Basis for opinions

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

Conclusions relating to going concern

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

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

Other information

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

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

Basis for Qualified Opinion on Regularity

Cardiff and Vale University Local Health Board has breached its revenue resource limit by spending £65.968 million over the £2.693 million that it was authorised to spend in the three-year period 2016-17 to 2018-19. This spend constitutes irregular expenditure. Further detail is set out in my Report at page x.

Qualified Opinion on Regularity

In my opinion, except for the irregular expenditure of £65.968 million explained in the paragraph above, in all material respects the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

Report on other requirements

Opinion on other matters

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

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

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

Matters on which I report by exception

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

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

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

Please see my Report on page x.

Responsibilities

Responsibilities of Directors and the Chief Executive for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Responsibilities for regularity

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

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

Adrian Crompton
Auditor General for Wales
11 June 2019

24 Cathedral Road
Cardiff
CF11 9LJ

Report of the Auditor General to the National Assembly for Wales

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

Introduction

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

For 2018-19 Cardiff and Vale University Local Health Board (the LHB) failed to meet both the first and the second financial duty and so I have decided to issue a narrative report to explain the position.

Failure of the first financial duty

The **first financial duty** gives additional flexibility to LHBs by allowing them to balance their income with their expenditure over a three-year rolling period. The third three-year period under this duty is 2016-17 to 2018-19, and so it is measured this year for the third time.

Note 2.1 to the Financial Statements shows that the LHB did not manage its revenue expenditure within its resource allocation over this three-year period, exceeding its cumulative revenue resource limit of £2,693 million by £65.968 million. The LHB therefore did not meet its first financial duty.

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

Failure of the second financial duty

The **second financial duty** requires LHBs to prepare and have approved by the Welsh Ministers a rolling three-year integrated medium-term plan. This duty is an essential foundation to the delivery of sustainable quality health services. An LHB will be deemed to have met this duty for 2018-19 if it submitted a 2018-19 to 2020-21 plan approved by its Board to the Welsh Ministers who then approved it by 30 June 2018.

As shown in Note 2.3 to the Financial Statements, the LHB did not meet its second financial duty to have an approved three-year integrated medium-term plan in place for the period 2018-19 to 2020-21.

In September 2016 the Welsh Government placed the LHB in 'targeted intervention'. In the absence of an approved integrated medium-term plan, with the agreement of the Welsh Government the LHB has been operating under annual planning arrangements. In March 2018 the Board approved the LHB's Annual Operating Plan for 2018-19, which set out a planned annual deficit of £19.9 million. Subsequent to the Board's approval, in July 2018 the Welsh Government provided additional funding of £10 million which reduced the planned annual deficit to £9.9 million. The LHB's actual deficit for 2018-19 was £9.872 million, as shown in Note 2.1 to the Financial Statements.

In February 2019 the Welsh Government reduced the escalation status of the LHB from 'targeted intervention' to 'enhanced monitoring'. Further to this change, in March 2019 the Welsh Government approved the LHB's three-year integrated medium-term plan for 2019-20 to 2021-22.

Adrian Crompton

Auditor General for Wales

11 June 2019

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
£16.096 million	<p><u>Note 20: Provisions</u></p> <p>For the 'clinical negligence' category there has been a decrease of £16.096 million in the amount 'arsing during the year' and a corresponding decrease in the amount 'reversed unused'.</p> <p>This misstatement also affected the previous year's provisions' note by £42.3 million. An explanatory footnote has been added below that note, rather than correcting the affected figures.</p>	<p>Both figures were overstated due to the Health Board's process of reversing all opening balances and then raising new amounts against each clinical negligence case.</p> <p>The Health Board should reflect in-year movement/change against each case's brought-forward balance.</p> <p>For both financial years the amendments are presentational within Note 20 and have no impact on the Statement of Comprehensive Net Expenditure.</p>
£9.438 million	<p><u>Primary statement: Other Comprehensive Net Expenditure</u></p> <p>The 'Total comprehensive net expenditure for the year' decreased by £9.438 million.</p>	<p>There was a formula error in the accounts template that the Welsh Government had provided to all health boards.</p>
£1.294 million	<p><u>Primary statement: Statement of Changes in Taxpayers Equity</u></p> <p>The 'transfers between reserves' has been adjusted to:</p> <ul style="list-style-type: none"> • increase the revaluation reserve balance: and • decrease the general fund balance. 	<p>To correct the difference in depreciation charged on the current and historic cost of assets.</p> <p>The Health Board completes this adjustment each year, after providing us with the draft financial statements.</p> <p>Each year we report the adjustment for completeness.</p>

Value of correction	Nature of correction	Reason for correction
Disclosures only	<p><u>Note 9: Employee costs</u></p> <p>The addition of a footnote to disclose a classification error of £2.3 million in the prior-year disclosures, between 'salaries and wages' and 'social security costs'.</p>	<p>To disclose the existence of the classification error in the comparative figures.</p> <p>The error has no impact on the Statement of Comprehensive Net Expenditure.</p>
Disclosures only	<p><u>Note 32 (and Note 1.22): Pooled budgets</u></p> <p>The addition of a new partnership arrangement with Cardiff Council and the Vale of Glamorgan Council. The Health Board's expenditure for 2018-19 totalled £27,408,331.</p>	<p>To disclose all pooled budget arrangements.</p>
Disclosures only	<p><u>Note 34: Other information</u></p> <p>The addition of a short narrative on Brexit that was provided by the Welsh Government.</p> <p>Also, a detailed narrative on Brexit has also been added to the Annual Governance Statement.</p>	<p>Inclusion of the Brexit narratives based on advice received from us and the Welsh Government.</p>

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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 Assembly Government Directions to NHS Bodies on Fraud and Corruption, which requires Local Counter Fraud Specialists (LCFS) to provide a written report, at least annually, to the Health Board on any Counter Fraud work undertaken. The report content and style used complies with the model prescribed by NHS Counter Fraud Authority (formerly NHS Protect) and therefore is in a similar format as those which have been submitted in previous years.
- 1.2 The Cardiff and Vale University Health Board current Nominated Lead LCFS, Craig Greenstock, completed his Counter Fraud Training in December 2000 and was accredited in March 2001. The Health Board also appointed another LCFS, David Jones, in November 2003, who completed his training in October 2004 and received his Accreditation in December 2004. The third LCFS, Sarah Jones, who received her LCFS Accreditation in March 2006, was transferred to the Health Board from the former Business Service Centre (BSC) on 1st April 2010.
- 1.3 During 2014/15 and as part of an initial two (2) year agreement for the Health Board to provide a Counter Fraud Service to Cwm Taf University Health Board, two (2) new staff, Nigel Price (LCFS) and Emily Thompson (CF Admin Support) were appointed. Following the success of the arrangement and an ongoing programme of fraud awareness within Cwm Taf UHB, a further extension to the original agreement was signed, on 20th April 2018, for another two (2) year period.
- 1.4 However, in October 2018, a decision was made to terminate the agreement and the required notice period was then given, by Cwm Taf UHB, due to a planned change, with effect from 1st April 2019, to incorporate NHS services from Bridgend. As a result, one (1) of the LCFS', David Jones, then transferred over to the new Health Body from that date.
- 1.5 In October 2018, one of the other LCFS', Sarah Jones, left the Health Board after gaining a promotion with the NHS Counter Fraud Service (Wales) Team.
- 1.6 In December 2018, Emily Thompson, CF Admin Support, completed her LCFS Accreditation Training and following a successful interview was then appointed, wef 1st February 2019, to the vacant Band 6 post.
- 1.7 During 2018/19, thirty three (33) new investigations into possible fraudulent or corrupt activity have been instigated together with seventy one (71) cases brought forward from 2017/18. The majority of new cases have seen a consistent increase in the number of Salary Overpayment, Prescription, Timesheet and False Sickness Absence related frauds.
- 1.8 Advice as to how to proceed is sought on each individual case from the NHS CFS (Wales) and once the investigation, into the allegations, has been concluded, legal opinion is also taken from the Specialist Fraud Division - Crown Prosecution Service as to whether there is sufficient evidence to warrant and support a criminal prosecution.
- 1.9 A number of cases during the year were referred to the Specialist Fraud Division - Crown Prosecution Service for legal opinion and any subsequent action. Following those referrals, three (3) individual cases have successfully been dealt with by criminal prosecution via Crown Court and Magistrates Court hearings with the total financial recovery, including investigation costs, of £9,348.51 having been obtained in addition to a range of sanctions including imprisonment.

- 1.10 A further three (3) cases are current files, which have been or are to be submitted to the Specialist Fraud Division - Crown Prosecution Service for a legal opinion as to whether a criminal prosecution would be supported and based on the evidence obtained.
- 1.11 In addition, there have been seven (7) internal Disciplinary Hearings held which resulted in four (4) cases where the subjects were dismissed and three (3) other cases where Final Written Warnings were issued.
- 1.12 Regular progress reports on the progress of cases have been made to the Health Board's Audit Committee and closure reports, where system weaknesses have been identified and recommendations made, have been sent to the relevant Divisional Managers.
- 1.13 The mix of cases investigated to date are summarised in **Appendix 2** and a full index of the cases reported/referred to the LCFS' are listed in **Appendix 3**.
- 1.14 Cardiff and Vale University Health Board policies and procedures (e.g. Human Resources, Finance etc) have been reviewed and commented upon and a further review of the Health Board's Counter Fraud Policy is to be carried out to ensure compliance following recent changes to Data Protection legislation.
- 1.15 Close liaison and a good working relationship was established with the NHS Counter Fraud Service (Wales) following its establishment by Welsh Government and it becoming operational in October 2001, and this relationship continues to develop and strengthen.

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

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

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

- Distribution of relevant Counter Fraud reports to Health Board Senior Managers
- Submission of comments on draft Health Board policies/protocols as appropriate relating to any Counter Fraud issues
- A number of Fraud Awareness Presentations, twenty two (22) in total, given to over 450 Health Board staff as part of Corporate Induction days and a number of similar presentations are in the process of being arranged to take place in 2019/20:
- Analysis of staff feedback questionnaires is carried out following each of the Fraud Awareness sessions in order to gauge how much knowledge the attendees had of the counter fraud work that is being undertaken within the Health Board and information collated from the various responses, received from the individual attendees, will then assist in planning future sessions.

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

- Additional fraud awareness presentations to other various staff groups as outlined in the Health Boards' Counter Fraud Work-Plan 2019/20.
- Further training sessions at a local level to inform front line NHS staff of the LCFS' role and the Health Board's approach to Countering Fraud.

- Developing the quarterly Counter Fraud Newsletter which currently provides Health Board staff with real examples of fraud and the successful outcomes from such investigations.
- Updating the Health Board's Counter Fraud website with links to various aspects of Countering Fraud in the NHS.

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

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

3. Prevent Fraud

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

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

The deterrence effect is difficult to measure, however, there has been a steady and consistent flow in the number of cases being reported over the last sixteen (16) years and it is felt, therefore, that this only goes to show that even more Health Board staff are becoming more aware of the potential areas for fraud and are, as a result of advice and guidance from the Health Board's LCFS', now prepared to take action against the fraudsters and to report the outcome of any subsequent investigation to the remaining staff.

Whilst only a small number of the reported cases each year result in criminal prosecutions as opposed to the number of referrals that are received, this has been mainly due to the smaller monetary amount involved in the cases that were not taken forward as it has been deemed "***not to be in the public interest***" to pursue. However, during 2018/19, there has been a significant recovery made for one (1) particular case which was in excess of £9,000 including investigation costs.

In addition, the remaining cases have, in turn, also secured resignations and/or police cautions, together with the recovery of monies paid and investigation costs. The details of the successful prosecution cases have appeared in both the National and Local press and also been disseminated to the managers involved and the Fraud Awareness presentations that have been given to the various staff groups.

3.2 To be effective locally, publicity needs to have local relevance and it is important for the LCFS' to communicate local successes, particularly around Sanctions and Redress and so it is also important that outline details of any future successful prosecutions continue to appear in Health Board staff related publications.

3.3 The LCFS' will, in conjunction with NHS Counter Fraud Authority, NHS CFS (Wales) and the Health Board Communications Department, consider publicity in any case of fraud, where a successful outcome is achieved as a result of action taken via any of the disciplinary, criminal and/or civil routes. This helps to reinforce the messages about action being taken to reduce fraud and will be carried out through the appropriate channels.

4. Deter Fraud

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

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

Examples where this has occurred are:

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

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

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

5. Hold to Account (Detection)

5.1 The LCFS' will take account of:

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

6. Hold to Account (Investigation)

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

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

- 6.2 Seventeen (17) new cases were formally referred to NHS CFS (Wales) in 2018/19 via the FIRST Case Management System and there were also thirty seven (37) ongoing cases brought forward from 2017/18. Most referrals received are not necessarily and/or automatically reported on the NHS Counter Fraud Authority FIRST Case Management System, due to the fact that many are isolated instances and very low in terms of monetary value. Each case is judged on the individual merits before proceeding with an investigation and in the majority of cases it has been found to best suited for the individual(s) to be dealt with under the Health Board Disciplinary Policy rather than as part of a full scale criminal investigation and/or prosecution due to the small monetary amounts involved in the alleged fraud in addition to the cost of taking a case to court.
- 6.3 The LCFS' will and do provide NHS Counter Fraud Authority, Internal Audit and External Audit, the Health Board's Finance Director and Audit Committee with regular update reports on significant movements with particular cases.

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

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

8. Annual Assessment Declaration

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

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

8.3 As part of the required submission, by NHS Counter Fraud Authority, for the 2018/19 Self Risk Assessment, this process was agreed and then signed off, on 3rd May 2019, by the Health Board's Finance Director.

SECRETARY OF STATE DIRECTIONS (December 1999)

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

Paragraph	Instruction	Action by Health Board
2 (1)	<p>Chief Executive and Director of Finance to Monitor and ensure compliance with these Directions and any other instructions on countering fraud and corruption against the NHS</p> <p>Action to be taken in accordance with the NHS Counter Fraud and Corruption Manual and in accordance with the Table annexed to the Directions</p>	<p>Regular meetings are held between Finance Director and the Health Board Nominated Lead LCFS.</p> <p>Where possible the Manual has been referred to for guidance and appropriate action taken. An updated Manual has previously been issued following a revision, by Welsh Government, after taking into account changes in legislation within the NHS in England.</p>
2 (2)	<p>Each health body shall facilitate, and co-operate with NHS Counter Fraud Authority's Quality and Compliance Department's work giving prompt access to staff, workplaces and relevant documentation</p>	<p>Good close working relationship has been established with NHS CFS (Wales). To date there has never been an issue over access to staff or workplaces.</p> <p>The Health Board's NHS Counter Fraud provision was previously assessed, on 16th March 2016, by NHS Counter Fraud Authority, as part of a focused review and NHS Counter Fraud Authority three (3) year review cycle.</p> <p>The Self Risk Assessment for 2018/19 was agreed and then signed off, on 3rd May 2019, by the Health Board's Finance Director before submission to NHS Counter Fraud Authority for review in accordance with the agreed process.</p>
2 (3)	<p>Endeavour to agree an SLA with NHS Counter Fraud Service (Wales).</p>	<p>The current SLA was signed in March 2010, but will be reviewed if/when required, to incorporate changes which may take place within the NHS in Wales.</p>

3 (1)	Nomination of a suitable officer to act as LCFS. Notify NHS Counter Fraud Authority of replacement LCFS within three months of the need becoming apparent	The Health Board's Nominated Lead LCFS is Craig Greenstock. David Jones was transferred to Cwm Taf Morgannwg UHB wef 1 st April 2019. Sarah Jones left to join the NHS Counter Fraud (Wales) in October 2018. Nigel Price was appointed as an LCFS in July 2014 Emily Thompson was appointed as an LCFS in February 2019.
3 (2)	A trained and accredited LCFS in post by 1 February 2002	The Health Board's Nominated Lead LCFS was accredited in 2001 but employed at another Health Body until 2003. However, his predecessor was in post and accredited prior to the date specified.
4 (a)	LCFS reports to Director of Finance	The Nominated Lead LCFS reports directly to Finance Director, informs him of all cases as they are received, and keeps him updated on any progress/closure.
4 (b)	LCFS provision of written report at least annually	An Annual Report was submitted in respect of 2001/02 (1 st year of LCFS arrangements), and the practice has continued.
4 ©	Attendance at Audit Committee meetings Right of access to all Audit Committee members. Right of access to Chairman and Chief Executive	The Health Board Nominated Lead LCFS or at least one of the Health Board other LCFS' has attended all Audit Committee meetings that have taken place up to and including March 2019. The LCFS' have access to all Audit Committee members. The LCFS' have not required access during the year but are confident that, if required, right of access is available (as detailed in the Health Board Counter Fraud Policy)

<p>4 (d)</p>	<p>Undertake Pro-Active work to detect cases of Fraud and/or Corruption as specified by Chief Executive and Director of Finance, particularly where systems weaknesses have been identified</p>	<p>The LCFS' have made twenty two (22) separate Fraud Awareness Presentations as part of planned Corporate Induction sessions to over 450 UHB staff in a variety of specialties.</p> <p>The LCFS' have also followed up all incidents of a potential fraudulent nature received via the NHS Counter Fraud Reporting Line, the Health Board Whistle Blowing facilities and/or any Internal or External Audit reports.</p>
<p>4 (e)</p>	<p>Proactively seek and report opportunities for publicity to NHS Counter Fraud Authority (includes instances for inclusion in presentations) involving action to prevent, detect, investigate, impose sanctions and seek redress</p>	<p>All cases completed during the year were discussed with NHS CFS (Wales) to identify areas that may be used as examples of Best Practice or publicity opportunities.</p> <p>Also relevant cases from other NHS bodies were also publicised across the Health Board via the quarterly Counter Fraud Newsletter.</p>
<p>4 (f)</p>	<p>Investigate cases of suspected fraud in accordance with division of work outlined, the LCFS will not investigate (unless there is prior agreement)</p> <p>LCFS will investigate where it is clear that they will be under £15k.</p> <p>Cases where it is clear they will be over £15,000 in value will be referred to NHS CFS (Wales) for investigation</p> <p>There is evidence that fraud extends beyond the Health Body.</p> <p>GDS and/or prescription fraud are involved</p> <p>There is evidence of corruption involving a public official</p>	<p>All cases investigated to date have followed the guidelines.</p> <p>Only cases less than £15,000 are investigated, and above £15,000 the cases are referred to, and investigated by/in liaison with, NHS CFS (Wales).</p> <p>There have not been any cases which were cross-border and those referred to the Health Board during the previous financial years were managed as part of joint-working protocols following agreement with NHS CFS (Wales).</p> <p>There have been various alleged frauds which involved altered documentation for prescribed drugs with a further eight (8) investigations carried out during 2018/19 in addition to those brought forward from 2017/18.</p>

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

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

Further Information

1. Reporting lines

Chief Executive (from 19th June 2017)	Len Richards Chief Executive UHB Headquarters University Hospital of Wales, Heath Park Cardiff. CF14 4XW Email: Len.Richards@wales.nhs.uk
Director of Finance	Robert Chadwick Director of Finance UHB Headquarters University Hospital of Wales, Heath Park Cardiff. CF14 4XW Email: Bob.Chadwick@wales.nhs.uk
Counter Fraud Manager	Craig Greenstock Counter Fraud Department 2 nd Floor, Monmouth House University Hospital of Wales Heath Park Cardiff CF14 4XW Email: Craig.Greenstock@wales.nhs.uk
Local Counter Fraud Specialist (until 31st March 2019)	David Jones Counter Fraud Department 2 nd Floor, Monmouth House University Hospital of Wales Heath Park Cardiff CF14 4XW Email: Davidh.Jones@wales.nhs.uk
Local Counter Fraud Specialist (until 4th October 2018)	Sarah Jones Counter Fraud Department 2 nd Floor, Monmouth House University Hospital of Wales Heath Park Cardiff CF14 4XW Email: Sarah.Jones@wales.nhs.uk
Local Counter Fraud Specialist	Nigel Price Counter Fraud Department 2 nd Floor, Monmouth House University Hospital of Wales Heath Park Cardiff CF14 4XW Email: Nigel.Price@wales.nhs.uk

Local Counter Fraud Specialist (from 1st February 2019)	Emily Thompson Counter Fraud Department 2 nd Floor, Monmouth House University Hospital of Wales Heath Park Cardiff CF14 4XW Email: Emily.Thompson@wales.nhs.uk
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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
Working elsewhere whilst claiming to be on Sick Leave	22	16	6
Recruitment Issues (Criminal Convictions/Applications)	10	9	1
Timesheet Issues (False Claims, Altered Times etc)	20	18	2
Prescription related (Theft, Forged, Altered etc)	22	18	4
Patient Related (Hospital Hopper, GOS3 Forms etc)	10	9	1
Cases referred to NHS CFS Wales (e.g. Dental)	9	6	3
Overpayment of Salary	5	5	0
Miscellaneous (Theft of monies, Parking issues etc)	6	5	1
Total	104	86	18

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

INDEX OF LCFS INVESTIGATIONS 2018/19

Ref. No	Directorate	Subject	Status
SP11.06	WCC	Working whilst on Sick Leave	Suspended Sentence and POCA Recovery - £75,620
SP13.22	Medicine	Working whilst on Sick Leave	Disc Hearing Pending subject's RTW
SP13.23	Medicine	Working whilst on Sick Leave	Arrest warrant issued - court non-attendance
SP14.31	Primary Care	False Dental Claims	Closed - Recovery of £66,791
SP16.19	Dental	False Treatment Claims	Closed - Recovery of £216,080
SP17.01	Medicine	False Information on Drugs Request - Private Company	Arrest and IUC in Aug 18. Case Closed but referral made to HCPC (Professional Body)
SP17.20	Dental	Working whilst on Sick Leave	Subject resigned - repaying £1,924 via instalments
SP17.21	Clinical Diagnostic and Therapeutics	Working whilst on Sick Leave	Dismissed 9 th December 2016 following Disciplinary Hearing. Case closed on advice from CPS - Civil recovery of £2,492 via monthly payments.
SP17.28	Medicine	Timesheet & Locum Claims	Suspended sentence of 8 months and repaid £55,732 compensation plus £2k costs
SP17.30	RMPCE	False Extra Duty Claims	Case to be closed on advice from CPS - Referral made to Professional Body (GMC)
SP17.35	Clinical Diagnostic and Therapeutics	False Car Park Permit	First Written Warning issued and case to be closed.
SP17.36	RMPCE	False Details on Job Plan	Final Written Warning. Case closed on advice from CPS - Civil recovery of £7,396 and subject self-referred to Professional Body (HCPC).
SP17.37	RMPCE	Computer Misuse	Case to be closed on advice from CPS - Referral made to Professional Body (GMC)
SP17.38	Patient Exp.	Theft of Money - Y Gegin	Dismissed from NHS post - issued with a Police caution and repaid £540 to the NHS
SP17.39	MHSOP	Working whilst on sick leave	Dismissed 19 th Dec 2017 - Referral to be made to NMC
SP17.40	Medicine	Locum Agency Invoice	Closed - No fraud identified
SP17.41	Clinical Diagnostic and Therapeutics	Alleged False Identity Document - Asylum Seeker	Crown Court in April 2018 - Custodial sentence of 14 months in prison.
SP17.44	Surgery	Altered Car Park Ticket	Formal written warning
SP18.01	PCIC	Retained Bank Transfer	Closed - No fraud identified
SP18.02	PCIC	False GOS1 Claim	Invoice sent to recover £60.41
SP18.03	Facilities	Overpayment of Salary	Closed - no fraud identified
SP18.04	PCIC	False Details on Application Form	Closed - No fraud identified
SP18.05	RMPCE	False Extra Duty Claims	Ongoing review of claims following statements made and issues raised by subject during second IUC
SP18.06	Medicine	Failure to pay car parking	Closed - no fraud identified
SP18.07	Pharmacy	Hospital Hopper	NHS Wales alert issued
SP18.08	Nurse Bank	False Timesheet	Not paid - removed from Bank

SP18.09	MHSOP	False Sickness Absence	Closed - Management issue
SP18.10	Children & Women	False Work Record	Closed - Management issue
SP18.11	PCIC	False details for Medicine Usage Review	UHB commissioned a PMCAT review of the Practice. Initial visit has identified clinical issues to be investigated.
SP18.23	PCIC	False/Altered Prescription	Community Order of 12 months including 100 hours of unpaid work and a 10 day Rehabilitation Activity Requirement (RAR).
SP18.34	OOH Service	False Sickness Absence	Civil Recovery to be arranged
SP18.36	Medicine	Hospital Hopper	NHS Wales alert issued
SP18.37	PCIC	False GOS1 Claim	Warning letter issued to patient
SP18.38	PCIC	False GOS1 Claim	Warning letter issued to patient
SP18.39	Medicine	Forged NHS document	Warning letter issued to patient
SP18.40	CAVOC	False Details Overseas Patient	Civil recovery £125.
SP18.41	Mental Health	False Sickness Absence	No fraud identified
SP18.42	Clinical Support	False Sickness Absence	No fraud identified
SP18.43	Surgery	False Job Applications	Enquiry with other Welsh HB
SP18.44	Surgery	Hospital Hopper	NHS Wales alert issued
SP18.45	Mental Health	False sickness absence	Subject resigned
SP18.46	Clinical Support	False sickness absence/forged letter.	Case closed
SP18.47	Nursing	False Documents	Closed - No fraud identified
SP18.48	Medical	Overpayment of Salary (1.8k)	Recovery being made.
SP18.49	PCIC	Altered Prescriptions	Case Closed - Warning letter sent to patient.
SP18.50	PCIC	Altered Prescriptions	Case Closed - Warning letter sent to patient.
SP18.51	PCIC	False Prescriptions	Case Closed - Warning letter sent to patient.
SP18.52	PCIC	False Work Record/Hours	Closed - No fraud identified
SP18.53	PCIC	Altered Blood Test Request	Warning letter sent to patient
SP18.54	Nursing	False Sickness Record	Closed - No fraud identified
SP18.55	Estates	False Work Record x 4	Disciplinary Hearings in May 2018 - Three (3) Dismissals and one (1) Written Warning
SP18.56	Surgery	False Sickness Absence	Disciplinary investigation ongoing
SP18.57	Medicine	False Work Record	Closed - no fraud identified
SP18.58	Medicine	False Application Details	Referred to NHS CFS Wales
SP18.59	PCIC	False GOS1 Claim	Warning letter issued to patient
SP18.60	PCIC	False GOS1 Claim	Warning letter issued to patient
SP18.61	PCIC	False GOS1 Claim	Warning letter issued to patient
SP18.62	Medicine	False Declaration	Closed - No Fraud identified
SP18.63	Children & Women	False Prescriptions for personal use	Subject resigned in Feb 2019 on ill health before Disciplinary Hearing. Prosecution case file to be submitted to CPS and referral made to Professional Body (NMC)
SP18.64	PCIC	False Prescription	Warning letter issued to patient
SP18.65	PCIC	False Prescription	Warning letter issued to patient
SP18.66	Facilities	Alleged Theft - Catering	Agency staff - referred to Police
SP18.67	PCIC	False GOS1 Claim	Warning letter issued to patient
SP18.68	Nursing	False Timesheets (Bank)	Referred to NHS CFS Wales
SP18.69	Medicine	False Sickness Absence	Closed - No Fraud identified
SP18.70	Medicine	False Sickness Absence	Enquiries with Line Manager
SP18.71	Children & Women	False Parking Ticket/Permit	Subject dismissed Sept 2018

SP18.72	Medicine	False Parking Ticket/Permit	Verbal Warning issued
SP18.73	Children & Women	Alleged theft of controlled drugs	Referred to Police and disciplinary investigation
SP18.74	Nursing	False Reference on Job Application (Bank)	Closed - no fraud identified
SP18.75	MHSOP	False Sickness Absence (Facebook)	Disciplinary investigation
SP19.01	Surgical	False details on Application Form and false documentation	Dismissed in Sept 18 - Prosecution case file to be submitted to CPS.
SP19.02	PCIC	Inflated medicine usage claims	Data analysis and ongoing enquiries with Pharmacy
SP19.03	PCIC	Inflated medicine usage claims	Data analysis and ongoing enquiries with pharmacy
SP19.04	Dental	False claims by patient	Closed - no fraud identified
SP19.05	RMPCE	False overtime claims	Closed - no fraud identified
SP19.06	PCIC	False GOS1 Claim	Warning letter issued to patient
SP19.07	Surgical	Theft of drugs	Dismissed in April 2018. Criminal case closed - advice from CPS was not in public interest to prosecute (loss £12).
SP19.08	PCIC	False GP Registration	Closed - no fraud identified
SP19.09	PCIC	False Prescription	Warning letter issued to patient
SP19.10	PCIC	False details to gain access to NHS services	Closed - no fraud identified
SP19.11	Medicine	False sickness absence - secondary employment	Closed - no fraud identified
SP19.12	Dental	Salary overpayment (£6.4k)	Civil recovery
SP19.13	PCIC	False Dental claims	Referral to NHS CFS (Wales)
SP19.14	MHSOP	False Sickness Absence	Disciplinary investigation ongoing
SP19.15	PCIC	False Sickness Absence	Subject resigned
SP19.16	Women and Children	Salary overpayment (£7.5k)	Recovery made via NHS CFS (Wales)
SP19.17	Medicine	False Sickness Absence	Closed - no fraud identified
SP19.18	PCIC	False Registration Details	Closed - no fraud identified
SP19.19	Nurse Bank	False Timesheet	Closed - no fraud identified
SP19.20	Medicine	False Sickness Absence	Closed - no fraud identified
SP19.21	PCIC	False Prescription	Reported to Police
SP19.22	PCIC	False Prescription	Warning letter issued to patient
SP19.23	Nurse Bank	False Timesheet	Closed - no fraud identified
SP19.24	PCIC	Prescription overcharge	Civil Recovery of £2,226.74
SP19.25	Medicine	False Sickness Absence	Closed - no fraud identified
SP19.26	Medicine	False Information - Overseas Patient	Closed - no fraud identified
SP19.27	PCIC	False Prescription	Warning letter issued to patient
SP19.28	Nurse Bank	False Sickness Absence	Subject resigned
SP19.29	MHSOP	False Work Record	Ongoing enquiries with Line Manager
SP19.30	Women and Children	False Sickness Record	Ongoing enquiries with Line Manager
SP19.31	Medicine	False Claim for Funding	Referred to NWSSP
SP19.32	PCIC	No entitlement to treatment - Overseas Patient	Ongoing enquiries made with UK Border Force
SP19.33	Medicine	Alteration of Bereavement Cheques	Referred to NHS CFS Wales

Appendix 4

Summary of Risk against the Contract and Standards as at 31st March 2019

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

AREA OF ACTIVITY	DAYS USED
STRATEGIC GOVERNANCE	32
INFORM AND INVOLVE	20
PREVENT AND DETER	44
HOLD TO ACCOUNT	224
TOTAL DAYS USED	320

COST OF ANTI-FRAUD, BRIBERY AND CORRUPTION WORK	
PROACTIVE COSTS	£ 21,888
REACTIVE COSTS	£ 51,072
TOTAL COSTS	£ 72,960

Declaration

I declare that the Anti-Fraud, Bribery and Corruption work carried out during the financial year 2018/19, within the Cardiff and Vale University Health Board, has been self reviewed against the NHS Counter Fraud Authority Standards for Providers - Fraud, Bribery and Corruption/NHS Standard Contract and the rating, as detailed in Appendix 4, has been achieved.

Organisation Name

Cardiff and Vale University Health Board

Director of Finance

Bob Chadwick

Date

3rd May 2019



Counter Fraud Service

CARDIFF AND VALE UNIVERSITY HEALTH BOARD COUNTER FRAUD WORK-PLAN 2019-20

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 Health Body'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 UHBs and Health Boards (HBs) in Wales. The individual NHS UHBs and the seven (7) integrated HBs 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 set out by the Health Minister.
- 1.4 The reorganisation of NHS Wales came into effect on 1st 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 2018-19. 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.

Cardiff and Vale University Health Board Counter Fraud Work-Plan 2019-2020

1.5 The Wales Audit Office had the following comments to make:

“ - - - [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 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 Cardiff and Vale University Health Board is **440 days**. This response has been allocated using data from organisations in both Primary and Secondary Care Sectors that have performed well.
- 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.

Number of staff	Number of Pro-Active Counter Fraud days
<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>

Cardiff and Vale University Health Board Counter Fraud Work-Plan 2019-2020

- 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.
- 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 the NHS Trust or Health Board 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 NHS Trust or Health Board, 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 NHS Trust or Health Board from the same type of fraud. Once identified, the fraud can be proactively addressed.

Cardiff and Vale University Health Board Counter Fraud Work-Plan 2019-2020

- 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

INFORM AND INVOLVE		
Number of allocated days for Inform and Involve 80	Recommended task / objective	Outcome and Impact
Identifying the risks and consequences of crime against the NHS, and raising awareness of these risks amongst NHS staff, stakeholders, and the public	Take part in the Induction programme for all new Health Board 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 the UHB 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 the Health Board (Clinical Boards, managerial staff, clinical staff and junior staff). The LCFS should aim to complete at least 12 presentations to staff groups. The aim of this is to ensure the Health Board is proactive in raising fraud awareness and able to build a real anti-fraud culture. These should include presentations: <ul style="list-style-type: none"> • to the Audit Committee • at Staff Forums • at a Team Brief • at Management Forums • to Authorised Signatories • Counter Fraud displays as part of fraud awareness initiatives 	
	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 at the UHB. Distribute at appropriate locations.	

Cardiff and Vale University Health Board Counter Fraud Work-Plan 2019-2020

	<p>Develop and maintain counter fraud information on the Health Board'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:</p> <ul style="list-style-type: none"> • overview of the Counter Fraud initiative locally and nationally • Role of the LCFS • Counter Fraud Policy • Proven NHS fraud related cases • Presentation Slides • Link to NHS Counter Fraud Authority website • Link to any appropriate HR policies (including whistleblowing policy) • Counter Fraud articles • Contact details of the Lead LCFS • Feedback Form <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 (NB. this list is not exhaustive):</p> <ul style="list-style-type: none"> • staff survey (consider putting a link on the intranet) • focus groups • internet quizzes • number of hits on the Counter Fraud webpage 	
	<p>LCFS to meet with key personnel around the Health Board to discuss fraud matters including:</p> <ul style="list-style-type: none"> • Heads of individual Clinical Boards • Director of Workforce. • Director of Nursing • Head of Primary Care • Head of Corporate Risk and Governance • Payroll Manager NHS Wales Shared Services Partnership (NWSSP) 	
	<p>Arrange for a pay-slip message to be utilised when required.</p>	

Cardiff and Vale University Health Board Counter Fraud Work-Plan 2019-2020

	Undertake and/or participate in Local Fraud Awareness initiatives and events.	
	The Health Board has an Anti-Fraud, bribery and corruption policy which has been approved by the Health Board. The policy is reviewed and updated as required.	
	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 such as Local Drug Intelligence Network (LIN) to keep updated of any local concerns and/or issues	

PREVENT and DETER		
Number of allocated days for Prevent and Deter 80	Recommended task / objective	Outcome and Impact
Discouraging those who may want to commit crimes against the NHS and ensure that such opportunities are minimised.	Meet with Health Board’s Communications staff to discuss: <ul style="list-style-type: none"> • NHS Counter Fraud Authority Communications & Business Development Unit (CBDU) • Publicity of Counter Fraud work • Advance Warning system • Utilise not only publicity at the Health Board but local, regional and national cases that may be relevant to the Health Board 	
	Review the Communication Strategy so that the most effective ways to communicate with staff at the Health Board 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.	

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	Recommended task / objective	Outcome and Impact
	Review distribution of the annual Declaration 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 the Health Board. Periodically review the Health Board's Risk Register.	
	Liaise with the Health Board'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 the Health Board's Head of Corporate Risk and Governance 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.	

	Recommended task / objective	Outcome and Impact
	<p>Fraud proof a selection of general policies, procedures and claim forms used throughout the Health Board where there is a potential risk of fraud occurring.</p> <p><i>Policies/procedures/claim forms that should be considered for fraud proofing would potentially include:</i></p> <ul style="list-style-type: none"> ➤ <i>Recruitment including the controls covering qualification, employment history checks and DBS (formerly CRB) checks</i> ➤ <i>Timesheets and associated procedures/policies including on-call arrangements and remote working controls</i> ➤ <i>Travel and associated expenses</i> ➤ <i>Security of confidential data held at the Health Board</i> ➤ <i>Acting up and payments of other ad hoc allowances</i> ➤ <i>Protected salary payment controls</i> ➤ <i>Recovery of overpayments/advances of pay</i> ➤ <i>Staff cost report monitoring and positive return system (may be only mechanism to highlight potential ghost employees)</i> ➤ <i>Service contracts checking work completed prior to payment</i> ➤ <i>Asset verification checks (inventory and capital items)</i> ➤ <i>Standards of Business Conduct and Declarations of Interest</i> ➤ <i>Acceptance of gifts and hospitality</i> ➤ <i>Controlled stationery procedures (including blank prescriptions, cheques, receipt books, etc)</i> ➤ <i>Mobile phone policy and private phone calls</i> ➤ <i>Post Payment Verification for Contractors (e.g. GP's opticians etc)</i> ➤ <i>Prescribing policy and procedures including monitoring processes</i> ➤ <i>Losses and Special Payment controls and monitoring</i> ➤ <i>Vendor master file and checks made before new suppliers payments are made</i> ➤ <i>Delegated ordering controls</i> ➤ <i>Authorising signatory controls</i> ➤ <i>Tender submission/evaluation for work to be undertaken</i> ➤ <i>Removal Expenses</i> ➤ <i>Absence Reporting and Monitoring</i> 	

Cardiff and Vale University Health Board Counter Fraud Work-Plan 2019-2020

	Recommended task / objective	Outcome and Impact
	<p>➤ <i>Pre-employment checks</i></p> <p><i>Remember to check 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>	

Cardiff and Vale University Health Board Counter Fraud Work-Plan 2019-2020

	Recommended task / objective	Outcome and Impact
	Undertake a local Pro-Active Exercise at the Health Board as agreed with the Director of Finance.	
	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.	

HOLD to ACCOUNT		
Number of allocated days for Hold to Account 240	Recommended task / objective	Outcome and Impact
Detecting and investigating crime, prosecuting those who have committed crimes and seeking redress as a result	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 the Health Board's Human Resources Department 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 Senior Managers and Board level within the Health Board and should be tested to ensure it is understood, this will assist in the message becoming embedded within the organisational culture.	
	The Health Board shows a commitment in pursuing the full range of available sanctions and that these sanctions are applied consistently	

Cardiff and Vale University Health Board Counter Fraud Work-Plan 2019-2020

	The Health Board seeks to recover any NHS monies which can be identified as having been lost and/or diverted through fraud, bribery and/or corruption.	
	The Health Board publicises cases that have led to the successful recovery of any NHS funds that have been lost through fraud, corruption and/or bribery.	
	Identify and maintain a record of the actual proven amount of loss to the Health Board so that appropriate recovery procedures can be actioned. To ensure the Health Board has a procedure in place to recover money.	

STRATEGIC GOVERNANCE

Number of allocated days for Strategic Governance 40	Recommended task / objective	Outcome and Impact
<p>Ensuring that anti crime measures are embedded at all levels across the organisation</p>	Attendance at all LCFS meetings held by the NHS CFS Wales Regional Team.	
	Completion and agreement of Work-Plan with Director of Finance.	
	Regular meetings/liaison with Director of Finance are held	
	The Health Board 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 Health Board's Quality Assurance programme and Self Risk Assessment Tool.	
	Preparation and attendance at the individual Health Board's Audit Committee meetings. (including providing regular progress reports)	
	<p>Undertake additional related training as required by the Health Board and/or NHS Counter Fraud Authority.</p> <p>The Health Board 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 Health Board demonstrates proactive support and direction for the anti-fraud, bribery, and corruption work</p>	

Cardiff and Vale University Health Board Counter Fraud Work-Plan 2019-2020

	The Health Board 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.	
	Conduct a risk assessment on overall counter fraud bribery and corruption arrangements in place. Any identified risks are translated into the Health Board's work plan.	

Appendix 1

Number of Days agreed with Cardiff and Vale University Health Board Finance Director for the 2019/20 Financial Year is 440 days.

Agreed/signed by

Signature: R Chadwick

Date: 9th April 2019

**ROBERT CHADWICK
Finance Director - Cardiff and Vale University Health Board**

Signature: C Greenstock

Date: 9th April 2019

**CRAIG GREENSTOCK
Counter Fraud Manager - Cardiff and Vale University Health Board**

SRT Process Summary

Overall Score : **GREEN**

Submitted By : Mr Craig Greenstock

Submitted Date : 03/05/2019 12:11:27

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	CARDIFF & VALE UNIVERSITY LHB
Annual budget of the organisation *	Over £ 1 billion
Staff headcount at the organisation including contracted employees *	Over 10,000
Organisation code	7A4
Organisation/provider type *	Health Board
Name of the member of the executive board or equivalent body responsible for overseeing and providing strategic management *	Mr Robert Chadwick - Director of Finance
Region *	WALES
Date of completion of this review	15/04/2019
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	John Union
Email of the Chair of Audit Committee	John.Union@wales.nhs.uk
Strategic Governance, Inform and Involve and Prevent and Deter days used (Maximum 3 digits)*	96
Hold to Account days used (Maximum 3 digits)*	224
Total days used for counter fraud work	320
Number of referrals received during the most recent financial year	17
Number of cases opened during the most recent financial year	17
Number of cases closed during the most recent financial year	40
Number of cases open as at 31/03/2019	14
Amount of fraud losses identified during the most recent financial year	9349
Amount of fraud losses recovered during the most recent financial year	9349
Number of criminal sanctions applied during the year	3
Number of civil sanctions applied during the year	2
Number of disciplinary sanctions applied during the year	10
Cost of counter fraud staffing per financial year - Strategic Governance, Inform and Involve and Prevent and Deter*	£21,888.00
Cost of counter fraud staffing per financial year - Hold to Account	£51,072.00
Total costs for counter fraud work	£72,960.00

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 Board'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 Health Board's Annual Counter Fraud Report, regular Counter Fraud Progress Reports which are tabled at Audit Committee and Board meetings in conjunction with the Health Board 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 regular Counter Fraud Progress Reports which are then tabled at Audit Committee meetings. In addition, there are also system and policy changes which have been implemented as a result of recommendations made following reports issued to Management in relation to system weakness identified during Counter Fraud investigations.
1.3	The organisation employs or contracts in one or more accredited, nominated LCFSs 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	The Health Board employed four (4) LCFS' to carry out the full range of Counter Fraud work on behalf of the Health Body. One of the four LCFS' left her employment wef 4th October 2018 and a new LCFS was then employed and undertook her training in February 2019, The remaining LCFS' have, when required throughout the year, undertaken all relevant training including any required attendance at any Regional Forums held by the NHS Counter Fraud Authority and/or NHS CFS (Wales).

1.4	<p>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.</p>	GREEN	<p>There is clear evidence of this in the form of regular Counter Fraud Progress Reports which are presented to the Health Board's Audit Committee. These are then, in turn, tabled at subsequent meetings of the Board. In addition, there are also system and policy changes which have been implemented as a result of recommendations made following reports issued to Management in relation to system weakness identified during Counter Fraud investigations.</p>
1.5	<p>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.</p>	GREEN	<p>The Health Board produces an Annual Counter Fraud Report which is then tabled at the relevant Audit Committee meeting. In addition and as part of the NHS Counter Fraud Authority's required process, the Health Board also completes and submits a Self Review Tool (SRT) which details the level achieved when compared to the individual Standards on Fraud, Bribery and Corruption.</p>
1.6	<p>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.</p>	GREEN	<p>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.</p>

1.7	<p>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.</p>	GREEN	<p>The LCFS' have access to all staff groups within the Health Board including, but not limited to, Board Members, Audit Committee Chair, Independent Members, Clinicians and Senior Executives which also includes the full support of the Health Board's Finance Director.</p> <p>In addition, there is evidence in this area which includes joint working arrangements which have been established together with UK Borders, Central Criminal Investigation Unit (Fraud and Error Service) in addition to signed working protocols between the LCFS' and the Health Board's Workforce Department plus agreed liaison and working practices with NWSSP Internal Audit.</p>
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Inform and Involve

No	Standard	Rating	Comments
2.1	<p>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.</p>	GREEN	<p>There is evidence that will support the LCFS in that they undertake a range of Fraud Awareness Sessions with staff as part of Induction Training programme . These sessions are open to all new employees and individual exit questionnaires are also completed as feedback on the sessions. An online fraud e-learning kit has also been implemented, the results of which can then be used to identify any NHS bodies where fraud awareness may be required and/or is lacking. However, there has been a shortfall in the planned fraud awareness work during the latter part of the year due to long term sickness and a staff vacancy.</p>

2.2	<p>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.</p>	AMBER	<p>The Health Board's existing policy was to be issued out to the individual staff groups for comment but due to long term sickness absence this was delayed but arrangements will be put in place to re-issue the policy during the next financial year</p>
2.3	<p>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.</p>	GREEN	<p>Evidence includes e-mails, meeting notes, case files and progress sheets with the LCFS 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 and Internal Audit. Further work has been identified and carried out in the Primary Care Sector which have included separate referrals to NHS CFS (Wales) and civil recoveries made. The progression of work in this area is important to ensure that the organisation protects funds for patient care. The results of the liaison undertaken was evident with cases investigated and sanctions plus significant recoveries having been achieved.</p>

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.	GREEN	The Health Board has a Standards of Behaviour Policy which incorporates Declarations of Interest, Gifts, Hospitality and Sponsorship. This document was initially approved in January 2015 and outlines the roles and responsibilities for staff and monitoring of actions. A report is then produced to the Audit Committee annually in relation to this process, by the Health Board's Governance Department, who also review the process. Declarations of Interest and Gifts and Hospitality are reported to the Audit Committee. The Health Board has previously produced a Consultants Guide to Private Practice requiring a Declaration by all Consultants. This was seen as a positive step in ensuring that staff fully complied with the procedure.
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Prevent and Deter

No	Standard	Rating	Comments
3.1	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.	GREEN	All Health Board Policies and /or Procedures which are to be reviewed and which have any reference to Fraud, Bribery and/or Corruption require "sign off" by the Counter Fraud Manager as part of the review process. Once approved such documents are disseminated across the Health Board and also placed on the Health Board's Intranet and Internet websites.

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 LCFS is also a member of the Primary Care PPV Planning Group which regularly reviews all error reports identified from GP, GMS, Dental and Optical claims. The Lead LCFS also attends salary overpayment review meetings if and when required should any employee be disputing and/or refusing to make repayments. The Lead LCFS is also the Health Board'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>	GREEN	<p>The Health Board is 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 FIRST to record any system weaknesses on behalf of the Health Board. The LCFS also take 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	<p>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.</p>	GREEN	<p>In conjunction with NWSSP Recruitment Department, evidence will show that anomalies with the pre-employment checks (e.g. adverse DBS) are referred in accordance with the agreed process to the LCFS for further investigation.</p>

3.5	The organisation has proportionate processes in place for preventing, deterring and detecting fraud, bribery and corruption in procurement.	GREEN	The LCFS has a targeted approach to this work when delivering awareness sessions. The Audit Committee has a standing agenda item in relation to Declarations of Interest to ensure that all Standing Financial Instructions are adhered to and the process is subject to regular review. The Health Board uses the NHS Shared Services Partnership (NWSSP) to undertake any procurement and/or tendering process which contains an automated checking service to ensure that appropriate checks and systems are in place that fully meet the requirement of this standard at each stage of the 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 including 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 Board has guidance in place in the form of the Counter Fraud Bribery and Corruption Policy. This outlines procedures, the organisational stance against fraud and the commitment that the Health Body makes when pursuing sanctions. A range of effective sanctions has been achieved over a number of years and these have been Disciplinary, Civil and Criminal sanctions. There are still a number of on-going cases at different stages with a number being prepared for Crown Prosecution Service consideration which will be submitted via the secure portal access to NHS CFS Wales for checking prior to submission to the CPS.</p>
4.4	<p>The organisation completes witness statements that follow best practice and comply with national guidelines.</p>	GREEN	<p>All witness statements will be found to be fully compliant with the National File Standards and any relevant guidance issued.</p>
4.5	<p>Interviews under caution are conducted in line with the National Occupational Standards (CJ201.2) and the Police and Criminal Evidence Act 1984.</p>	GREEN	<p>All interview under cautions will be found to be fully compliant with guidance issued, CJ201.2 and the Police And Criminal Evidence Act 1984 (PACE). The caution is explained appropriately and there is a clear understanding of conversation management and lines of questioning pursued in relation to any allegations made. The closure of the interview will also include a summary of the discussions held. This process has recently been re-enforced and updated as part of sessions carried out by NHS CFA training staff.</p>

<p>4.6</p>	<p>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.</p>	<p>GREEN</p>	<p>The Health Body does have a Counter Fraud and Corruption Policy which requires updating. However, the document clearly outlines the recovery processes that is to be followed when seeking Redress. Recoveries are then monitored by the Health Board 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 has also assisted in various civil recovery on behalf of the organisation. Full coverage of such recoveries has seen a number of separate cases feature and be reported in local and national press articles.</p>
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Cardiff and Vale University Health Board

HEAD OF INTERNAL AUDIT OPINION & ANNUAL REPORT 2018/19

May 2019

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

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Report status:	Final
Draft report issued:	20 th May 2019
Final report issued:	23 rd May 2019
Author:	Head of Internal Audit
Executive:	Director of Corporate Governance and Executive Director of Finance
Audit Committee:	30 th May 2019

1. EXECUTIVE SUMMARY

1.1 Purpose of this Report

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

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

1.2 Head of Internal Audit Opinion

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

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

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

1.3 Delivery of the Audit Plan

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

Our External Quality Assessment (EQA), conducted by the Chartered Institute of Internal Auditors, and our Quality Assurance and Improvement Programme have both confirmed that our internal audit work 'generally conforms' to the requirements of the Public Sector Internal Audit Standards for 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

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

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

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

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

We are not able to provide positive assurance to the Board that arrangements to secure governance, risk management and internal control are suitably designed and applied effectively within the Corporate governance, risk Management and regulatory compliance domain. This is due to the outcome of the following audits that were given Limited assurance:

- Standards of Behaviour; and
- Legislative / Regulatory Compliance

There were also a number of additional individual audits where the significance of the matters identified resulted in those reports being given Limited assurance. These were as follows:

- Information Governance - GDPR;
- Cyber Security;
- Mental Health CB – Sickness Management;
- Surgery CB - Medical Finance Governance; and
- Medicine CB – Internal Medicine Follow-up.

It can be seen from the Limited Assurance reports listed above that one of these is a follow up audit to a previous limited assurance report, highlighting that previously agreed actions have not been implemented on a timely basis.

It is noted that a further three planned follow-up audits to previous limited assurance reports were deferred into the 2019/20 plan at the request of the Health Board and following agreement by the Audit Committee. We are therefore not able to provide any assurance within the current annual report on the level of progress made in relation to these previous limited reports. The significance of these deferred follow-ups has been taken into account when assessing the overall ratings for the respective assurance domains.

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.

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

2. HEAD OF INTERNAL AUDIT OPINION

2.1 Roles and Responsibilities

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

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

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

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

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

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

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

2.2 Purpose of the Head of Internal Audit Opinion

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

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

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

2.3 Assurance Rating System for the Head of Internal Audit Opinion

The assurance rating framework for expressing the overall audit opinion was refined in 2013/14 in consultation with key stakeholders across NHS Wales. In 2016/17, following further discussion with stakeholders, it was amended to remove the weighting given to three of the eight domains when judging the overall opinion. The framework applied in 2016/17 has been used again to guide the forming of the opinion for 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 detailed audits undertaken during the year have been summarised by the eight assurance domains that were used to frame the internal audit plan at its outset. The aggregation of audit results by these domains gives a better picture of assurance to the Board and also provides a rational basis for drawing an overall audit opinion.

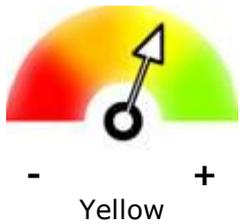
A quality assurance review process has been applied by the Director of Audit & Assurance and the Head of Internal Audit in the annual reporting process to ensure the assurance domain ratings and overall opinion are consistent with the underlying audit evidence and in accordance with the criteria for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

2.4 Head of Internal Audit Opinion

2.4.1 Scope of opinion

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

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

Reasonable assurance		<p>The Board can take reasonable assurance that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Some matters require management attention in control design or compliance with low to moderate impact on residual risk exposure until resolved.</p>
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In reaching the overall Reasonable Assurance Opinion I have identified that the majority of reviews during the year concluded positively with sound control arrangements operating in many areas.

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

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

Furthermore it is also important to note that a total of eight audits were deferred into the 2019/20 Internal Audit plan. Three of these related to follow up audits of previous limited assurance reports. The significance of these deferred audits has been taken into account when assessing the ratings for the assurance domains and the overall assurance opinion.

This opinion will need to be reflected within the Annual Governance Statement along with confirmation of action planned to address the issues raised. Particular focus should be placed on the agreed response to any limited

assurance reports issued during the year and the significance of the recommendations made.

2.4.2 Basis for Forming the Opinion

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

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

The audit work undertaken during 2018/19 and reported to the Audit Committee has been aggregated at **Appendix B**.

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

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

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

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

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

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

Corporate Governance, Risk Management and Regulatory Compliance

The Audit of Claims Reimbursement was given substantial assurance, with the reviews of Health and Care Standards and Contract Compliance being given reasonable assurance.

However, the reviews of standards of behaviour (DoI & G&H) and Legislative / Regulatory compliance were given limited assurance. Whilst the Health Board has identified and commenced actions to address the highlighted weaknesses in these areas, the significance of the issues has led to the overall limited assurance rating for the domain.

The UHB's Board Assurance Framework and Risk Management processes have also been reviewed in support of the overall opinion and the Annual Governance Statement has also been reviewed for reasonableness.

Financial Governance and Management

The audit of the main financial systems was given reasonable assurance with improvement required around management of the Oracle Hierarchies.

The audits of Charitable Funds and the Cost Improvement Programmes (CIPs) were both given Substantial Assurance.

The audit of Private and Overseas Patients was deferred at the request of the Health Board and, as such, assurance could not be provided.

Clinical Governance Quality & Safety

The audits of the Annual Quality Statement, Ombudsman Reports and Ward Nurse Staffing Levels were all given Substantial assurance. There were no significant issues identified in any of the audits which has led to the overall Substantial assurance rating for this domain.

The draft MHRA Compliance audit is currently given Reasonable assurance with a number of recommendations made to enhance the current governance and control processes.

The DoLS Follow-up audit was deferred at the request of the Health Board and, as such, assurance could not be provided.

Strategic Planning, Performance Management & Reporting

The audits of Performance Reporting Non RTT, Delayed Transfers of Care (DToC) Reporting and Strategic Planning / IMTP were each given Substantial assurance.

The audit of Commissioning has been given Reasonable assurance and the UHB Transformation audit is currently draft Reasonable assurance.

The planned follow up audit of the previous Limited assurance Continuing Healthcare (CHC) report has been deferred at the request of the Health Board. As such assurance cannot be provided but the potential significance of the audit has been taken into account when assessing the overall assurance rating for the domain. The audit of Public Health Targets was also deferred.

Information Governance & IT Security

The audit of Neurosciences IT System Follow-up was given Substantial assurance with the audits of Renal IT System, e IT Learning and e-advice (draft) being given Reasonable Assurance.

However, the audits of Information Governance and Cyber Security were given Limited assurance. In both cases a significant number of key weaknesses were identified around the current structures and processes in place within the Health Board.

Operational Service and Functional Management

A total of eleven audits were carried out across all the Clinical Boards covering a range of topics including Nurse rotas, absence management and interface incidents. Eight of the audits received Reasonable assurance.

The audits of Mental Health CB – Sickness Management, Surgery CB – Medical Staff Governance and Medicine CB – Internal Medicine Follow-up all received Limited assurance. The Medicine CB audit represents a particular risk as it was a follow-up of a previously Limited assurance report.

The audit of Children & Women CB – Transition Plans was deferred at the request of the UHB and, as such, assurance could not be provided.

Workforce Management

Both the Electronic Staff Record and Management of the Disciplinary Process audits were given Reasonable Assurance.

The planned follow-up audit of Consultants Job Planning was deferred at the request of the Health Board. As such assurance cannot be provided but the

potential significance of the audit has been taken into account when assessing the overall assurance rating for the domain.

Capital & Estates Management

The audits of Sustainability Reporting, Cleaning Standards Follow-up, Carbon Reduction Commitment and the Estates Time Recording System – Kronos were each given Reasonable Assurance.

The three Capital Scheme audits were also given Reasonable assurance along with Reasonable assurance for the Estates Statutory Compliance - Water audit.

The Commercial Outlets and Service Improvement Team audits were deferred at the request of the UHB and, as such, assurance could not be provided.

2.4.3 Limitations to the Audit Opinion

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

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

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

2.4.4 Period covered by the Opinion

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

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

The majority of audit reviews will relate to the systems and processes in operation during 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 limited scope update on the current condition of control and a measure of direction of travel.

There are also some specific assurance reviews which remain relevant to the reporting of the Annual Report required to be published by 31 May 2019. These specific assurance requirements relate to the following two public disclosure statements:

- Annual Quality Statement; and
- Environmental Sustainability Report.

The specified assurance work on these statements has been aligned with the timeline for production of the Annual Report and accordingly will be completed and reported to management and the Audit Committee subsequent to this Head of Internal Audit opinion. However, the Head of Internal Audit's assessment of arrangements in these areas is legitimately informed by drawing on the assurance work completed as part of this current year's plan albeit relating to the 2017/18 Annual Report and Quality Statement, together with the preliminary results of any audit work already undertaken in relation to the 2018/19 Annual Report and Quality Statement.

2.5 Required Work

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

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

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

Please note that there are discussions ongoing with Welsh Government as to whether this work will be required in 2019/20 and future years.

2.6 Statement of Conformance

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

The provision of professional quality Internal Audit is a fundamental aim of our service delivery methodology and compliance with PSIAS is central to our audit

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

The NWSSP Audit and Assurance Services can assure the Audit Committee that it has conducted its audit at Cardiff and Vale University Health Board in conformance with the Public Sector Internal Audit Standards for 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;
- Internally assessed performance against the Health & Care Standards;
- Results of internal compliance functions including Local Counter-Fraud, Post Payment Verification, and risk management;
- Reported compliance via the Welsh Risk Pool regarding claims standards and other specialty specific standards reviewed during the period; and
- Reviews completed by external regulation and inspection bodies including the Wales Audit Office and Healthcare Inspectorate Wales.

3. OTHER WORK RELEVANT TO THE HEALTH BOARD

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

NHS Wales Shared Services Partnership (NWSSP)

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

- General Medical Services (GMS) – Substantial
- General Pharmaceutical Services (GPS)– Substantial
- General Ophthalmic Services (GOS) – Substantial
- General Dental Services (GDS) - Substantial
- Procurement - 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.

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

Welsh Health Specialist Services Committee (WHSSC)

- High cost drugs review (Reasonable)
- Review of network groups and advisory boards (Reasonable)
- Risk management (Reasonable)
- Governance arrangements (Reasonable)

Emergency Ambulance Services Committee (EASC)

- Governance and performance (Reasonable)
- Non-Emergency Patient Transport Service (NEPTS) Follow up of baseline position

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

NHS Wales Informatics Service (NWIS)

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

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

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

4. DELIVERY OF THE INTERNAL AUDIT PLAN

4.1 Performance against the Audit Plan

The Internal Audit Plan has been delivered substantially in accordance with the schedule agreed with the Audit Committee, subject to changes agreed as the year progressed. Regular audit progress reports have been submitted to the Audit Committee during the year. Audits which remain to be reported and reflected within this Annual Report will be reported alongside audits from the 2019/20 operational audit plan.

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

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

4.2 Service Performance Indicators

In order to be able to demonstrate the quality of the service delivered by Internal Audit, a range of service performance indicators supported by monitoring systems have been developed. These have become part of the routine reporting to the Audit Committee during 2018/19. The key performance indicators are summarised in the **Appendix C**.

Post audit questionnaires (PAQs) are issued following the finalisation of relevant audit assignments. During 2018/19 a total of twenty four PAQs were issued with eight responses received. This represents a return rate of 33%. Where respondents have made specific comments these have been reviewed by the Head of Internal Audit for any necessary action.

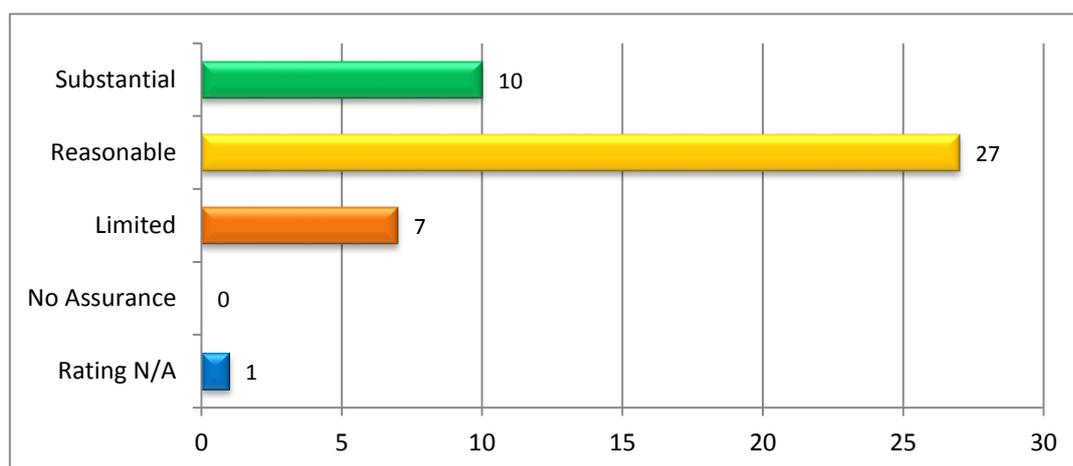
5. RISK BASED AUDIT ASSIGNMENTS

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

5.1 Overall summary of results

In total 45 audit reviews were reported during the year. Figure 1 below presents the assurance ratings and the number of audits derived for each.

Figure 1 Summary of audit ratings



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

In addition to the above, there were eight audits which did not proceed following preliminary planning and agreement with management, as it was recognised that there was action required to address issues / risks already known to management and an audit review at that time would not add additional value.

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

5.2 Substantial Assurance



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

Review Title	Objective
Annual Quality Statement	To assist Cardiff and Vale UHB with accuracy checking, including the triangulation of data and evidence, before the publication of the AQS.
Ombudsman Reports	To establish if appropriate processes are in place to ensure that the Health Board fully complies with all Public Services Ombudsman for Wales (PSOW) investigations and appropriately acts on any issued reports.
Charitable Funds	To establish if the Health Board has appropriate processes in place to ensure that the Charitable Funds are appropriately managed and administered in accordance with relevant legislation and Charity Commission guidance.
IT System Follow-up – Neurosciences IT System	To provide the Health Board with assurance that agreed actions from the previous Limited assurance review of the Patientcare IT system have been implemented appropriately.
Cost Improvement Programme	To establish if cost reduction targets were appropriately established, devolved through the organisation, that appropriate plans had been developed to meet these and that the plans were implemented and monitored.
Claims Reimbursement	To provide assurance to the Audit Committee that the claims reimbursement process is in compliance with the requirements of the Welsh Risk Pool Standard.

Review Title	Objective
Performance Reporting Data Quality – Non RTT	To provide assurance over the accuracy of performance figures reported within the Health Board's Performance Report.
Delayed Transfers of Care Reporting	To establish if the Health Board has appropriate processes in place to ensure the effective recording and reporting of DToC activity in accordance with Welsh Government requirements.
Ward Nurse Staffing Levels	To establish if the Health Board has appropriate processes in place to ensure that it is complying with the requirements of the Nurse Staffing Levels (Wales) Act 2016.
Strategic Planning / IMTP	To establish if adequate processes were in place to ensure effective on-going monitoring and delivery of the Health Board's 2018/19 one year plan.

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
Shaping Our Future Wellbeing – Capital Projects	To gain assurance that appropriate arrangements were established to deliver the proposed programme and associated capital projects.
Dental CB – Theatre Sessions	To establish if the theatre sessions are appropriately planned and managed in order to deliver effective patient care.

Review Title	Objective
Dental CB – Dental Nurse Provision	To establish if clinic rotas are effectively planned and managed.
Environmental Sustainability Report	To assess the adequacy of management arrangements for the production of the Sustainability Report within the Annual Report.
Electronic Staff Record	To assess the adequacy of the arrangements in place for the deployment of the ESR and subsequent utilisation of the system.
Management of the Disciplinary Process	To assess the adequacy of the arrangements in place for the management of the disciplinary process and subsequent utilisation of the relevant procedures.
Carbon Reduction Commitment	To assess compliance with CRC requirements and guidance.
PCIC CB – District Nursing Rotas	To establish if district nursing rotas are effectively planned and managed.
MH CB – Section 17 Leave	To establish if appropriate processes were in place to ensure effective compliance with providing leave to detained patients in accordance with Section 17 of the Mental Health Act 1983 and The Code of Practice for Wales 2016.
Cleaning Standards – Follow-up	To establish if the previously agreed management actions have been implemented, in order to ensure that the Health Board has appropriate processes in place to enable it to comply with the National Standards for Cleaning in NHS Wales.
Renal IT System	To provide assurance that data held within the Renal system is accurate, secure from unauthorised access and loss and that the system is used fully
Contract Compliance	To establish whether the Health Board has adequate processes in place for ensuring compliance with the rules around carrying out competitive tendering and awarding commercial contracts.

Review Title	Objective
CD&T CB – Bank, Agency & Overtime Spend	To establish if bank, agency and overtime usage is effectively justified, verified and authorised and the subsequent payments are correctly processed and authorised.
Estates Time Recording / Kronos	To establish whether the Kronos time recording system currently being piloted within UHW is designed and operating effectively to ensure the appropriate management of staff rotas and time recording.
Capital Project – Rookwood Relocation	To determine the adequacy of, and operational compliance with, the systems and procedures of the University Health Board for the management of capital projects.
PCIC CB – PCIC Interface Incidents	To establish if incidents detected by GPs relating to interface incidents are appropriately reported, recorded, communicated and acted upon to reduce the risk of re-occurrence.
Medicine CB – Sickness Absence Management	To establish if sickness absence is being effectively managed in order to minimise the rates of absence.
Capital CRI Safeguarding Works	To determine the adequacy of, and operational compliance with, the systems and procedures of the University Health Board for the management of capital projects.
Commissioning	To establish if the Health Board has an appropriate Commissioning framework in place that is being consistently applied to ensure that the health needs of the population are being met.
e IT Training	To provide assurance that learning is appropriately developed to provide knowledge to the user base, is subject to review and is delivering according to user needs.
Estates Statutory Compliance - Water	To determine the adequacy of, and operational compliance with, the systems and procedures of the UHB, taking account of relevant NHS and other supporting regulatory and procedural requirements, as appropriate.

Review Title	Objective
UHB Core Financial Systems	To establish if the Health Board has appropriate processes in place to ensure the effective management of the Asset Register and the General Ledger Approval Hierarchies.
Health & Care Standards	To establish if the Health Board has adequate procedures in place to ensure that the standards are effectively utilised to improve clinical quality and patient experience and that appropriate processes are in place to assess performance against the standards.
Specialist CB – Medical Finance Governance	To establish if there are effective governance arrangements in place within the Clinical Board to ensure that Medical staff time and costs are appropriately monitored and controlled.
UHB Transformation Process (draft)	To establish if the development of the seven enablers and the processes in place for their management and implementation are appropriate to allow for the effective future delivery of the Transformation Process.
e-Advice Project (draft)	To provide assurance that e-Advice is subject to appropriate governance and testing, that data is securely transferred between systems and that it is producing the anticipated benefits.
MHRA Compliance (draft)	To establish if adequate processes are in place within Pharmacy to ensure compliance with MHRA requirements.

5.4 Limited Assurance



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

Review Title	Objectives
MH CB – Sickness Management	The purpose of the review was to establish if sickness absence is being effectively managed in order to minimise the rates of absence.
Standards of Behaviour (DoI & G&H)	The purpose of the review was to establish if the Health Board has appropriate processes in place to ensure that all its employees and Independent Members practice the highest standards of conduct and behaviour.
Legislative / Regulatory Compliance	The purpose of the review was to establish if effective processes are in place to ensure that the Health Board complies with all licencing, statutory and regulatory requirements and any associated risks or issues are effectively identified and addressed.
Information Governance - GDPR	The overall objective of the audit was to provide assurance to the Health Board that arrangements are in place and managed appropriately within its wards, departments and directorates to ensure compliance with the requirements of the GDPR.
Surgery CB – Medical Finance Governance	The purpose of the review was to establish if there are effective governance arrangements in place within the Clinical Board to ensure that Medical staff time and costs are appropriately monitored and controlled.
Medicine CB – Internal Medicine Follow up	The purpose of the follow up review is to establish if the previously agreed management actions have been implemented, in order to ensure that all staff members comply with statutory and mandatory requirements and annual PADR are effectively planned and completed.

Review Title	Objectives
Cyber Security	The purpose of the review was to provide assurance to the Audit Committee that a process is in place for ensuring cyber security which provides protection from malicious software and appropriately protects the UHB information.

5.5 No Assurance



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

5.6 Assurance Not Applicable

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

Review Title	Objective
Risk Management / BAF Development	Review of risk management and assurance arrangements to inform HIA Annual Opinion

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

Review Title	Reason / Impact
Continuing Healthcare Follow-up	It was requested by the UHB that this follow-up be deferred due to the time required to implement actions. Potential impact on domain assurance rating.

Review Title	Reason / Impact
Public Health Targets	It was requested by the UHB that this audit be deferred due to the introduction of new WG targets. No impact on Audit Opinion.
Consultant Job Planning Follow-up	It was requested by the UHB that this follow-up be deferred due to the time required to implement actions. Potential impact on domain assurance rating.
DoLS Follow-up	It was requested by the UHB that this follow-up be deferred due to the implementation of a new process for DoLS authorisations. Potential impact on domain assurance rating.
Private and Overseas Patients	It was requested by the UHB that this audit be deferred due to the potential effect of Brexit outcome. No impact on Audit Opinion.
C&W CB – Paeds & Adults Transition Plans	It was requested by the UHB that this audit be deferred due to a change in process. No impact on Audit Opinion.
Commercial Outlets	It was requested by the UHB that this audit be deferred due to internal work being undertaken by Finance staff. No impact on Audit Opinion
Estates Service Improvement Team	It was requested by the UHB that this audit be deferred due to changes in Estates structure. No impact on Audit Opinion

6. ACKNOWLEDGEMENT

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

Ian Virgill

Acting Head of Internal Audit

Audit and Assurance Services

NHS Wales Shared Services Partnership

May 2019

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

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

AUDIT RESULTS GROUPED BY ASSURANCE DOMAIN

Assurance domain	Audits	Overall rating	Not rated	No assurance	Limited assurance	Reasonable assurance	Substantial assurance
Corporate Governance, Risk and Regulatory Compliance	6		● Risk Management		● Standards of Behaviour ● Legislative / regulatory Compliance	● Contract Compliance ● H&CS	● Claims Reimbursement
Financial Governance and Management	3					● Core Financials	● Charitable Funds ● CIPs
Clinical Governance, Quality and Safety	4					● <i>MHRA Compliance (Draft)</i>	● Annual Quality Statement ● Ombudsman Reports ● Ward Nurse Staffing Levels
Strategic Planning, Performance Management and Reporting	5					● Commissioning ● <i>UHB Transformation (Draft)</i>	● Performance Reporting Non RTT ● DToC Reporting ● Strat Plan IMTP
Information Governance and Security	6				● Information Governance – GDPR ● Cyber Security	● Renal It system ● e-IT Training ● <i>e-Advice Project (Draft)</i>	● Neuroscience It System follow up

Assurance domain	Audit count	Overall rating	Not rated	No assurance	Limited assurance	Reasonable assurance	Substantial Assurance
Operational Service and Functional Management	11				<ul style="list-style-type: none"> ● Mental Health CB - Sickness Mgt. ● Surgery CB - Medical Staff Governance ● Medicine CB – Internal Medicine Follow-up 	<ul style="list-style-type: none"> ● Dental – Nurse Sessions ● Dental – Theatre Sessions ● Mental Health CB – Section 17 ● PCIC District Nursing rotas ● CD&T CB – Bank, Agency & OT Spend ● Medicine CB – Absence Management ● PCIC Interface Incidents ● Specialist CB - Medical Staff Governance 	
Workforce Management	2					<ul style="list-style-type: none"> ● Electronic Staff Record ● Management of the Disciplinary Process 	
Capital and Estates Management	8					<ul style="list-style-type: none"> ● Shaping Our Future Wellbeing – Capital Projects ● Environmental Sustainability Report ● Cleanliness Standards 	

Assurance domain	Audit count	Overall rating	Not rated	No assurance	Limited assurance	Reasonable assurance	Substantial Assurance
						Follow up ● Carbon Reduction Commitment (SSU) ● Estates Time Recording System – Kronos ● Capital Project – Rookwood ● Capital – Safeguarding Work CRI ● Estates Statutory Compliance – Water	
	45		1	0	7	27	10

Key to symbols:

● Audit undertaken within the annual Internal Audit plan

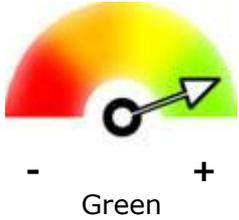
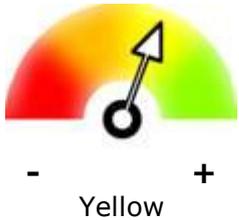
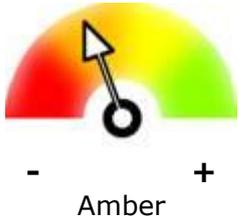
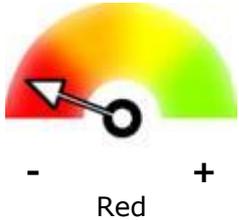
Italics Reports not yet finalised but have been issued in draft

PERFORMANCE INDICATORS

Indicator Reported to Audit Committee	Status	Actual	Target	Red	Amber	Green
Operational Audit Plan agreed for 2018/19	G	April 2019	By 30 June	Not agreed	Draft plan	Final plan
Total assignments reported against adjusted plan for 2018/19	G	(45/46) 98%	100%	v > 20 %	10% < v < 20%	v < 10%
Report turnaround: time from fieldwork completion to draft reporting [10 working days]	A	(40/45) 89%	80%	v > 20 %	10% < v < 20%	v < 10%
Report turnaround: time taken for management response to draft report [15 working days]	R	(23/41) 56%	80%	v > 20 %	10% < v < 20%	v < 10%
Report turnaround: time from management response to issue of final report [10 working days]	G	(41/41) 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 substantial assurance that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Few matters require attention and are compliance or advisory in nature with low impact on residual risk exposure.</p>
Reasonable assurance		<p>The Board can take reasonable assurance that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Some matters require management attention in control design or compliance with low to moderate impact on residual risk exposure until resolved.</p>
Limited assurance		<p>The Board can take limited assurance that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. More significant matters require management attention with moderate impact on residual risk exposure until resolved.</p>
No assurance		<p>The Board has no assurance that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Action is required to address the whole control framework in this area with high impact on residual risk exposure until resolved.</p>

Overall opinion assessment matrix
Supporting criteria for the overall opinion

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

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

Confidentiality

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

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

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

Audit

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

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

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

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

Responsibilities

Responsibilities of management and Internal Auditors:

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and

detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

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



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Cydwasaethau
Gwasanaethau Archwilio a Sicrwydd

Shared Services
Partnership
Audit and Assurance Services

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Mr Chris Lewis
Deputy Director of Finance
Cardiff and Vale University Local Health Board
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Reference: 0121.mju.lewis.cv

Date issued: 21 January 2019

Dear Chris,

Cardiff and Vale University Local Health Board 2018-19: audit enquiries to those charged with governance and management

As you know, each year I am responsible for obtaining reasonable assurance that the financial statements taken are free from material misstatement, whether caused by fraud or error. My 2019 Audit Plan, which the Audit Committee will consider on 26 February 2019, will set out the respective responsibilities of auditors, management and those charged with governance.

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

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

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

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

The information you provide will inform our understanding of the UHB and its business processes and support our work in providing an audit opinion on your 2018-19 financial statements.

I would be grateful if you could complete the attached tables in **Appendices 1 to 3**. Your responses should be formally considered and communicated to us on behalf of both management and those charged with governance by 5 April 2019. In the meantime, if you have queries please feel free to contact me or Mark Jones.

Yours sincerely,



Mike Usher
Engagement Director

cc Bob Chadwick, Director of Finance

Appendix 1

Matters in relation to fraud

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

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

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

What are we required to do?

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

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

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

Enquiries of management - in relation to fraud	
Question	2018-19 Response
1. What is management's assessment of the risk that the financial statements may be materially misstated due to fraud and what are the principal reasons?	The assessed risk is extremely low as management are not aware of any fraud or potential fraud that would materially impact on the financial statements. This assessment is made on the basis of a robust and comprehensive counter fraud and internal audit services. Any potential fraud cases are rigorously investigated and pursued by counter fraud. Internal Audit also undertake a detailed annual review of the main financial systems from which the financial statements are prepared which has been reviewed as giving substantial assurance.
2. What processes are employed to identify and respond to the risks of fraud more generally and specific risks of misstatement in the financial statements?	The Health Board has a year-end accounts closure process, including an analytical review which aims to mitigate against the risks of any financial misstatements. The Health Board's internal auditors also annually review the fundamental financial systems upon which the financial statements are based. This is also supported by a robust and well-resourced counter fraud programme. In addition, the Health Board has undertaken, through the Counter Fraud Department, a range of measures such as establishing a Post Payment Verification Panel which evaluates and monitor 'errors' with claims that have been submitted to Primary Care Services by the individual GP Practices and Opticians. All senior staff in the Finance Department must be professionally qualified accountants whose professional institutes have strong code of conducts and professional ethics. Any deliberate mis-statements would likely result in the individual being stuck off from their professional body.
3. What arrangements are in place to report fraud issues and risks to the Audit Committee?	The Audit Committee agrees a Counter Fraud Work Plan at the start of the year. It then receives regular Counter Fraud progress

Enquiries of management - in relation to fraud	
Question	2018-19 Response
	reports at all of its normal business meetings. It also receives an annual counter fraud report which details the work that has been undertaken during the year, together with a Self-Risk Assessment that is required to be submitted to the NHS Counter Fraud Authority which measures the Health Board's level of counter fraud work against a set of agreed National Standards for NHS Bodies in relation to fraud, bribery and corruption.
4. How has management communicated expectations of ethical governance and standards of conduct and behaviour to all relevant parties, and when?	All staff have access to the Standards of Behaviours Framework Policy via the Intra and Internet plus this is included upon recruitment and at induction. Consultant Medical and Dental Staff are reminded of the need to declare interests etc, when completing their job plans. Board members are made aware of the policy on recruitment and are also prompted to complete a declaration on an annual basis. This requires them to confirm that they have read and understood the policy. 'Declarations of Interest' is also a standing item on the agenda of all Board and Committee meetings. In addition, the Standards of Behaviours Framework policy has been circulated and also raised at the Health Systems Management Board to ensure that it is cascaded through Clinical Boards. This has been done to make sure that expectations of ethical governance and standards of conduct and behaviour are being communicated to all professional staff and not only to Medical and Dental staff. This policy and process will be strengthened during the next financial year due to the fact that the Health Board has received a limited assurance report on Standards of Behaviour.
5. Are you aware of any instances of actual, suspected or alleged fraud within the audited body since 1 April 2018?	Yes, this is fully reported to the Audit Committee at its regular business meeting in its private session via a counter fraud progress report. Also, as part of their private meetings, the Board receives minutes from the private meeting of the Audit Committee, which

Enquiries of management - in relation to fraud	
Question	2018-19 Response
	include reference and any significant points highlighted in the Counter Fraud Progress Reports.
6. Are you aware of any fraud within the NHS Wales Shared Services Partnership since 1 April 2018?	No, but this is also fully reported to both the NWSSP and Velindre NHS Trust (as the hosting body) Audit Committees at its regular business meeting via a counter fraud progress report.
Enquiries of those charged with governance – in relation to fraud	
Question	2018-19 Response
1. How does the Board exercise oversight of management's processes for identifying and responding to the risks of fraud within the audited body and the internal control that management has established to mitigate those risks?	The Board has delegated the review and monitoring of management processes for identifying and responding to fraud risks to the Audit Committee. This monitoring is supported by the work of the Audit Committee and the internal audit and counter fraud functions for which the Finance Director is the lead Executive Director. The Audit Committee receives regular reports on counter fraud matters and on the adequacy of internal control that exist within the Health Board and on the actions being taken to mitigate these risks. The Chair of the Audit Committee is an Independent Member of the Board and reports back to the Health Board on these matters and the minutes of both the public and private meetings of the Audit Committee are included in the meeting papers of the Board.
2. Are you aware of any instances of actual, suspected or alleged fraud with the audited body since 1 April 2018?	Yes, as part of their private meetings, the Board receives minutes from the private meeting of the Audit Committee, which includes any significant points highlighted in the Counter Fraud Progress Reports.

Appendix 2

Matters in relation to laws and regulations

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

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

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

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

What are we required to do?

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

Enquiries of management – in relation to laws and regulations	
Question	2018-19 Response
1. How have you gained assurance that all relevant laws and regulations have been complied with?	Assurances are gained via the appropriate Board Committees where these issues are discussed. Where relevant these are linked to the Corporate Risk and Assurance Framework for the Health Board. This process will be strengthened due to the Health Board receiving a limited assurance report on Regulatory Compliance.
2. Have there been any instances of non-compliance or suspected non-compliance with relevant laws and regulations since 1 April 2018, or earlier with an ongoing impact on the 2018-19 financial statements?	Yes, there has been a Health and Safety Executive notice of legal action against the Health Board with a court hearing scheduled for February 2019. A provision for a financial penalty was included within the 2017/18 financial statements.
3. Are there any potential litigations or claims that would affect the financial statements?	There are some of Employment Tribunal cases involving the Health Board and these have been accounted for within the financial statements.
4. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	Whilst no reports have been issued, the Health Board has been reviewed by HRMC this year in respect of compliance with VAT regulations. These have been accounted for in the financial statements.
Enquiries of those charged with governance – in relation to laws and regulations	
Question	2018-19 Response
1. How does the Board, in its role as those charged with governance, obtain assurance that all relevant laws and regulations have been complied with?	Assurances are gained via the appropriate Board Committees where these issues are discussed. Where relevant these are linked to the Corporate Risk and Assurance Framework for the Health Board.
2. Are you aware of any instances of non-compliance with relevant laws and regulations?	Yes, the Health and Safety Executive notice of legal action.

3. Are you aware of any non-compliance with laws and regulations within the NHS Shared Services Partnership since 1 April 2018?	No.
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Appendix 3

Matters in relation to related parties

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

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

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

What are we required to do?

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

Enquiries of management – in relation to related parties	
Question	2018-19 Response
<p>1. Confirm that you have disclosed to the auditor:</p> <ul style="list-style-type: none"> • the identity of any related parties, including changes from the prior period; • the nature of the relationships with these related parties; • details of any transactions with these related parties entered into during the period, including the type and purpose of the transactions. 	<p>Yes, these are all disclosed to the auditor.</p>
<p>2. What controls are in place to identify, authorise, approve, account for and disclose related party transactions and relationships?</p>	<p>Staff are required to make declarations in accordance with the Standards of Behaviour Framework Policy, incorporating Gifts, Hospitality and Sponsorship. All Board members are asked to make a declaration on an annual basis, which is then recorded and published in the Declarations of Board Members' Interests. Where a Board Member's interests change during the year, they have a personal responsibility to declare this and inform the Board Secretary. These related party transactions are identified in the annual accounts and their materiality quantified. For all Committees and the Board we have a standing agenda item at the beginning of each meeting 'Declaration of Interest' in relation to items on the agenda.</p>
Enquiries of the those charged with governance – in relation to related parties	
Question	2018-19 Response
<p>1. How does the Board, in its role as those charged with governance, exercise oversight of management's processes to identify, authorise, approve, account for and disclose related party transactions and relationships?</p>	<p>The Audit Committee receives bi-annual reports relating to compliance with the policy and the Gifts, Hospitality and Sponsorship Register. It also scrutinises the Annual Accounts which contain details of related party transactions.</p>



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The Accountability Report

Signed by:

Date: 30 May 2019

Len Richards
Chief Executive Officer

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INTRODUCTION TO THE ACCOUNTABILITY REPORT

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

The Accountability Report is required to have three sections:

- [Corporate Governance Report](#)
- [Remuneration and Staff Report](#)
- [National Assembly for Wales Accountability and Audit Report](#)

An overview of the content of each of these three sections is provided below.

THE CORPORATE GOVERNANCE REPORT

This section of the Accountability Report provides an overview of the governance arrangements and structures that were in place across the Cardiff & Vale University Health Board (the UHB) during 2018-19. It also explains how these governance arrangements supported the achievement of the UHB's vision, and strategic objectives.

The Director of Corporate Governance and her team have compiled the report the main document being the [Annual Governance Statement](#). This section of the report has been informed by a review of the work taken forward by the Board and its Committees over the last 12 months and has had input from the Chief Executive, as Accountable Officer, Board Members and the Audit and Assurance Committee.

In line with requirements set out in the Companies Act 2006, the Corporate Governance report includes:

- [The Directors Report](#)
- [A Statement of Accountable Officers Responsibilities](#)
- [A Statement of Directors' Responsibilities in Respect of the Accounts](#)
- [The Annual Governance Statement](#)

REMUNERATION AND STAFF REPORT

The Remuneration Report contains information about senior manager's remuneration. The definition of "Senior Managers" for these purposes 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."*

NATIONAL ASSEMBLY FOR WALES ACCOUNTABILITY AND AUDIT REPORT

This report 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.

CORPORATE GOVERNANCE REPORT

This section of the Accountability Report provides an overview of the governance arrangements and structures that were in place across the Cardiff & Vale University Health Board during 2018-19. It includes:

- Director's Report
- A Statement of Accountable Officer Responsibilities
- A Statement of Directors' Responsibilities in Respect of the Accounts

THE DIRECTORS' REPORT

THE COMPOSITION OF THE BOARD AND MEMBERSHIP

Part 2 of The Local Health Boards (Constitution, Membership and Procedures) (Wales) Regulations 2009 sets out the required membership of the Boards of Local Health Boards, the appointment and eligibility requirements of members, the term of office of non-officer members and associate members. In line with these Regulations the Board of Cardiff & Vale University Health (the UHB) comprises 26 members including:

- a chair
- a vice-chair
- officer members
- non-officer members

The UHB has 11 Independent Members, all of whom are appointed by the Minister for Health and Social Services.

The Board provides leadership and direction to the organisation and is responsible for governance, scrutiny and public accountability, ensuring that its work is open and transparent by holding its meetings in public. The members of the Board are collectively known as “the Board” or “Board members”; the officer and non-officer members (which includes the Chair) are referred to as Executive Directors and Independent Members respectively. All Independent and Executive Members have full voting rights.

In addition, to officer and non-officer members Welsh Ministers may appoint up to three associate members. Associate members have no voting rights.

Before an individual may be appointed as a member or associate member they must meet the relevant eligibility requirements, set out in Schedule 2 of The Local Health Boards (Constitution, Membership and Procedures) (Wales) Regulation 2009, and continue to fulfil the relevant requirements throughout the time that they hold office.

The Regulations can be accessed via the following link: [NHS Wales Governance e-Manual | Regulations \(Constitution, Membership and Procedures\)](#)

VOTING MEMBERS OF THE BOARD DURING 2018-19

During 2018-19, the following individuals were full voting members of the Board of the UHB:

Figure 1: Voting Members of the Board

Name	Role	Dates
Independent Members		

Maria Battle	Chair	Full year
Charles Janczewski	Vice Chair	Full year
John Antoniazzi	Independent Member (Capital)	Full year
Gary Baxter	Independent Member (University)	Full Year
Eileen Brandreth	Independent Member (ICT)	Full year
Susan Elsmore	Independent Member (Local Authority)	Full year
Akmal Hanuk	Independent Member (Community)	Full year
Michael Imperato	Independent Member (Legal)	Full year
Sara Moseley	Independent Member (Third Sector)	Full year
John Union	Independent Member (Finance)	Full year
Dawn Ward	Independent Member (Trade Union Side)	Full year
Executive Directors		
Len Richards	Chief Executive Officer	Full year
Ruth Walker	Executive Nurse Director	Full year
Graham Shortland	Medical Director	Full year
Robert Chadwick	Executive Director of Finance	Retired in December 2018 for a period of two weeks and returned for 16 hours per week initially. See full details on page 62.
Abigail Harris	Executive Director of Planning	Full year
Fiona Jenkins	Executive Director of Therapies and Health	Full Year

	Science	
Fiona Kinghorn	Executive Director of Public Health	From 1 October 2018
Steve Curry	Executive Director of Primary and Community Care, and Mental Health	Full Year
Martin Driscoll	Executive Director of Workforce and Organisational Development	Full Year
Sharon Hopkins	Executive Director of Public Health	Until 1 October 2018

NON-VOTING MEMBERS OF THE BOARD DURING 2018-19

During 2018-19 the following individuals were Associate Members of the Board:

Figure 2: Associate Members of the Board

Sharon Hopkins	Director of Transformation and Informatics/Deputy Chief Executive Officer	From 1 October 2018
Nicola Foreman	Director of Corporate Governance/Board Secretary	From 23 July 2018
Richard Thomas	Chair, Stakeholder Reference Group	From 27 November 2018
Sue Bailey	Chair, Healthcare Professionals' Forum	Full Year
Lance Carver	Director of Social Services, Vale of Glamorgan Council	Full Year
Paula Martyn	Chair, Stakeholder Reference Group	To 26 November 2018

While Associate Members take part in public Board meetings, they do not hold any voting rights:

Further details in relation to role and composition of the Board can be found at pages 10 to 22 of the [Annual Governance Statement](#). In addition, short biographies of all our Board members can be found on our website at: [Board Members](#)

The [Annual Governance Statement](#) also contains further information in respect of Board and Committee Activity.

DECLARATION OF INTERESTS

Details of company directorships and other significant interests held by members of the Board which may conflict with their responsibilities are maintained and updated on a regular basis. A [Register of Interests](#) is available and can be accessed by clicking on the link, or a hard copy can be obtained from the Director of Corporate Governance on request.

PERSONAL DATA RELATED INCIDENTS

Information on personal data related incidents formally reported to the Information Commissioner's office and "serious untoward incidents" involving data loss or confidentiality breaches are detailed on page 39 to 40 of the [Annual Governance Statement](#).

ENVIRONMENTAL, SOCIAL AND COMMUNITY ISSUES

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

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

The Board's [Sustainability Report](#), which forms a key part of the Performance Report section of the Annual Report provides greater detail in relation to the environmental, social and community issues facing the UHB.

STATEMENT OF PUBLIC SECTOR INFORMATION HOLDERS

As the Accountable Officer of the Cardiff & Vale University Health Board, and in line with the disclosure requirements set out by the Welsh Government and HM Treasury, I confirm that the UHB has complied with the cost allocation and charging requirements set out in HM Treasury guidance during the year.

Signed by:

Date: 30 May 2019

Len Richards
Chief Executive Officer

STATEMENT OF ACCOUNTABLE OFFICER RESPONSIBILITIES 2018-19



STATEMENT OF MY CHIEF EXECUTIVE RESPONSIBILITIES AS ACCOUNTABLE OFFICER OF THE CARDIFF & VALE UNIVERSITY HEALTH BOARD

The Welsh Ministers have directed that I, as the Chief Executive, should be the Accountable Officer of Cardiff & Vale University Health Board.

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

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

I also confirm that:

- As far as I am aware, there is no relevant audit information of which Cardiff & Vale University Health Board's auditors are unaware. I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that Cardiff & Vale University Health Board's auditors are aware of that information
- Cardiff & Vale University Health Board's Annual Report and Accounts as a whole is fair, balanced and understandable. I take personal responsibility for the Annual Report and the judgments required for determining that it is fair, balanced and understandable.

Signed by:

Date: 30 May 2019

Len Richards
Chief Executive Officer

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS FOR 2018-19

The Directors of Cardiff & Vale University Health Board 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 UHB and of the income and expenditure of the UHB 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; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the account

On behalf of the directors of Cardiff & Vale University Health Board we confirm:

- that we have complied with the above requirements in preparing the 2018-19 account
- that we are clear of their responsibilities in relation to 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 by:

Date: 30 May 2019

Len Richards
Chief Executive Officer

Signed by:

Date: 30 May 2019

Maria Battle
Chair

Signed by:

Date: 30 May 2019

Robert Chadwick
Executive Director of Finance

ANNUAL GOVERNANCE STATEMENT

This Annual Governance Statement details the arrangements that were in place to manage and control resources during the financial year 2018-19. It also sets out the governance arrangements in place to ensure probity, mitigate risks and maintain appropriate controls to govern corporate and clinical situations

SCOPE OF RESPONSIBILITY

The Board of the Cardiff & Vale University Health Board (the UHB) is accountable for good governance, risk management and internal control. As the Chief Executive and Accountable Officer of the UHB I have clearly defined responsibilities as set out in the Accountable Officer Memorandum and my letter of appointment. These responsibilities relate to maintaining appropriate governance structures and procedures, as well as a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives, whilst safeguarding the public funds and the organisation's assets for which I am personally responsible. These duties are carried out in accordance with the responsibilities assigned by the Accountable Officer of NHS Wales.

I am held to account for my performance by the Chair of the UHB and the Chief Executive and Accounting Officer for the NHS in Wales. I have formal performance meetings with both the Chair and the Chief Executive of NHS Wales. Further, the Executive Team of the UHB meet with the senior leaders of the Department of Health and Social Services on a regular basis.

I am required to assure myself, and therefore the Board, that the organisation's executive management arrangements are fit for purpose and enable effective leadership. The following statement demonstrates the mechanisms and methods used to enable me to gain that assurance.

This Annual Governance Statement details the arrangements that I put in place during 2018-19 to discharge my responsibilities as the Chief Executive Officer of the UHB to manage and control the UHB's resources. It also sets out the governance arrangements that were in place to ensure probity, and that strategic and delivery plans are in place, risks mitigated and assured and we have the appropriate controls to govern corporate and clinical situations.

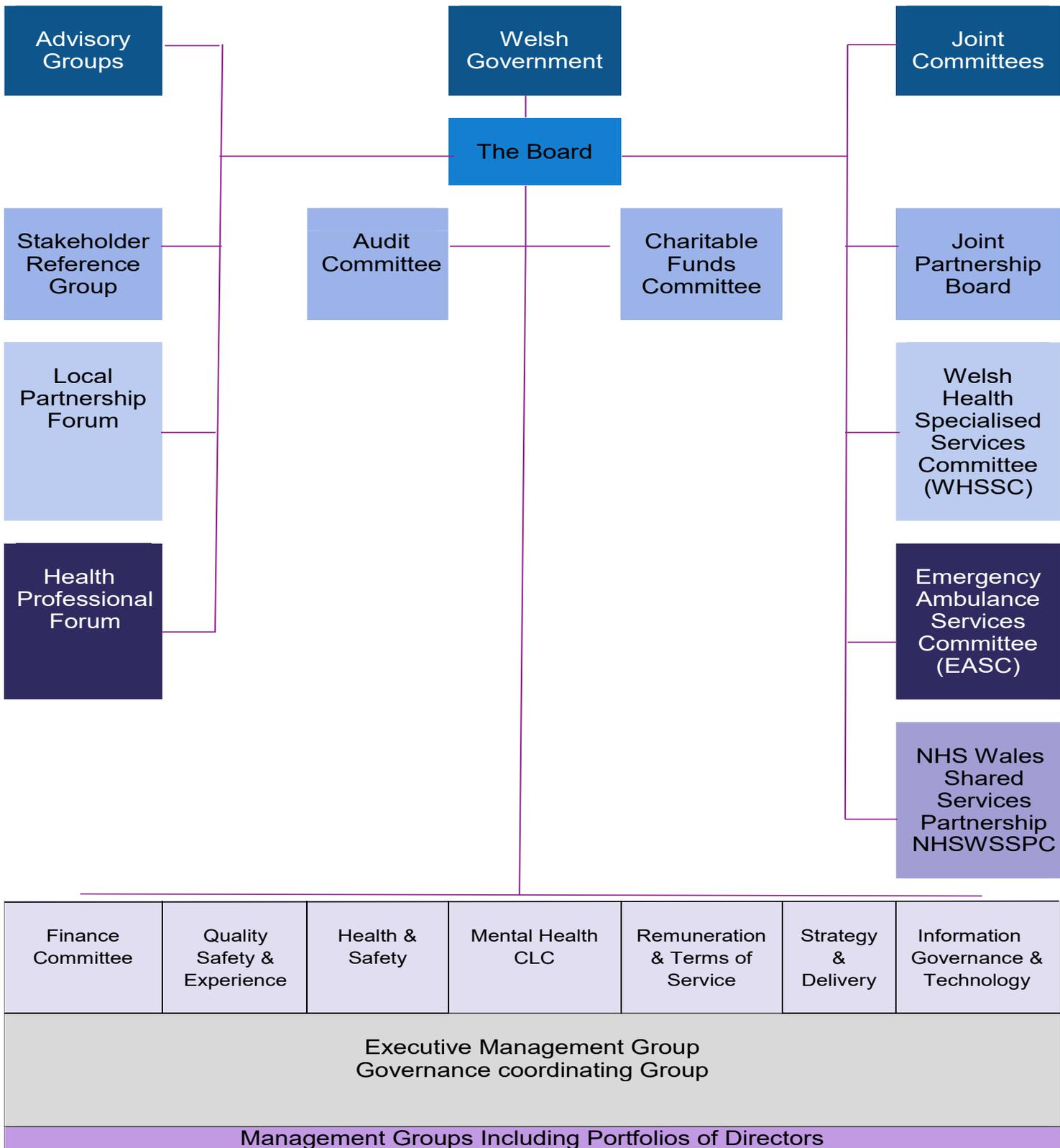
OUR GOVERNANCE AND ASSURANCE FRAMEWORKS

The UHB is one of the largest NHS organisations in the UK. It employs approximately 14,500 staff and spends around £1.4 billion every year on providing health and wellbeing services to a population of around 490,000 residing in Cardiff and the Vale of Glamorgan. It also serves a wider population across South and Mid Wales for a range of specialties. The UHB is a teaching health board with close links to the university sector, and together we are training the next generation of healthcare professionals.

The UHB has a clear purpose from which its strategic aims and objectives have been developed. Our vision is to '*Care for People, Keep People Well*'. The Board is accountable for setting the organisation's strategic direction, ensuring that effective governance and risk management arrangements are in place and holding Executive Directors to account for the effective delivery of its Annual Plan.

Figure 3 that follows, provides an overview of the governance framework that was in operation during 2018-19.

Figure 3: The UHB's Governance Framework



THE BOARD

The Board has been constituted to comply with the Local Health Board (Constitution, Membership and Procedures) (Wales) Regulations 2009. The Board functions as a corporate decision-making body, Executive Directors and Independent Members being full and equal members and sharing corporate responsibility for all the decisions of the Board. Details of those who sit on the Board are published on our website at: [Board Members](#). Further information is also provided in the [Directors Report](#).

The Board is at the top of the UHB's governance and assurance systems. Its principal role is to exercise effective leadership, provide strategic direction and control. The Board is accountable for governance and internal control in the organisation, and I, as the Chief Executive and Accountable Officer, am responsible for maintaining appropriate governance structures and procedures. In summary, the Board:

- Sets the strategic direction of the organisation within the overall policies and priorities of the Welsh Government and the NHS in Wales
- Establishes and maintains high standards of corporate governance
- Ensures the delivery of the aims and objectives of the organisation through effective challenge and scrutiny of performance across all areas of responsibility
- Monitors progress against the delivery of strategic and annual objectives
- Ensures effective financial stewardship by effective administration and economic use of resources

The UHB Board consists of 26 members including the Chair, Vice Chair and Chief Executive. The Board has 11 Independent Members and 4 Associate Members, three of whom are appointed by the Minister for Health and Social Services.

In addition to responsibilities and accountabilities set out in terms and conditions of appointment, Board members also fulfil a number of Champion roles where they act as ambassadors for these matters.

STANDING ORDERS AND SCHEME OF RESERVATION AND DELEGATION

The UHB's governance and assurance arrangements have been aligned to the requirements set out in the Welsh Government's Governance e-manual and the Citizen-centered Governance Principles. Care has been taken to ensure that governance arrangements also reflect the requirements set out in HM Treasury's 'Corporate Governance in Central Government Departments: Code of Good Practice 2011'.

The Board has approved Standing Orders for the regulation of proceedings and business. They are designed to translate the statutory requirements set out in the Local Health Board (Constitution, Membership and Procedures) (Wales) Regulations 2009 into day to day operating practice. Together with the adoption of a scheme of matters reserved for the Board, a detailed scheme of delegation to officers and Standing Financial Instructions, they provide the regulatory framework for the business conduct of the UHB and define "its ways of working". The Standing Orders in place during 2018-19 were adopted by the Board in 2015, they are available on the [Policies, Procedures and Guidelines](#) page of our website.

Standing Orders and the Scheme of Reservation and Delegation are supported by a suite of corporate policies, and together with the Standards of Behaviour Framework, Risk Management Policy and Performance Management Framework make up the UHB's Governance Framework.

In 2018-19, a review of these arrangements was started to ensure that they support the implementation of the 'UHB's Integrated Medium Term Plan and aligned strategic objectives; an update on progress is provided in the pages that follow.

The Board, subject to any directions that may be made by the Welsh Ministers, is required to make appropriate arrangements for certain functions to be carried out on its behalf so that the day to day business of the UHB may be carried out effectively, and in a manner that secures the achievement of the its aims and objectives. To fulfil this requirement, in alignment with the review of Standing Orders and Committee terms of reference, a detailed review of the Board's Scheme of Reservation and Delegation of Powers was also started. The document, will go to the Board for approval in July 2019. As recommended by Wales Audit Office in its Structured Assessment Report for 2018, going forward the UHB's Standing Orders will be reviewed annually.

COMMITTEES OF THE BOARD

Section 2 of the UHB's Standing Orders provides that "*The Board may and, where directed by the Welsh Government must, appoint Committees of the Health Board either to undertake specific functions on the Board's behalf or to provide advice and assurance to the Board in the exercise of its functions.*" In line with these requirements the Board has established a standing Committee structure, which it has determined best meets the needs of the UHB, while taking account of any regulatory or Welsh Government requirements. Each Committee is chaired by an Independent Member of the Board and is constituted to comply with The Welsh Government Good Practice Guide – Effective Board Committees.

During 2018, steps were taken to strengthen Board and committee working. At the February 2018 board development session, board members agreed the following improvement objectives for the Board:

- To concentrate more on the UHB's strategy and not operational matters; focusing more on the UHB's mission, 'Caring for People, Keeping People Well' and the 10 strategic objectives in Shaping our Future Wellbeing;
- To improve alignment between strategic objectives and key corporate risks;
- To receive higher levels of assurance and scrutiny;
- To reducing the volume of papers; and
- To avoid the duplication of papers and discussion between different Committees and/or the Board.

A number of changes have been made to support these objectives; these include:

- A review of Committee membership. The allocation of independent members to committees has been reviewed in an attempt to optimise their contribution by best utilising their individual skills, specialisms and interests.
- A revision of Board rules. These now support the desired changes in behaviour. For example: considering issues from a strategic perspective; challenging constructively; seeking clarification on papers beforehand; and taking a holistic view. Copies of the Board rules are displayed at Board meetings.
- The introduction of a new Board and committee cover report template. The updated version now encourages greater focus and clarity. Instructions to the Board and committee on the purpose of papers is simpler, either 'for assurance' or 'for decision'.

Other categories have been removed. The template limits the main report's length to no longer than two and a half pages.

- Pre-submitted questions prior to Board meetings. To improve efficiency, independent members submit some questions to executive members before the Board meeting. These questions are devised at a meeting the Board chair holds with independent members a few days before Board meetings. This process does not stop members from asking questions at the meeting but gives officers a chance to prepare a definitive answer.

In its 2017 structured assessment the Wales Audit Office raised concerns about the balance of work between the Strategy and Engagement (S&E) and Resource and Delivery (R&D) Committees. After six months of operation the UHB reviewed these committees and replaced them with the Strategy and Delivery Committee, due to there being a lack of clarity over responsibilities and some duplication. The Strategy and Delivery (S&D) Committee met for the first time in March 2018 and it is working well. The Board's other committees remained the same during 2018.

During the final quarter of 2018-19, a full and considered review of each of the terms of reference of the Board's committees was undertaken (*the need for this review was highlighted by the WAO in its 2018 Structured Assessment*). This review highlighted areas where assurance and risk management arrangements required strengthening and consequently the terms of reference of a number of the Committees were updated. As a result the following Board Committees will be in place during 2019-20:

- Audit and Assurance Committee
- Charitable Funds Committee
- Finance Committee
- Health & Safety Committee
- Information Governance & Technology Committee
- Mental Health and CLC Committee
- Quality, Safety & Experience Committee
- Remuneration & Terms of Service Committee
- Strategy & Delivery Committee

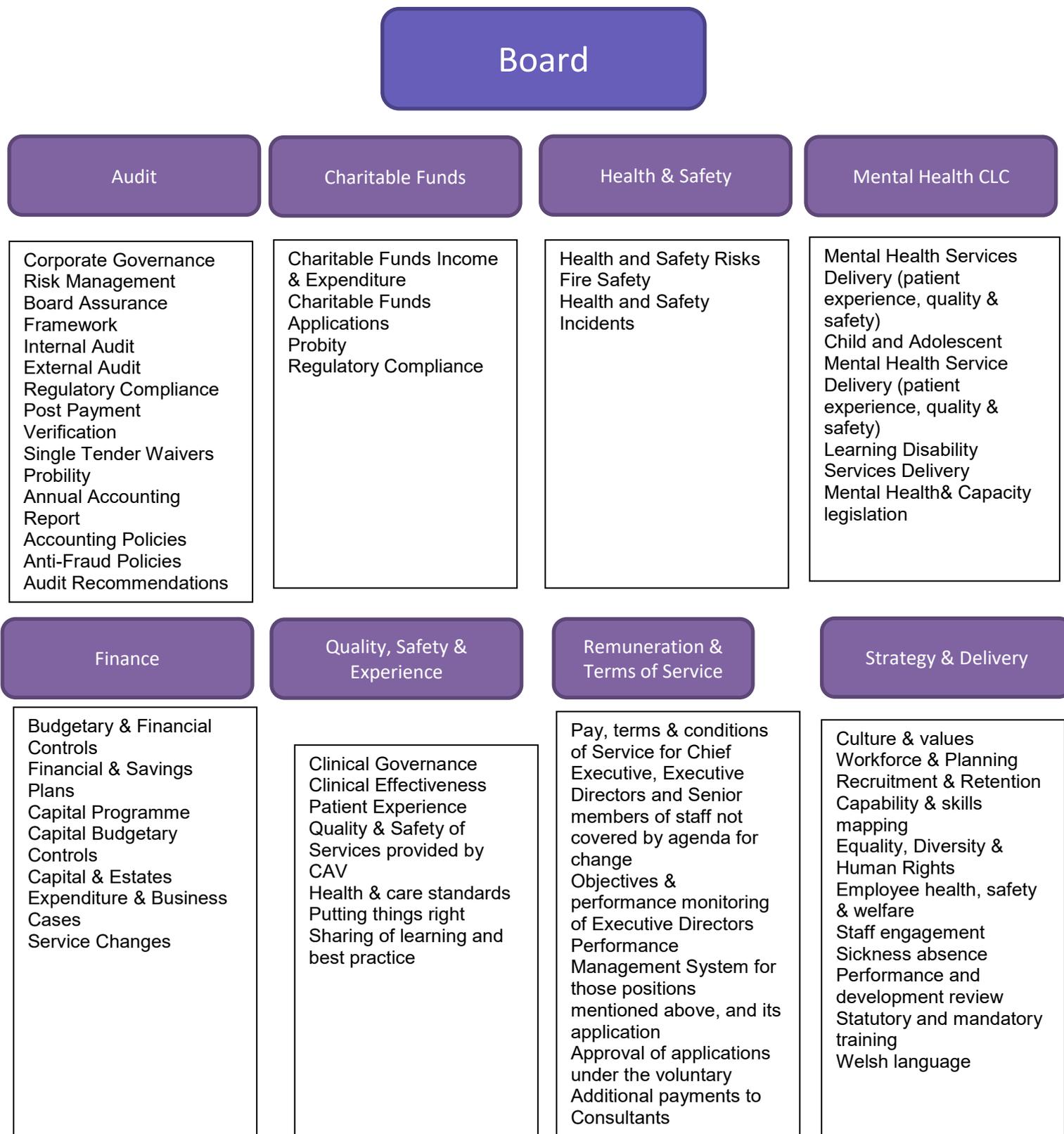
All Committees reviewed their Terms of Reference and Work Plans in 2018-19. To support the Board's Committees worked together on behalf of the Board to ensure that work is planned cohesively and focusses on matters of greatest risk that would prevent the UHB from meeting our mission's aims and objectives.

Copies of Committee papers and minutes, a summary of each Committee's responsibilities and Terms of Reference are available on the UHB's website: [The Board and its Committees](#) . All action required by the Board and Committees are included on an Action Log, and at each meeting progress is monitored, these Action Logs are also published on the UHB's website.

The Chair of each Committee reports to the Board on the committees' activities. This contributes to the Board's assessment of risk, levels of assurance and scrutiny against the delivery of

objectives. Further, in line with Standing Orders, each committee has produced an annual report, for 2018-19, setting out a helpful summary of its work. These annual reports were considered in a public session of the Board and can be accessed at: [Annual Reports](#)

Figure 4: Roles and Responsibilities of Committees of the Board



Information, Governance & Technology

Information & Information Technology Strategies
IM&T Priorities
IM&T Implications arising from the IMTP & new developments
IM&T service provision
Information Governance legislation & policies
Data protection, confidentiality & privacy
Information security
Freedom of Information
Environmental Information regulations
Publication Scheme
Records Management
Data Quality & Integrity
General Data Protection

The Board and its Committees, meet in public throughout the year, and attendance is formally recorded within the minutes, detailing where apologies have been received and deputies have been nominated. The dates, agendas and minutes of all public meetings can be found on our website at: [Board Meetings](#). The table at [Appendix 1](#) sets out details of the Chair, Chief Executive, Executive Directors and Independent Members and confirms Board and Committee membership for 2018-19, meetings attended during the tenure of the individual and any Champion roles performed.

ITEMS CONSIDERED BY THE BOARD IN 2018-19

During the 2018-19 the Board held:

- Seven meetings in public (including one extraordinary meeting, held to discuss the establishment of a Major Trauma Network)
- One Annual General Meeting
- Six development sessions

All meetings of the Board held in 2018-19 were appropriately constituted with a quorum.

Board Assurance

The Board received regular updates on, and participated in, the further development and strengthening of assurance arrangements across the organisation. The UHB received a positive Wales Audit Office Structured Assessment Report for 2018 with regard to the ongoing improvements in risk management. Further details of the Structured Assessment findings are provided on page 49.

The UHB's Strategy

The Board, led the further development of the Cardiff & Vale Strategy and the alignment of its Integrated Medium Term Plan (IMTP) for 2019-22 to it; see pages 35 and 36 for further details. Aligned to this work was the approval (in May 2017) of the Cardiff & Vale Well-being Assessment and the UHB's Strategic Plan for Health Inequalities 2017-20.

As part of the development of the 2018-21 IMTP the Board developed its Well-being Objectives as required by the Well-being of Future Generations (Wales) Act 2015. A summary of these is included in our IMTP for 2018-21, this can be found at: [The Wellbeing of Future Generations Act](#)

In addition, the Board:

- Approved the Annual Accounts for 2017-18;
- Approved the Resource Plans for 2018-19;
- Received feedback from service users and patients through patient stories;
- Approved and monitored the Discretionary Capital Programme.
- Received, considered and discussed financial performance and the related risks being managed by the UHB;
- Received regular reports on Patient Experience and feedback, ensuring where concerns are raised that these are escalated to the Board and, where necessary, result in the Board proactively activating agreed multiagency procedures and cooperate fully with partners.
- Routinely considered the Board's performance in relation to key national and local targets and agreed mitigating actions in response to improve performance where appropriate.
- Routinely received assurance reports from the Committees and Advisory Groups of the Board.

ITEMS CONSIDERED BY COMMITTEES OF THE BOARD

During 2018-19, Board Committees considered and scrutinised a range of reports and issues relevant to the matters delegated to them by the Board. Reports considered by the committees included a range of internal audit reports, external audit reports and reports from other review and regulatory bodies, such as Healthcare Inspectorate Wales and the Cardiff & Vale Community Health Council.

As was the case in previous years, the Committees' consideration and analysis of such information has played a key role in my assessment of the effectiveness of internal controls, risk management arrangements and assurance mechanisms.

The Committees also considered and advised on areas of local and national strategic developments and new policy areas. Board Members are also involved in a range of other activities on behalf of the Board, such as Board development sessions (at least six a year), quality and safety 'walk-arounds' and a range of other internal and external meetings.

An overview of the key areas of focus for each of the Board committees is provided in the Annual Reports for these Committees which can be found at [The Board and its Committees](#)

Audit Committee

The [Audit Committee's Annual Report for 2018-19](#) provides the Board with a summary of the Committee's membership and the matters considered during the year. The Director of Corporate Governance provides a written report to each Audit Committee which:

- Strengthens governance reporting to the Committee

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

A key item that continued to be monitored by the UHB's Audit Committee in 2018-19 was the detailed action plan produced in response to the Wales Audit Office review of the UHB's contractual relationships with RKC Associates Ltd and its owner. In addition, in April 2018 the Public Accounts Committee (PAC) of the National Assembly for Wales received and discussed a report on progress with the implementation of the action plan. A closure report was submitted to the PAC in October 2018.

Internal Audit reviewed the progress made against the action plan and provided a finding of Substantial assurance. The UHB Board also received regular assurance reports regarding progress with the action plan.

Charitable Funds Committee

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

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

Each year the Charitable Fund Accounts are subject to external audit review by the Wales Audit Office and certified by the Charity Commission's deadline of 31 January of the following year. The 2017-18 statements were certified as giving a true and fair view with an unqualified opinion on 18 December 2018.

BOARD DEVELOPMENT

Every other month there is a Board development session timetabled between public board meetings. The 2018-19 Board development programme was designed to help the Board and its committees to focus on more strategic business. As a result during the year the Board took part in a number of development sessions as shown in Figure 5 on the following page.

Figure 5: Subjects discussed in Board Development Sessions

Month	Subjects Covered
April 2018	<ul style="list-style-type: none"> ○ Strategy Development ○ Meeting efficiency ○ Performance Management Development ○ Values and Behaviours ○ Role of Internal Audit
June 2018	<ul style="list-style-type: none"> ○ Performance Data ○ Working efficiently ○ Risk Management
October 2018	<ul style="list-style-type: none"> ○ Additional Learning Needs and Educational Tribunal Act ○ Cardiff Child Friendly City Proposals ○ Nursing Act
December 2018	<ul style="list-style-type: none"> ○ Strategic Clinical Services Plan ○ IMTP Priorities ○ Single Cancer Pathway ○ Population Growth
February 2019	<ul style="list-style-type: none"> ○ Transformation ○ Prevention and Healthy Weight Strategic Action Plan ○ Wales Audit Office – Role and function of Audit Committees

THE CORPORATE GOVERNANCE CODE AND THE BOARD'S SELF ASSESSMENT OF ITS EFFECTIVENESS

The Corporate Governance Code currently relevant to NHS bodies is 'The Corporate governance code for central government departments'. This can be found at: [Corporate governance code for central government departments - GOV.UK](#).

The UHB like other NHS Wales organisations is not required to comply with all elements of the Code, however the main principles of the Code stand as they are relevant to all public sector bodies.

The Corporate Governance Code is reflected within key policies and procedures. Further, within our system of internal control, there are a range of mechanisms in place which are designed to monitor our compliance with the code, these include:

- Self-assessment
- Internal and external audit
- Independent reviews

The Board is clear that it is complying with the main principles of the Code, and is conducting its business openly and in line with the Code, and that there were no departures from the Code as it applies to NHS bodies in Wales, with the following non-material exceptions:

- Section 3.10 – 3.11 Board appointments are typically made for a period of three-four years. These are Ministerial appointments which the Board itself is unable to influence apart from the personal encouragement of asking people from diverse backgrounds to apply.
- Section 4.1 – The Board has a dedicated secretariat function.

During the latter part of the year the Board and its Committees undertook self-assessments of

their effectiveness and development needs. These are referenced in Committee annual reports [Annual Reports](#).

The Director of Corporate Governance undertook a self-assessment using the *Well Led Framework for Governance and Leadership* developed by NHS Improvement to bring focus and rigour to the review. The framework has eight domains, high level questions and a body of ‘good practice’ outcomes and evidence base that organisations and reviewers can use to assess governance. The assessment was aligned to the Health and Care Standards for Governance, Leadership and Accountability, and enabled an assessment of the Board’s competence and effectiveness across a range of areas. – See **Figure 6** below. This assessment will be considered by the Board at its development session scheduled for June 2019.

Figure 6: Outcome of Self-Assessment

1. Is there the leadership, capacity and capability to deliver high quality, sustainable care?	2. Is there a clear vision and credible strategy to delivery high quality, sustainable care to people and robust plans to deliver?	3. Is there a culture of high quality, sustainable care?
4. Are there clear responsibilities, roles and systems of accountability to support good governance and management	Are services well led?	5. Are there clear and effective processes for managing risks, issues and performance
6. Is appropriate and accurate information being effectively processed, challenged and acted on?	7. Are the people who use services, the public, staff and external partners engaged and involved to support high quality sustainable services	8. Are there robust systems and processes for learning, continuous improvement and innovation?

Rating	Definition	Evidence
Green	Meets or exceeds expectations	Many elements of good practice and no major omissions
Yellow	Partially meets expectations, but confident in management’s capacity to deliver green performance within a reasonable timeframe	Some elements of good practice, some minor omissions and robust action plans to address perceived gaps with proven track record of delivery
Amber	Partially meets expectations, but with some concerns on capacity to deliver within a reasonable timeframe	Some elements of good practice, has no major omissions. Action plans to address perceived gaps are in early stage of development with limited evidence of track record of delivery
Red	Does not meet expectations	Major omission in governance identified. Significant volume of action plans required with concerns regarding management’s capacity to deliver

As highlighted earlier in this report, each Committee of the Board has also completed a self-assessment of its effectiveness. The outcomes of these assessment are being used to inform

the future development of the Governance Improvement Programme and a Board Development Programme for 2019-20.

ADVISORY GROUPS

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

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

Stakeholder Reference Group (SRG): The Group is formed from a range of partner organisations from across the UHB’s area and engages with and has involvement in the UHB’s strategic direction, advises on service improvement proposals and provides feedback to the Board on the impact of its operations on the communities it serves.

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

This may include:

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

Significant issues upon which the SRG was engaged during 2018-19 were:

- Adult Thoracic Surgery
- Car parking
- Community Mental health Services
- The UHB’s Transformation Programme
- Winter Planning
- GP Sustainability
- The UHB’s Clinical Services Plan
- Brexit
- The Patient Knows Best Portal

Local Partnership Forum (LPF) The UHB and Staff side representatives have a strong working relationship and the Board recognises the importance of engaging with staff organisations on key issues facing the UHB.

The LPF is co-chaired by the Chair of Staff Representatives and the Executive Director of Workforce and Organisational Development. Members are Staff Representatives (including the

Independent Member for Trade Unions), the Executive team and Chief Executive, the Director of Corporate Governance, the Assistant Directors of Workforce and Organisational Development and the Head of Workforce Governance. The LPF meets six times a year.

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

The LPF met regularly during the year, providing the formal mechanism through which the UHB works together with Trade Unions and professional bodies to improve health services for the population it serves in the Cardiff & Vale area. In addition the UHB engages with its Medical Workforce through its Clinical Senate. The LPF is the forum where key stakeholders engage with each other to inform debate and seek to agree local priorities on workforce and health service issues. During the year, significant strategic issues were discussed and included:

- progress on implementation of the 2018-2021 IMTP and the development of the refreshed 2019-2022 IMTP;
- the NHS Staff Survey; and
- progress with implementation of service change,

Healthcare Professionals' Forum (HPF) The Forum comprises representatives from a range of clinical and healthcare professions within the UHB and across primary care practitioners and provides advice to the Board on all professional and clinical issues it considers appropriate.

During July 2018 the HPF met with the SRG to discuss

- Adult Thoracic Surgery
- The UHB's Transformation Programme
- Winter Planning

The HPF is currently reviewing its Terms of Reference and developing its work programme to inform its work over the coming year. Further Information in relation to the role and terms of reference of each Advisory Group can be found in the UHB's Standing Orders, these can be found at: [Standing Orders](#).

JOINT COMMITTEES

The UHB is also a number of a number of joint committees, namely:

Welsh Health Specialised Services Committee (WHSSC) & Emergency Ambulance Services Committee (EASC)

The Welsh Health Specialised Services Committee and the Emergency Ambulance Services Committee are statutory joint committees of the seven local health boards. They were established under the Welsh Health Specialised Services Committee (Wales) Directions 2009 (2009/35) and 2014 (2014/9 (w.9)) (the WHSSC Directions) and the Emergency Ambulance Services Committee (Wales) Directions 2014 (2014/8 (W.8)) (the EASC Directions).

The Welsh Health Specialised Services Committee (WHSSC), was established in April 2010. WHSSC is responsible for the joint planning and commissioning of over £500m of specialised and tertiary health care services on an all Wales basis.

The Emergency Ambulance Services Committee (EASC) was established in April 2014. The EASC is responsible for the joint planning and commissioning of circa £155m of emergency ambulance services, including Emergency Medical Retrieval & Transfer Service (EMRTS) on an all Wales basis and commissioning Non-Emergency Patient Transport Services (NEPTS).

NHS Wales Shared Services Partnership Committee

A NHS Wales Shared Services Partnership Committee (NWSSPC) has been established under Velindre NHS Trust which is responsible for exercising shared services functions including the management and provision of Shared Services to the NHS in Wales.

During 2018-19, as part of the UHB's governance arrangements the Board was provided with regular updates on the work of these joint committee's through the Chief Executive's report; a standing item on the Board agenda.

More information on the governance and hosting arrangements of these committees can be found in the UHB's [Standing Orders](#).

CARDIFF & VALE PUBLIC SERVICE BOARD

The Public Service Board (PSB) is the statutory body established by the Well-being of Future Generations (Wales) Act which brings together the public bodies in Cardiff & Vale to meet the needs of Cardiff & Vale citizens present and future. The aim of the group is to improve the economic, social, environmental and cultural well-being of Cardiff & Vale. Working in accordance with the five ways of working, the Board has published its Well-being Assessment and [Well-being Plan](#).

CARDIFF & VALE REGIONAL PARTNERSHIP BOARD

The Cardiff & Vale Regional Partnership Board (RPB) is the statutory legal body established in April 2016 by the Social Services and Well-being (SSWB) (Wales) Act. Its key role is to identify key areas of improvement for care and support services in Cardiff & Vale. The RPB has also been legally tasked with identifying integration opportunities between social care and health. This has been achieved through building on the years of joint working and through the development of the health and care strategy which has identified key priorities. The key opportunities for integrated working identified and the actions to be taken in support of them are outlined in the [Area Plan](#).

REGIONAL COLLABORATION

The UHB is committed to working collaboratively with neighbouring organisations across Wales and England in the regions we commission to secure benefits for the population of Cardiff and the Vale.

South East Wales Regional Planning – Delivery Forum

In 2018-19, the Cabinet Secretary for Health and Social Services, following discussions with Health Board Chairs, wrote asking that they establish Regional Planning arrangements that address at pace some of the clinical service redesign options where solutions sit outside individual health board boundaries.

The Regional Planning and Delivery Forum was therefore established, which includes the Chief Executive NHS Wales and Chair and Chief Executive representation from Cwm Taf, Cardiff & Vale, Aneurin Bevan, Abertawe Bro Morgannwg, Cardiff & Vale, Velindre and WAST.

The UHB is fully engaged in this important forum. A brief summary of the work undertaken in 2018-19 and the plans to be taken forward into 2019-20 is provided in our [IMTP for 2019- 22](#).

THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROLS

The system of internal control operating across the UHB is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of policies, aims and objectives of the UHB, to evaluate the likelihood of those risks being realised and to manage them efficiently, effectively and economically.

I can confirm that a system of internal control was in place across the UHB for the year ended 31 March 2019 and up to the date of approval of the annual report and accounts.

EXECUTIVE PORTFOLIOS

During 2018-19, with the agreement of the Board I made one key change to the Executive Team Dr. Sharon Hopkins stepped down from her role as Executive Director for Public Health to take on the role of Director of Transformation and Informatics and lead on the major transformation agenda that we have signed up to as a Board. The Remuneration and Terms of Service Committee has agreed to Dr. Hopkins retaining the role of Deputy Chief Executive and she will deputise for me when required.

During the coming year I will review the portfolios of all Executive Directors to ensure the appropriate alignment of accountabilities and authority within each Directorate and Director portfolio, and to also ensure that sufficient capacity is available to support the UHB's transformation agenda.

CAPACITY TO HANDLE RISK AND KEY ASPECTS OF THE CONTROL FRAMEWORK

Responsibility for making sure that risks are properly managed rests with the Board. As Accountable Officer, I have overall responsibility for risk management and report to the Board on the effectiveness of risk management across the UHB. My advice to the Board is informed by Executive Officers, feedback received from Board Committees; in particular the Audit Committee and the Quality, Safety and Experience Committee.

The Board has a Risk Management Policy and supporting Risk Assessment and Risk Register Procedure. Each Clinical Board and Corporate Department has responsibility for maintaining a comprehensive risk register and lead Executive Directors for highlighting the most significant risks for inclusion in the Corporate Risk Register. Risk Assessments are undertaken based on a 5 x 5 scoring matrix i.e. the impact of the risk multiplied by the likelihood of it happening.

Management Executive meetings present an opportunity for executive directors to consider, evaluate and address risk and actively engage with and report to the Board and its committees on the UHB's risk profile.

The UHB's lead for risk is the Director of Corporate Governance, who is responsible for establishing the policy framework and systems and processes that are needed for the management of risks within the UHB. Depending on the nature of risk, other Directors will take the lead, for example, patient safety risks fall within the responsibility of the Medical Director, Director of Nursing, and Director of Therapies and Health Science.

RISK MANAGEMENT AND ASSURANCE

Robust risk management and assurance arrangements are seen by the Board as being essential to good management and the aim is to ensure they are integral to the UHB's culture. Risk and assurance are increasingly important elements of the UHB's planning, budget setting and performance processes.

As reported by the Wales Audit Office in its 2018 Structured Assessment delays in revising the corporate risk assurance framework has meant that until the latter part of 2018-19 the Board had insufficient oversight of strategic risks. I am pleased to report that the Board's newly appointed Director of Corporate Governance is making progress with the development of a Board Assurance Framework (BAF). This replaces the UHB's Corporate Risk and Assurance Framework (CRAF), which combined the corporate risk register and Board Assurance Framework (BAF).

The Board received the first draft of the BAF when it met in November 2018. The BAF lists the UHB's strategic objectives and sets out the:

- principal risks that threaten the achievement of objectives;
- controls in place to manage/mitigate the principal risks;
- assurances on the controls in place;
- gaps in control;
- gaps in assurance; and
- actions to address the gaps in control and assurance to enable delivery of objectives.

Compared to the CRAF, which listed over 90 risks, the draft BAF is clearer and more focused. It is easier for the Board and its committees to review and each risk has an assigned executive lead and committee.

Key Risks and Embedding Robust Risk Management

Embedding effective risk management remains a key priority for the Board as it is integral to enabling the delivery of our objectives, both strategic and operational, and most importantly to the delivery of safe, high quality services. A number of steps have been taken to strengthen risk management across the organisation; with the BAF sets out the strategic risks to achieving the UHB's strategic objectives; and a corporate risk register, setting out the top organisational risks, is being developed to compliment it. The following six risks are identified in the BAF as posing the greatest risk to the delivery of the UHB's strategic objectives:

- workforce;
- financial sustainability;
- sustainable primary and community care;

- safety and regulatory compliance;
- sustainable culture change; and
- capital assets (including estates, IT and medical equipment).

The UHB has not updated its risk management policy since 2013, and this is a key priority for the year ahead together with a review of its operational risk management arrangements. A review of risk management arrangements started in late 2017. To date, the UHB has designed a new risk register template, a guide for identifying risks and an explanation of how the risk register works. The Board received the draft risk management guide in January 2018.

The Corporate Governance Team will work with Clinical Boards and services to review their risks and to develop a UHB wide approach to risk management. Currently, the UHB has a paper-based risk management system but given the size of the organization an IT based solution is urgently needed. A revised Risk Management Framework will be developed during 2019-20, this will set out the UHB's processes and mechanisms for the identification, assessment and escalation of risks. It will be developed to create a robust risk management culture across the UHB by setting out the approach and mechanisms by which the UHB will:

- make sure that the principles, processes and procedures for best practice risk management are consistent across the UHB and fit for purpose;
- ensure risks are identified and managed through a robust organisational Assurance Framework and accompanying Corporate and Directorate Risk Registers
- embed risk management and established local risk reporting procedures to ensure an effective integrated management process across the UHB's activities;
- ensure strategic and operational decisions are informed by an understanding of risks and their likely impact;
- ensure risks to the delivery of the UHB's strategic objectives are eliminated, transferred or proactively managed;
- manage the clinical and non-clinical risks facing the UHB in a co-ordinated way; and
- keep the Board and its Committees suitably informed of significant risks facing the UHB and associated plans to treat the risk.

The Risk Management Framework will set out a multi-layered reporting process, which will comprise the Board Assurance Framework and Corporate Risk Register, Clinical Board Risk Registers, Directorate Risk Registers and Project Risk Registers. It will be developed to help build and sustain an organisational culture that encourages appropriate risk taking, effective performance management and organisational learning in order to continuously improve the quality of the services provided and commissioned.

The Risk Management Framework will set out the ways in which risks will be identified and assessed. It will be underpinned by a number of policies which relate to risk assessment including incident reporting, information governance, training, health and safety, violence and aggression, complaints, infection control, whistle blowing, human resources, consent, manual handling and security.

The Board will be involved in the continual development of the Assurance Framework and Corporate Risk Register, and these will be formally reviewed at meetings of the Board during

2018-19.

RISK APPETITE

HM Treasury (2006) define risk appetite as:

'The amount of risk that an organisation is prepared to accept, tolerate, or be exposed to at any point in time'.

In April 2019, the Board held a Board Development Session to consider and develop its Risk Appetite Statement. This sets out the Board's strategic approach to risk-taking by defining its risk appetite thresholds. It is a 'live' document that will be regularly reviewed and modified, so that any changes to the organisation's strategies, objectives or its capacity to manage risk are properly reflected.

In developing the Risk Appetite Statement careful consideration was given to the UHB's capacity and capability to manage risk. The following risk appetite levels, developed by the Good Governance Institute, informed the Statement:

Figure 7: Description of Risk Appetite

Appetite Level	Described as:
None	Avoid the avoidance of risk and uncertainty is a key organisational objective.
Low	Minimal the preference for ultra-safe delivery options that have a low degree of inherent risk and only for limited reward potential.
Moderate	Cautious the preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward.
High	Open and being willing to consider all potential delivery options and choose while also providing an acceptable level of reward (and VfM).
Significant	Seek and to be eager to be innovative and to choose options offering potentially higher business rewards (despite greater inherent risk. Or also described as Mature being confident in setting high levels of risk appetite because controls, forward scanning and responsive systems are robust.

The Board agreed that overall it currently had a 'risk appetite' which is 'Moderate'. However, overtime and with a clear plan of development in place it agreed that it wished to have an appetite which was 'seek' – eager to innovate and to choose options offering potentially higher business rewards.

The UHB's Risk Profile

As part of the development of the Board Assurance Framework the Executive Directors took part in a workshop to identify and map the risks to the delivery of strategic objectives. The Board Assurance Framework was first presented to the Board in November 2018. As can be seen

from **Figure 8** at the end of March 2019 a number of key risks to the delivery of the health board's strategic objectives had been identified. Full details of the controls in place and actions taken to address these risks can be found in the [BAF](#).

Figure 8: Main Risks to the achievement of Strategic Objectives March 2019

Workforce:	
Risk Description	There is a risk that the organisation will not be able to recruit and retain a clinical workforce to deliver high quality care for the population of Cardiff and the Vale
Cause	<ul style="list-style-type: none"> ▪ Increased vacancies in substantive clinical workforce ▪ Requirements of the Nurse Staffing Act and BAPM Standards ▪ Ageing workforce ▪ Insufficient supply of Nurses at UK national level ▪ High nurse turnover in Medicine and Surgery Clinical Boards ▪ Insufficient supply of Doctors in certain specialties at UK national level (e.g., Adult Psychiatry, Anaesthetics, General Medicine, Histopathology, Neurosurgery) ▪ Changes to Junior Doctor Training Rotations (Deanery) ▪ Brexit
Impact	<ul style="list-style-type: none"> ▪ Increase in agency and locum usage ▪ Increase in costs of using agency and locum ▪ Impact on quality of care provided to the population ▪ Rates above Welsh Government Cap (Medical staff) ▪ Low Staff moral and sickness ▪ Poor attendance at statutory and mandatory Training ▪ Potentially inadequate levels of staffing
Current Controls	<ul style="list-style-type: none"> ▪ Project 95% Nurse Recruitment and Retention Programme ▪ Medical international recruitment strategies (including MTI) ▪ Recruitment campaign through social media with strong branding ▪ Job of the week ▪ Staff engagement with recruitment drive ▪ Programme of talent management and succession planning ▪ Values based recruitment ▪ Medical Training Initiative (MTI) 2 year placement scheme ▪ Comprehensive Retention Plan introduced from October 2018
Financial Sustainability:	
Risk Description	There is a risk that the organisation will not be able to deliver its ambition within the financial resources available
Cause	<ul style="list-style-type: none"> ▪ Budgets overspent (four Clinical Boards currently in escalation) ▪ Cost Improvement Programme not yet met in all areas recurrently ▪ Significant nursing overspend of £1.8m ▪ Reduction in income received
Impact	<ul style="list-style-type: none"> ▪ Unable to deliver balanced plan ▪ No £10m recurrent funding from Welsh Government ▪ Reputational Loss
Current Controls	<ul style="list-style-type: none"> ▪ Full savings programme and financial improvement plan in place ▪ Finance Committee meets monthly and formally reports into the Board ▪ Performance Meetings held monthly with Clinical Boards ▪ Financial performance is a standing agenda item on Management Executives Meeting ▪ Standing Financial Instructions in place with clear delegations of authority
Sustainable Primary and Community Care:	

Risk Description	The risk of losing resilience in the existing service and not building the capacity or the capability of service provision in the Primary or Community care setting to provide the necessary preventative and responsive services.
Cause	<ul style="list-style-type: none"> ▪ Not enough GP capacity to respond to and provide support to complex patients with multiple co-morbidities and typically in the over 75 year's age bracket. ▪ GP's being drawn into seeing patients that could otherwise be seen by other members of the Multi-disciplinary Team. ▪ Co-ordination of Health and Social Care across the communities so that a joined up response is provided and that the patient gets the right care. ▪ Poor consistency in referral pathways, and in care in the community leading to significant variation in practice. ▪ Practice closures and satellite practice closures reducing access for patients. ▪ Lack of development of a multidisciplinary response to Primary Care need. ▪ Significant increase in housing provision
Impact	<ul style="list-style-type: none"> ▪ Long waiting times for patients to access a GP ▪ Referrals to hospital because there are no other options ▪ Patients turning up in ED because they cannot get the care they need in Primary or Community care. ▪ Poor morale of Primary and Community staff leading to poor uptake of innovative solutions ▪ Stand offs between Clinical Board and Primary care about what can be safely done in the community
Current Controls	<ul style="list-style-type: none"> ▪ Me, My Home , My Community ▪ Signals from Noise to create a joined up system across Primary, Community, Secondary and Social Care. ▪ Development of Primary Care Support Team ▪ Contractual negotiations allowing GP Practices to close to new patients ▪ Care Pathways
Safety and Regulatory Compliance:	
Risk Description	There is a risk that systems of safety and regulatory compliance are potentially not as robust as they could be and this has been demonstrated by the HTA Review, poor decontamination systems and the commissioning of services outside the UHB which were not of a high quality.
Cause	<ul style="list-style-type: none"> ▪ Non-compliance with regulatory or statutory requirements ▪ Non-compliance with effective decontamination processes to support the delivery of high quality patient care ▪ Appointment of contractor without required quality checks being in place to ensure service delivered was of a high standard
Impact	<ul style="list-style-type: none"> ▪ Harm and distress caused to patients and their families ▪ Reputational damage to the Health Board ▪ Increase in clinical claims ▪ Financial consequences
Current Controls	<ul style="list-style-type: none"> ▪ Human Tissue Act ▪ HTA Licencing Standards ▪ Statutory Designated Individual in post ▪ Clinical Board QSE arrangements; CD&T – regulatory compliance group ▪ Quality, Safety and Experience Committee in place supported by robust governance and reporting structure ▪ Office of Professional Leadership shares responsibility for Quality Agenda (Medical Director, Executive Nurse Director, Executive Director of Therapies and Health Science) ▪ Quality and Safety Team

	<ul style="list-style-type: none"> ▪ Patient Experience Team ▪ Health and Care Standards ▪ Decontamination and reusable devices procedure in place ▪ Decontamination Group ▪ Weekly Executive led concerns/claims and serious incidents meeting ▪ Monitoring of ongoing investigations ▪ Quality control system that triangulates areas of concern
Leading Sustainable Culture Change:	
Risk Description	There is a risk that the cultural change required will not be implemented in a sustainable way
Cause	<ul style="list-style-type: none"> ▪ Current climate within the organisation is high in bureaucracy and low in trust. ▪ Staff reluctant to engage with the case for change as unaware of the UHB strategy and the future ambition. ▪ Staff not understanding the part their role plays for the case for change due to lack of communication filtering through all levels of the UHB.
Impact	<ul style="list-style-type: none"> ▪ Staff morale may decrease ▪ Increase in absenteeism ▪ Difficulty in retaining staff ▪ Transformation of services may not happen due to staff reluctance to drive the change through improvement work. ▪ Patient experience ultimately affected.
Current Controls	<ul style="list-style-type: none"> ▪ Values and Behaviours Framework in place ▪ Task and Finish Group weekly meeting ▪ Cardiff and Vale Transformation story and narrative ▪ Leadership and Management Development Programme ▪ Programme of talent management and succession planning ▪ Values based recruitment ▪ Staff survey results and actions taken – led by an Executive (WOD) ▪ Patient experience score cards ▪ CEO sponsorship for the Values and behaviours (culture) enabler. ▪ Executive Director of WOD highly engaged with this enabler ▪ Raising concerns relaunched in October 2018
Capital Assets (Estates, IT Infrastructure, Medical Devices):	
Risk Description	The condition and suitability of the estate, IT and Medical Equipment impacts on the delivery of safe, effective and prudent health care.
Cause	<ul style="list-style-type: none"> ▪ Significant proportion of the estate is over-crowded, not suitable for the function it performs, or falls below condition B. ▪ Investment in replacing facilities and proactively maintaining the estate has not kept up the requirements, with compliance and urgent service pressures being prioritised. ▪ Lack of investment in IT also means that opportunities to provide services in new ways are not always possible and core infrastructure upgrading is behind schedule. ▪ Insufficient resource to provide a timely replacement programme, or meet needs for small equipment replacement
Impact	<ul style="list-style-type: none"> ▪ The UHB is not able to always provide services in an optimal way, leading to increased inefficiencies and costs. ▪ Service provision is regularly interrupted by estates issues and failures. ▪ Patient safety and experience is sometimes adversely impacted. ▪ IT infrastructure not upgraded as timely as required increasing operational continuity and increasing cyber security risk ▪ Medical equipment replaced in a risk priority where possible, insufficient resource for new equipment or timely replacement

Current Controls	<ul style="list-style-type: none"> ▪ Estates strategic plan in place which sets out how over the next ten years, plans will be implemented to secure estate which is fit for purpose, efficient and is ‘future-proofed’ as much as possible, recognising that advances in medical treatments and therapies are accelerating. ▪ The strategic plan sets out the key actions required in the short, medium and long term to ensure provision of appropriate estates infrastructure. ▪ IT SOP sets out priorities for next 5 years, to be reviewed in early 2019 ▪ Medical equipment WAO audit action plan to ensure clinical boards manage medical equipment risks ▪ The annual capital programme is prioritised based on risk and the services requirements set out in the IMTP, with regular oversight of the programme of discretionary and major capital programmes. ▪ Additional discretionary capital £1.7m for IT and £1.6m for equipment which enabled purchasing of equipment urgently needing replacement.
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The Audit Committee (newly named the Audit and Assurance Committee) monitors and oversees both internal control issues and the process for risk management and the Board and its Committees receive reports that relate to the identification and management of risks.

Case studies and patient stories are presented to the Board and Concerns/Claims scrutiny panels, in order that lessons can be disseminated and shared.

General Practitioners (GPs), Pharmacists, Dental Practitioners, Optometrists, Nursing Care Homes, Voluntary organisations and those where we have partnership relationships for service delivery, e.g. Local Authorities and other health boards, are responsible for identifying and managing their own risks through the contractual processes in place.

BREXIT

There are a significant number of areas where the relationship with the European Union (EU) impacts on the NHS and direct patient care. UK Government has indicated that if the UK leaves the EU with no deal, there is the potential for there to be a prolonged period of disruption, particularly in relation to goods and supplies. In Wales, the Welsh Confederation is coordinating the NHS planning at a national level and is representing the NHS in Government level discussions. Like all other NHS organisations the UHB has been asked to plan on a ‘reasonable worst case scenarios’.

The UHB has established a BREXIT task and finish group to identify the most significant risks, have business continuity plans in place, and mitigating actions, where these are possible. Much of the business continuity planning has taken place on a national basis, so the business continuity plan developed by the UHB reflects actions being taken at an all-Wales level as well as local actions. The task and finish group, chaired by the Executive Director of Planning has worked to ensure plans are in place in the event of a no-deal Brexit. A live database of all of the potential risks identified by the clinical boards and the corporate departments of the UHB is in place. Some of the risk identified are very general (for example, disruption to utilities supply) and some very specific (such as a particular clinical service has a large proportion of European doctors). The key risks are reflected in the UHB’s Business Continuity Plan.

The UHB’s general business continuity/major incident plans would be activated if it was likely that our ability to continue to provide a full range of services was compromised. This could include temporarily curtailing all but critical and emergency activity.

While there are clearly significant risks I am satisfied that the UHB is taking all the necessary action that is within its control to mitigate the risks and is fully participating in the national planning work. A summary of key risks, impact and mitigating action is provided in Figure 9 below:

Figure 9: Main Risks to the achievement of Strategic Objectives Arising from Brexit March 2019

Risk That	Impact	Mitigating Action
High numbers of European staff leave Cardiff and Vale HB	Gaps in staffing leading to quality of care, safety and continuity of services.	<p>Health and social care staff will have the opportunity to pre-register to apply for “settled” or “pre-settled” status through the EU Settlement Scheme. The scheme will ensure that colleagues from the EU can continue to live and work in the UK, after the UK leaves the EU in March 2019.</p> <p>A communication is went out to staff week commencing 19th November to provide information to EU nationals to ensure they are aware of the pilot scheme.</p> <p>We do not have a complete record of EU nations who work for the health board. Consideration will be given to process for update ‘nationality’ on ESR if this is appropriate.</p> <p>Action being taken to encourage staff to enter EU nationality on ESR.</p>
Locum agencies are unable to meet our requirements or significantly raise their prices.	<p>Gaps in staffing leading to quality of care, safety and continuity of services.</p> <p>Financial risks as costs increase.</p>	<p>Procurement review, to include locum and temporary staffing agencies, to be undertaken.</p> <p>UHB to continue to strengthen the staff bank so that the requirement for agency nursing is minimised.</p>
1. Supply of goods		
<p>Due to the supply chain, there is a risk that there will be a shortage of a wide range of general products that are used in high volumes on a daily basis in the NHS (including foods, consumables).</p> <p>As a tertiary centre, there are a number of specialist goods used which may be particularly are risk due to specialist nature of the product. Products with a short shelf live</p>	<p>This would have a significant impact on our ability to continue to provide services. In this situation, it is also likely that the cost of goods would increase.</p> <p>Depending on whether it has been possible to stockpile or source alternative providers, the impact could be significant and would put at risk our ability to provide all services.</p> <p>Most goods supplied to the NHS are procured through the all-Wales framework. C&V UHB has a higher proportion of local providers than other HBs, but it is often unknown whether local suppliers source their goods from EU countries.</p>	<p>Welsh Government has procured Deloitte to undertake a rapid assessment of procurement risks and report back with a plan of action within five weeks. The UHB has already provided Deloitte with all of the procurement information and the Head of</p> <p>Shared Services is co-ordinating the planning in relation to the supply of goods. Additional storage capacity in place and being stocked to support NHS and social care – to be accessed via normal supply routes.</p> <p>The procurement review will include all the specialist products used by C&V where there may be no UK supplier, and only a small number of suppliers world-wide.</p>

Risk That	Impact	Mitigating Action
which don't lend themselves to stockpiling represent a particular risk.		
Supply and maintenance of equipment	<p>The provision and maintenance of equipment requires supply from all over Europe and there is concern that there could be a delay in sourcing equipment and parts.</p> <p>Very little of the medical equipment we use is manufactured in Wales. A number of the big suppliers of equipment (for example Medtronic and J&J are based outside the UK).</p>	<p>A dedicated post has been introduced in Clinical Engineering to identify which maintenance contracts could be brought back in-house. We have over 200 maintenance contracts – we are building internal capacity to bring more of this back in house, including the maintenance of anaesthetic machines.</p> <p>The Deloitte procurement assessment and plan will cover supply and maintenance of equipment so specific risks will be flagged through this process.</p> <p>Normal business continuity plans would be triggered if there was a major impact of our ability to deliver a service.</p> <p>We would also work with other health boards in relation to sharing access to equipment should the need arise.</p>
Population health	PHW running exercise on health security on 6/3 to test business continuity/emergency preparedness	<p>There is a four nations PH group, focusing on health security.</p> <p>PHW also engaged in regular meetings with PHE and WG on 7 sub streams of work:</p> <ul style="list-style-type: none"> • Surveillance • Outbreaks • Relationships with international Public Health, e.g. ECDC; WHO • Training • Vaccine procurement • Microbiology & Labs' consumables • Supply of pertinent drugs & other health protection pharmaceutical protection issues <p>The Health Board is linked into the national discussions being led by Public Health Wales. There is no local action to be taken at this stage.</p>
Research	The HB currently participates in European wide clinical trials, and receives significant research funding from European sources. The lack of clarity about new arrangement post Brexit could mean that the HB misses out of opportunities to secure European funding (or post Brexit UK funding) for research, or participate in European wide research programmes and projects, which ultimately will have a detrimental impact on patient care. A particular risk regarding the ability to continue to currently European research was flagged, and	<p>There are a series of actions being taken forward on a Wales wide level, and local planning with Cardiff University as our main academic, teaching and research partner.</p> <p>Joint Director of R&D has reviewed risks and is liaising directly with drug companies to ensure continued supply for current trials.</p>

Risk That	Impact	Mitigating Action
	this would impact directly on people participating in the trials/research.	
Data storage and protection	There may be examples where data is stored at a European level or in facilities provided in Europe. Without clarity about new rules and arrangements for post Brexit, there would be an impact on future data storage arrangements.	Assessment is being undertaken - led by NWIS.
Reciprocal arrangements for accessing emergency medical when people are travelling in Europe/to the UK	There is lack of clarity regarding arrangements for European citizens accessing emergency medical treatment on a visit to the UK. In new charging or other arrangements are required at short notice, the HB may not have the capacity to put them in place quickly. In the absence of a deal, guidance on this issue would be required urgently. The same issue would apply to UK citizens needing to access emergency treatment aboard.	Review our processes to confirm that we would be able to step up our overseas visitors process if this was needed. Staff to be advised to ensure that they have appropriate travel insurance when travelling to other European countries. We have arrangements in place to deal with Europeans and non-European citizens. The current arrangements could be used, but a national direction would be needed to ensure all NHS organisations were following the same process.
EU Carbon Credits Scheme	C&V UHB is the only organisation in NHS large enough to participate in the EU Carbon Credit Scheme. If arrangements are not in place to allow continuity of these arrangements, the cost of energy will be increase. Risk is anticipated to be low as many large industries participate in scheme and it is assumed action is being taken at UK level.	Further clarity sought from WG about risks and actions being taken national to enable continued participation.

The implications of Brexit are picked up more fully in the Performance section.

KEY ASPECTS OF THE CONTROL FRAMEWORK

In addition to the Board and Committee arrangements described earlier in this document, I have over the last 12 months worked to further strengthen the UHB's control framework. Key elements of this include:

THE UHB's STRATEGY AND INTEGRATED MEDIUM TERM PLAN

The UHB's 10 year strategy, Shaping our Future Wellbeing Strategy: 2015-254 set outs its mission, vision and strategic aims, which are:

- Mission - 'Caring for People, Keeping People Well'.
- Vision - 'a person's chance of leading a healthy life is the same wherever they live and whoever they are'.
- Strategy - 'Achieve joined up care based on home first, avoiding harm, waste and variation, empowering people and delivering outcomes that matter to them'.

The UHB's 10-year strategy was developed following extensive stakeholder consultation, which

included the Board and Stakeholder Reference Group. Ongoing engagement activity is also shaping the 10-year strategy's underpinning work programmes and future IMTP development.

The UHB's clinical strategy is expressed within its 10-year strategy, which by its nature is a high-level document. An underpinning clinical services strategy, currently being developed, will sit alongside the 10-year strategy to provide a greater level of detail about clinical services

The UHB has a hierarchy of plans that are consistent with each other. The 10-year strategy sets the high-level vision and strategy. Under this the UHB has a three-year plan, which is consistent with the 10-year strategy.

During 2018-19 the lack of an approved IMTP meant that the UHB was working to an Annual Operating Plan, which as consistent with the three-year plan.

Integrated Medium Term Plan

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

These duties are:

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

For 2018-19, the UHB considered a draft IMTP at its January 2018 Board Meeting. This was submitted to Welsh Government by the end of January 2018 but was not approvable due to assumptions around additional funding.

Subsequent to this, the UHB revised its financial plan and agreed with Welsh Government, through the formal Targeted Intervention process, that it would not submit an IMTP for approval as it was significantly away from being financially balanced. As the UHB was not in a position to have an IMTP which could be approved by Welsh Ministers, it therefore failed to meet its financial duty under section 175(2A).

The UHB considered its position at its March 2018 Board Meeting and approved an operational plan with a projected £19.9m deficit. On 10th July 2018 the UHB submitted its one year operational plan to Welsh Government. Whilst no formal mechanism exists for its approval, this position was accepted by Welsh Government and the UHB has since received £10m additional annual operating plan funding and consequently the UHB reduced its forecast deficit to £9.9m. See Note 2 in the Financial Statements.

Therefore, the operational plan for 2018-19 was to achieve a year-end out-turn position of a £9.9m deficit, whilst maintaining the quality and safety of services and delivering upon agreed performance measures. The UHB made good progress in delivering against this plan and the actual out-turn position was a deficit of £9.872m being £0.028m better than the one year operational plan.

The UHB had a deficit of £29.243m in 2016-17 and a deficit of £26.853m in 2017-18. This means that over the three year period the aggregated deficit is £65.968. Thus the UHB has failed to

meet its financial duty under section 175(1).

For 2019-20 the UHB submitted an IMTP by the end of January 2019 for Welsh Government consideration and this covered the period 2019-20 to 2021-22. This was formally approved in March 2019 and therefore for 2019-20 it will have achieved its financial duty under section 175(2A). The plan aims to deliver a balanced financial position in each of the three years during the period of this plan. If this is achieved it will fail its financial duty under section 175(1) in both 2019-20 and 2020-21 and not achieve compliance until 2021-22.

A copy of the full IMTP is available on the UHB's website via the following
Further details of the UHB's planning approach can be found in the [IMTP for 2019-22](#).

INTEGRATED PERFORMANCE MANAGEMENT AND REPORTING

Delivery against the IMTP is managed through the UHB's Performance Framework with delivery and performance reported to the Board in the form of a performance dashboard, including national and local targets along with exception reporting for priority and deteriorating targets. The objective of the framework is to ensure that information is available which enables the Board and other key personnel to understand, monitor and assess the organisation's performance against delivery of the IMTP, enabling appropriate action to be taken when performance against set targets deteriorates, and support and promote continuous improvement in service delivery.

The Performance Framework is a contributor to the Board Assurance Framework which ensures that there is sufficient, continuous and reliable assurance on the management of the major risks to the delivery of strategic objectives and most importantly to the delivery of quality, patient centered services. In April 2018, the UHB strengthened its clinical board performance review and escalation arrangements. The updated method summarises clinical board performance in assurance reports. The executive team discuss these assurance reports and, if necessary, decide on each clinical board's escalation status. A higher escalation level triggers an action plan to restore performance and attracts greater executive team attention. However, the performance management framework was last updated in 2013 and therefore doesn't reflect the changes in organisational structures, committees and clinical board performance arrangements that have taken place. I will ensure that the Performance Management Framework is reviewed in 2019. The performance section of the Annual Report provides more detail on how the UHB and clinical boards performance during 2018-19.

QUALITY GOVERNANCE STRUCTURE

The Board has a collective responsibility for quality. There is a clear quality governance structure with the Quality and Safety and Experience Committee (QSE) holding executives to account and receiving reports on assurance and risks linked to patient experience, quality and safety. The findings and recommendations of inspection and regulatory bodies such as Healthcare Inspectorate Wales and the Community Health Council are reviewed and monitored the QSE Committee.

This year as in previous years, in tandem with the publication of the 2018-19 Annual Report, the UHB will publish its Annual Quality Statement which brings together a summary of how the UHB has been working over the past year to improve the quality of all the services it plans and provides. The report can be found on the UHB's website: [Annual Reports & Accounts](#) it provides greater detail in relation to the key aspects of the quality governance structure that are referred to below.

At each meeting of the Board a patient story is presented at the start. The use of first-hand patient stories, that act of hearing and having an opportunity to connect with people using services, has enabled not just a more emotional connection with the impact of decisions made in the UHB but has also helped drive specific improvements in services.

Clinical Audit

During 2018-19, the UHB's clinical audit arrangements were strengthened, with the development of a risk based clinical audit strategy and plan. There is a clinical audit programme with the Executive Medical Director being responsible for this. The Clinical Governance Team manages the audit programme, and clinical audits are discussed at clinical board QSE groups and are then passed to the Quality, Safety and Experience Committee. In June 2018, the QSE Committee received the clinical audit plan for 2018-19.

In addition, as part of the work to further develop and embed the Assurance Framework, steps will be taken to map and capture the outputs of internal audit, clinical audit, and external audit and planned external regulatory review work.

I recognise that more work is needed to provide evidence of the clinical audit work taking place across the UHB and there will be a focus on this in the year ahead.

Complaints and Concerns Framework

Over the last 12 months we have made significant improvements to the way in which we address complaints and concerns, focusing on listening and learning from patient experience and the 'gift of complaints' to improve the experience of care for Cardiff and the Vale residents.

The UHB has several mechanisms to enable staff to raise concerns. These include freedom to speak out, safety valve and anonymous letters, which are all directed to the Corporate Governance team. The Executive Director of Nursing and Director of Corporate Governance decide jointly how to progress each one. Further details on complaints and concerns can be found in the Annual Quality Statement and Putting Things Right Annual Report for 2018-19.

Health and Care Standards

Quarterly review meetings were held throughout the year to review progress in relation to the embedding of the standards. This approach has been key to driving progress and improvement and sustaining the passion that has come with the launch of the new standards. This approach has proved successful as it has given staff the opportunity to discuss each standard, the outcomes of their self-assessments, to share good practice and to highlight any areas of concern.

An evaluation is being undertaken to ensure all areas of the UHB continue to benefit from this approach three years on from the launch of the standards.

Patient Experience Quality and Safety Walk rounds

The UHB has a comprehensive annual walkabout schedule; executives and independent members undertake visits in pairs. Generally, those with a clinical background are partnered with those without. Walkabouts are targeted at clinical areas of concern or complaint, also services not recently visited. Information picked up at walkabouts are triangulated with other patient experience information and internal inspections. The need to improve the way walkabouts are recorded is recognised.

Mortality Reviews

We have developed a robust process for undertaking mortality reviews that span deaths that occur in our community hospitals. This work continues to evolve and features prominently on the agenda of the Quality, Safety and Performance Committee.

Annual Quality Statement

Each year we are required to publish an Annual Quality Statement. It provides an opportunity for the UHB to let the people of Cardiff & Vale know, in an open and honest way, how we are doing to ensure all its services are meeting local need and reaching high standards. Each year it brings together a summary highlighting how the organisation is striving to continuously improve the quality of all the services it provides and commissions in order to drive both improvements in population health and the quality and safety of healthcare services.

The Annual Quality Statement provides the opportunity for the Board to routinely:

- assess how well they are doing across all services, including community, primary care and those where other sectors are engaged in providing services, including the third sector;
- identify good practice to share and spread more widely;
- identify areas that need improvement;
- track progress, year on year; and
- account to the public and other stakeholders on the quality of its services and improvements made.

The Annual Quality Statement will be published in July 2018 alongside the Annual Report and Accounts.

HOSTED ORGANISATIONS, PARTNERSHIPS AND ALL WALES SERVICES

The UHB delivers a range all-Wales services, including the:

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

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

The UHB also hosts the Wales External Quality Assessment Service (WEQAS); one of the largest External Quality Assessment providers in the UK. WEQAS operates as an independent organisation, and is based in Parc Ty Glas, Cardiff. Reference to the income and expenditure of WEQAS is made in the UHB's Annual Accounts.

The governance arrangements in place for the delivery of all-Wales services, hosting of organisations and partnership arrangements will be re-visited in 2019-20 to ensure that they

are still fit for purpose and comply with best practice.

INFORMATION GOVERNANCE

Risks relating to information are managed and controlled in accordance with the UHB's Information Governance Policies through the Information Management, Technology and Governance Committee, which is chaired by an independent member.

The Medical Director, as Caldicott Guardian, is responsible for the protection of patient information. All Information Governance issues are escalated through the Information Governance Committee.

The Senior Information Risk Owner (SIRO) provides an essential role in ensuring that identified information security risks are addressed and incidents properly managed. This role sits with the Deputy Chief Executive.

The UHB did not achieve the May 2018 deadline for complying with the requirements of the GDPR. The UHB has recently recruited extra information governance staff, which should help it to achieve full GDPR compliance by May 2019. However, I recognise that to achieve full compliance more focused work is needed, including:

- the completion of information asset registers for all clinical boards;
- the appointment of a permanent Data Protection Officer;
- completing privacy impact assessments before information processing; and
- identifying where needed, a network of information asset owners and administrators.

In 2016, the Information Commissioner's Office (ICO) gave 'limited assurance' to the UHB's data protection arrangements, and the WAO's 2018 Structured Assessment highlighted that the UHB has not yet fully addressed all the ICO's 2016 recommendations. Although there is an action plan in place, most actions remain incomplete.

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

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

Progress is being made to achieve compliance with GDPR/DPA however we recognise further actions are required in order for the UHB to move towards full compliance. An action plan setting out key next steps is presented as a standing item to the Information Technology and Governance Sub-Committee and risks associated with non-compliance highlighted

Data Security

Two ongoing issues continue to dominate the UHB's commitment to maintain high standards of data security:

- Vigilance following the Wanna cry "ransomware" attack in May 2017.
- Consolidation and strengthening of arrangements to support the implementation of the

General Data Protection Regulation (GDPR) in May 2018 and subsequently the Data Protection Act 2018 (DPA).

A number of breaches were discussed with the ICO following the implementation of the GDPR and new reporting guidelines. The ICO considered that no formal action was warranted on any of the incidents. The ICO also did not take any formal action in response to the two breaches that were still under investigation at the time the 2017-8 Accountability Report was submitted. Further details in respect of breaches and compliance with the GDPR can be found in the papers for the [Information, Technology and Governance Sub-Committee](#).

There was a material development in relation to one incident reported in the 2017-8 Accountability Report (member of staff found to have inappropriately accessed the details of a significant number of patients and UHB clinicians involved in the treatment of these patients). This case was re-opened by the ICO after the UHB submitted supplementary information that had come to light after the UHB's original notification to ICO. The ICO has now reconfirmed its original decision to take no further action in this case.

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

[Freedom of Information Requests](#)

The Freedom of Information Act (FOIA) 2000 gives the public right of access to a variety of records and information held by public bodies and provides commitment to greater openness and transparency in the public sector. In 2018-19, the UHB received a total of 536 requests for information. 293 of these requests were answered within the 20 day target, 22 were transferred partially or fully to another NHS body. 9 were withdrawn.

ADDITIONAL MANDATORY DISCLOSURES

[PENSIONS SCHEME](#)

I can confirm that 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, employers' contributions and payments into the Scheme are in accordance with Scheme rules and that the member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations. Note 9.7 to the Annual Accounts provides details of the scheme, how it operates and the entitlement of employees.

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

[WELSH LANGUAGE](#)

The UHB recognises the importance of delivering care and support to individuals in their

language of choice, but we are aware that we have not consistently achieved this. While some progress was made in 2018-19 in relation to the implementation of the Welsh Government's strategic framework for Welsh language services in health, social services and social care: 'More Than Just Words' it is acknowledged that greater focus and urgency is needed.

The Board will continue its commitment to the Welsh language by providing clear leadership and direction, continuing to start every Board and Committee bilingually and each member committing to improve their Welsh language skills.

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

EQUALITY AND DIVERSITY

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

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

Further work is being taken forward to ensure that such legislation is properly embedded.

The UHB's Equality, Diversity & Human Rights Policy and Impact Assessment for Equality Policy is accessible to staff and the public.

The UHB has an [Equality, Diversity and Human Rights Policy](#) which sets out the organisation's commitment to promoting equality, diversity and human rights in relation to employment, service delivery, goods and service suppliers, contractors and partner agencies.

The UHB aims to ensure that no individual or group receives less favourable treatment either directly or indirectly.

The UHB is committed to ensuring that the recruitment and selection of staff is conducted in a systematic, comprehensive and fair manner, promoting equality of opportunity at all times. For example, the [Recruitment and Selection Policy](#) aims to provide a robust framework to ensure compliance and promote best practice within the necessary legislative framework (including the Equality Act 2010), whilst maximising flexibility to meet the varying needs of the UHB and ensuring that the best candidate for each position is appointed. The Recruitment and Selection Policy was reviewed in 2018.

The UHB is committed to equal opportunities in recruitment, and demonstrates this by displaying the Disability Confident symbol (which replaces the 'two ticks' scheme) in all adverts,

as well as Supporting Age Positive, Mindful Employer and Stonewall Cymru symbols.



EMERGENCY PREPAREDNESS AND CIVIL CONTINGENCIES

The UHB is described as a Category 1 responder under the [Civil Contingencies Act 2004](#) (CCA) and is therefore required to comply with all the legislative duties set out within the Act.

The CCA places five statutory duties upon Category 1 responders, these being to:

- assess the risks of emergencies
- have in place emergency plans
- establish business continuity management arrangements
- have in place arrangements to warn, inform and advise members of the public
- share information, cooperate and liaise with other local responders

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

Risk assessments have been completed in accordance with emergency preparedness, and as required by the Civil Contingencies Act 2004, to ensure that we can respond to an emergency, continue to support emergency partners and continue to provide emergency services to the public as is reasonably practical in the event of an emergency. The UHB's Head of Emergency Preparedness Resilience and Response is chair of the South Wales Local Resilience Forum Risk Group and leads on the multi-agency assessment, capability gap analysis and mitigation against nationally identified risks and threats.

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

An internal audit of business continuity arrangements was completed in May 2018 this follow up review concluded that, steps had been taken to improve business continuity within the UHB. However, despite this progress and due to the infancy of the guidance, the Business Continuity Plans were yet to be fully developed and documented and were therefore not completely embedded throughout the UHB. On the basis of this follow up, the level of assurance given as to the effectiveness of the system of internal control in place to manage the risks associated with business continuity planning was increased to Reasonable Assurance. However it was noted that, despite this improved assurance, further work was required to ensure that consistent documented Business Continuity Plans are in place across the whole UHB.

The UHB's Annual Report on Civil Contingencies for 2018 provides an account of the key resilience activities undertaken in 2018 and provides an overview of the UHB's Civil Contingencies priorities for 2019-20.

MINISTERIAL DIRECTIONS

The Welsh Government has issued Non-Statutory Instruments and reintroduced Welsh Health Circulars in 2014/15. Details of these and a record of any ministerial directions given is available at: <http://wales.gov.uk/legislation/subordinate/nonsi/nhswales/2013/?lang=en>

I can confirm that all of the Directions issued have been fully considered and where appropriate implemented.

WELSH HEALTH CIRCULARS

A range of Welsh Health Circulars (WHCs) were published by Welsh Government during 2018-19 and can be viewed at:

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

On receipt these are centrally logged with a lead Executive Director being assigned to oversee implementation of any required action.

Where appropriate, the Board or one of its Committees is also sighted on the content of the WHC.

REGULATORY AND INSPECTION REPORTS

A formal system is in place that tracks regulatory and inspection reports against statutory requirements and all such reports are made available to the appropriate Board Committee. The overarching tracking report is monitored by the Audit Committee.

During 2018-19, Internal Audit undertook a review to establish if effective processes were in place to ensure that the UHB complies with all licencing, statutory and regulatory requirements and any associated risks or issues are effectively identified and addressed. The findings of the review highlighted that only *limited assurance* could be provided that these systems were working well. The UHB's process for monitoring the implementation of audit and inspection recommendations was also highlighted as an area requiring further development by the Wales Audit Office's Structured Assessment Report for 2018.

During the latter part of 2018-19, the Directorate of Corporate Governance put steps in place to strengthen the UHB's processes for ensuring regulatory and audit compliance. A follow-up internal audit will be undertaken in early 2019-20.

POST PAYMENT VERIFICATION

In accordance with the Welsh Government directions the Post Payment Verification (PPV) Team, (a role undertaken for the UHB by the NHS Shared Services Partnership), in respect of General Medical Services Enhanced Services and General Ophthalmic Services has carried out its work under the terms of the service level agreement (SLA) and in accordance with NHS Wales agreed protocols.

REVIEW OF ECONOMY, EFFICIENCY AND EFFECTIVENESS ON THE USE OF RESOURCES

The National Health Service Finance (Wales) Act 2014 amended the financial duties of Local

Health Boards under section 175 of the National Health Service (Wales) Act 2006. The Act places two financial duties on Local Health Boards:

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

The UHB achieved both financial duties.

SUSTAINABILITY AND CARBON REDUCTION DELIVERY PLANS

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

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

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

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

Further information on key activities being undertaken **are set out in** the [Sustainability Report](#)

REVIEW OF EFFECTIVENESS OF SYSTEM OF INTERNAL CONTROL

In line with my Accountable Officer responsibilities I have put mechanisms in place for the review, on an on-going basis, of the effectiveness of the systems of internal control operating across all functions of the UHB. My review and evaluation of the adequacy of the system of internal control has been informed by executive officers who have responsibility for the development, implementation and maintenance of the internal control framework; the work of the

committees established by the Board; the UHB’s internal auditors and the feedback and views of external auditors set out in their annual audit letter and other reports. In addition, the independent and impartial views expressed by a range of bodies external to the UHB has been of key importance, including those of the:

- Welsh Government
- Welsh Risk Pool
- Community Health Council
- Healthcare Inspectorate Wales
- Health & Safety Executive
- Other Regulatory and Accreditation Bodies

The processes in place to maintain and review the effectiveness of the system of internal control include:

- Direct assurances from management on the operation of internal controls through the upward chain of accountability
- The maintenance of an overview of the overall position with regard to internal control by the Board and its Committees through routine reporting processes and the engagement of all Board members in the development and maintenance of the Board Assurance Framework and Corporate Risk Register
- The embedding of the Assurance Framework and the receipt of internal and external audit reports on the internal control processes by the Audit and Assurance Committee
- Results of internal compliance functions including Local Counter- Fraud, Post Payment Verification, and risk management
- Reported compliance via the Welsh Risk Pool regarding claims standards and other specialty specific standards reviewed during the period
- Audit and Assurance Committee oversight of audit, risk management and assurance arrangements
- Personal input into control and risk management processes by all executive directors, senior managers and individual clinicians
- Board engagement in visits to services, hospitals and wards, and shadowing activities

I have also drawn on the performance information available to me.

The Board and Committees have reviewed the effectiveness of the system of internal control in respect of the assurances received. The Board Assurance Framework provides a mechanism for closely monitoring strategic risks and these are discussed at each Board meeting. However, a corporate risk register now needs to be developed and operational risk management arrangements strengthened. Sources of assurance include:

Internal Sources	<ul style="list-style-type: none"> ▪ Performance management reports ▪ Service change management reports ▪ Workforce information and surveys ▪ Benchmarking
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	<ul style="list-style-type: none"> ▪ Internal and clinical audit reports ▪ Board and Committee reports ▪ Local Counter Fraud work ▪ Health and Care Standards assessments ▪ Executive and Independent Member Safety Walk Rounds ▪ Results of internal investigations and Serious Incident reports ▪ Concerns and compliments ▪ Whistleblowing and Safety Valve ▪ Infection prevention and control reports ▪ Information governance toolkit self-assessment ▪ Patient experience surveys and reports ▪ Compliance with legislation checks
External Sources	<ul style="list-style-type: none"> ▪ Population Health Information ▪ Wales Audit Office and Auditor General for Wales ▪ Welsh Risk Pool Assessment reports ▪ Healthcare Inspectorate Wales reports ▪ Community Health Council visits and scrutiny reports ▪ Feedback from healthcare and third sector partners ▪ Royal College and Deanery visits ▪ Regulatory, licensing and inspection bodies ▪ External benchmarking and statistics ▪ Accreditation Schemes ▪ National audits ▪ Peer reviews ▪ Feedback from service users ▪ Local networks (e.g. cancer networks) ▪ Welsh Government reports and feedback

I am content, that further steps that have been taken over the last 12 months to strengthen risk management arrangements, embed the Assurance Framework and improve the quality of information have made the assessment and testing of the internal control system a matter of the day-to-day business of my Executive Team. The appointment of a new Directorate of Corporate Governance as aided the embedding of strengthened governance arrangements.

I am satisfied that generally the mechanisms in place to assess the effectiveness of the system of internal control are working well and that we have the right balance between the level of assurance I receive from my Executives, Board and Board Committee arrangements and Internal Audit Services. However, a number of areas where improvement is needed have been highlighted by Wales Audit and Internal Audit. These areas are being addressed through the development and implementation of a Governance Improvement Plan; the implementation of which will be overseen by the Audit and Assurance Committee.

Over the year ahead further work will be taken forward to embed the Board Assurance Framework and Risk Management Framework.

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. Continuing on work started in 2016-17 the UHB invested in additional internal audit reviews and arrangements for the reporting of progress against the implementation of audit recommendations to the Audit and Assurance Committee.

The Internal Audit plan for 2018-19 was aligned to the UHB's areas of highest risk.

During 2019-20, work will continue to strengthen audit and review arrangements. As in previous years a programme of internal audit work will be commissioned from Internal Audit Services. The scope of this work will be agreed by the Audit Committee and it will focus on significant risk areas and local improvement priorities.

We will ensure that the work of all regulators, inspectors and assurance bodies is mapped and evidenced in our assurance framework so that the Board is fully aware of this activity and the level of assurance it provides. Recognising the importance of having management audits and spot checks in place and not overly relying on external assurance sources, the Directorate of Governance and Corporate Affairs will coordinate a programme of local audits and spot checks.

HEAD OF INTERNAL AUDITS OPINION FOR 2018-19 (Draft)

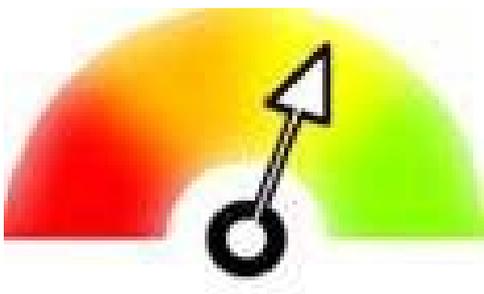
The overall opinion by the Head of Internal Audit on governance, risk management and control is a function of this risk based audit programme and contributes to the picture of assurance available to the Board in reviewing effectiveness and supporting our drive for continuous improvement.

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

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

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

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



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."

The Head of Internal Audit has confirmed that in reaching their opinion both professional judgement and the Audit & Assurance “*Supporting criteria for the overall opinion*” guidance produced by the Director of Audit & Assurance for NHS Wales has been used.

In overall terms the Head of Internal Audit provided positive assurance to the Board that arrangements to secure governance, risk management and internal control are suitably designed and applied effectively in the following assurance domains:

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

The Head of Internal Audit was unable to provide positive assurance to the Board that arrangements to secure governance, risk management and internal control are suitably designed and applied effectively within the Corporate governance, risk Management and regulatory compliance domain. This is due to the outcome of the following audits that were given ratings of Limited assurance:

- Standards of Behaviour; and
- Legislative / Regulatory Compliance

There were also a number of individual audits where the significance of the matters identified resulted in those reports being given Limited assurance. These were as follows:

- Information Governance - GDPR;
- Cyber Security (draft);
- Mental Health CB – Sickness Management;
- Surgery CB - Medical Finance Governance; and
- Medicine CB – Internal Medicine Follow-up.

All Internal Audit reports were reported to the Audit Committee together with the agreed action plan; copies of these can be found at: [Audit Committee](#). The Audit Committee tracks all recommendations made by the Head of Internal Audit and ensures that they are addressed in a way that is appropriate and timely. I can confirm that the Director of Corporate Governance has implemented a Governance Improvement Programme which is having a positive impact. The full Head of Internal Audit Opinion can be accessed at [Audit Committee](#).

COUNTER FRAUD

In line with the NHS Protect Fraud, Bribery and Corruption Standards for NHS Bodies (Wales) the Local Counter Fraud Specialist (LCFS) and Director of Finance agreed, at the beginning of the financial year, a work plan for 2018-19. This was approved by the Audit Committee.

Their work plan for 2018-19 was completed and covered all the requirements under Welsh Government directions. The Counter Fraud Service provides regular reports and updates to

members of the Executive Team and directly to the Audit Committee.

The NHS Counter Fraud Authority (formerly NHS Protect) provides national leadership for all NHS anti-fraud, bribery and corruption work and is responsible for strategic and operational matters relating to it. A key part of this function is to quality assure the delivery of anti-fraud, bribery and corruption work with stakeholders to ensure that the highest standards are consistently applied.

EXTERNAL AUDIT: STRUCTURED ASSESSMENT FINDINGS

The Auditor General for Wales is the statutory external auditor for the NHS in Wales. The Wales Audit Office (WAO) undertakes the external auditor role for the UHB on behalf of the Auditor General.

As in previous years, the WAO's 2018 Structured Assessment work reviewed aspects of the UHB's corporate governance and financial management arrangements and, in particular, the progress made in addressing the previous year's recommendations.

The WAO reported the findings arising from the 2018 Structured Assessment to the Audit Committee in February 2019. Overall the WAO concluded that the Structured Assessment work had demonstrated that:

- *Some governance arrangements have improved but there are still concerns about risk management and some other basic governance processes.*
- *The Health Board's 2015 vision remains relevant and strategic planning arrangements are generally sound but better performance monitoring arrangements are needed.*
- *While the Health Board has a wide array of challenges for ensuring effective use of its resources, it mostly recognises where it needs to improve and has recently created a transformation programme to help improve performance and efficiency.*

WAO made eleven recommendations and these can be found at [Structured Assessment 2018](#).

While pleased that the Wales Audit Office considers good progress to be made I am fully aware of the need to further strengthen and enhance the UHB's governance arrangements. I can confirm that actions to address each of the recommendations is in train. Further, attention will be given to the following weaknesses in the systems of internal control identified by WAO, which will be addressed over the next 12-months:

- The Scheme of Delegation was reviewed in February 2018 in response to WAO's public interest report. However, it was not updated to reflect delegated responsibility for calculating nurse staffing levels required under the Nurse Staffing Levels (Wales) Act.
- The Standing Orders and Standing Financial Instructions are both dated May 2015 with no evidence that either document has been reviewed since. Both documents should be reviewed annually.
- Registers of declarations of interest and gifts, hospitality and sponsorship were on the agenda for the September 2017 Audit Committee, but only the register of interest was presented. In September 2018, the Audit Committee reviewed both registers, but the document format was not easy to read. There is a risk that those reviewing the registers may find it difficult to identify issues such as non-declarations. In December 2018, the Audit Committee received a limited assurance report from Internal Audit on the

organisation's standards of business conduct, covering arrangements for declarations of interest and gifts, hospitality and sponsorship. The report identified several weaknesses across the systems in place for both processes. These ranged from the completion of forms, to the recording of details in the registers and the robustness of reporting to Audit Committee.

- New and revised policies are presented to the relevant committees for approval. But we found no assigned responsibilities or tracking methods to ensure organisation-wide policies are up to date. There is a risk that policies become outdated with no alert mechanism. Potentially this could undermine the UHB's new BAF because up to date policies are usually a key BAF control.
- A robust tracking method for audit recommendations gives the Board assurance that recommendations are being addressed. Also, it allows audit committees to hold officers to account for limited progress or inaction. The UHB has two recommendations trackers, one for Wales Audit Office recommendations and one for recommendations made by other external inspectorates. We found weaknesses in the Audit Committee's tracking arrangements:

CONCLUSION

As Accountable Officer for Cardiff & Vale University Health Board, based on the assurance process outlined above, I have reviewed the relevant evidence and assurances in respect of internal control. I can confirm that the Board and its Executive Directors are alert to their accountabilities in respect of internal control and the Board has had in place during the year a system of providing assurance aligned to corporate objectives to assist with the and management of risk.

Under the NHS Wales Escalation and Intervention Framework, the UHB's status was at targeted intervention up until the end of 2018; this reflected challenges around the organisation's financial position and its inability to produce an approvable, financially balanced Integrated Medium-Term Plan (IMTP). The UHB reported a financial deficit of £26.9 million at the end of 2017-18. This was within the control total deficit of £30.9 million agreed with the Welsh Government. However, it contributed to a mounting year-on-year cumulative deficit, which stood at £56 million at the end of March 2018. Throughout 2018-19 the UHB worked to a one-year operational plan – the Annual Operating Plan (AOP) - because Welsh Government did not approve its 2018-20 IMTP.

The Board has spent the last 12 months consolidating earlier changes to key personnel and Board membership and building upon these. During 2018-19, several new independent members (IMs) were appointed to the Board, there was a new Chief Executive and Executive Director of Workforce and Organisational Development. In July 2018, a new Director of Corporate Governance joined the organisation. On 26 March 2019, the UHB received confirmation from the Health and Social Care Minister, Vaughan Gething that our three year Integrated Medium Term Plan (IMTP) was approved by Welsh Government. The IMTP is a statutory document and marks a significant step forward. This is the first time in three years this has been approved by Welsh Government and alongside improving our position from targeted intervention to enhanced monitoring in February 2019, this is a double achievement.

During 2018-19, we proactively identified areas requiring improvement and requested that Internal Audit undertake detailed assessments in order to manage and mitigate associated risks. We have also taken clear steps to embed risk management and the assurance framework

throughout the organisation; this work will continue in 2019-20.

This Annual Governance Statement confirms that Cardiff & Vale University Health Board has continued to mature as an organisation and no significant internal control or governance issues have been identified. The Board and the Executive Team has had in place an increasingly effective system of internal control which provides regular assurance.

Signed by:

Date: 30 May 2019

Len Richards
Chief Executive Officer

Attendance of Board Members at Meetings of the Board and its Committees

Name	Position	Area of Expertise Representation Role	Board Committee Membership 1 April 2018 - 31 March 2019	Number of Meetings Attended During Tenure	Champion Roles
Abigail Harris	Director of Planning		Board	6/6	
Akmal Hanuk	Independent Member	Community	Board	6/6	
			Quality, Safety and Experience Committee	5/5	
			Charitable Funds Committee	4/4	
			Health and Safety Committee	2/4	
Charles Janczewski	Independent Member and Vice Chair		Board	6/6	Mental Health and Primary Care
			Remuneration and Terms of Service Committee	3/3	Older People
			(Chair) Mental Health and Capacity Legislation Committee	4/4	Wellbeing of Future Generations
			(Chair) Strategy and Delivery	5/5	
			Health and Safety Committee	5/5	
			Finance Committee	12/12	
Dawn Ward	Independent Member		Board	5/6	
			Quality Safety and Experience Committee	3/5	
			Audit Committee	5/6	
			Strategy and Delivery Committee	5/5	
Eileen Brandreth	Independent Member	Information Communication Technology	Board	6/6	Caldicott/Data Protection
			Mental Health and	4/4	(Independent)

			Capacity Legislation Committee		Member Contact)
			Strategy and Delivery Committee	1/5	
Fiona Jenkins	Director of Therapies and Health Sciences		Board	6/6	
Fiona Kinghorn	Director of Public Health (from 1 Oct 2018)		Board	3/3	
Gary Baxter	Independent Member	University	Board	4/6	
			Quality Safety and Experience Committee	2/5	
			Strategy and Delivery Committee	1/5	
Graham Shortland	Medical Director		Board	5/6	
John Antoniazzi	Independent Member	Estates	Board	5/6	
			Chair Audit Committee (until November 2018)	3/6	
			Remuneration and Terms of Service Committee	3/3	
			Strategy and Delivery Committee	2/5	
			Finance Committee (Chair from Dec 2018)	6/12	
John Union	Independent Member	Finance	Board	6/6	
			Audit Committee (Chair from December 2018)	5/6	
			(Chair until Nov 2018.) Finance Committee	12/12	
			Charitable Funds	6/4	

			Committee Remuneration Committee	3/3	
Lance Carver	Associate Member	Director of Social Services	Board	0/6	
Len Richards	Chief Executive		Board	5/6	
Maria Battle	Chair		(Chair) Board (Chair) Remuneration and Terms of Service Committee Quality, Safety and Experience Committee Finance Committee Strategy and Delivery Committee Charitable Funds Committee	6/6 3/3 4/6 7/12 1/5 4/4	Armed Forces and Veterans Children & Young People Patient Safety (cleaning, hygiene & infection management) (from Feb 2018) Public and Patient Involvement; Reputation Management & Culture;
Martin Driscoll	Director of Workforce and OD		Board	6/6	
Michael Imperato	Independent Member	Legal	Board Quality Safety and Experience Committee (Chair) Health and Safety Committee	6/6 4/5 2/4	Health & Safety
Paula Martyn	Associate Member (until 26/11/2018)	Stakeholder Reference Group (Chair) (until 26/11/2018)	Board Stakeholder Reference Group	0/5 4/5	
Richard Thomas	Associate Member (from 27/11/2018)	Stakeholder Reference Group (Chair) (from 27/11/2018)	Board Stakeholder Reference Group	0/3 5/6	
Robert	Director of		Board	4/6	

Chadwick	Finance				
Ruth Walker	Executive Nurse Director		Board	6/6	Delayed Transfers of Care
Sara Moseley	Independent Member	Third Sector	Board	5/6	Mental Health and Primary Care
			Mental Health and Capacity Legislation Committee	3/4	Welsh
			Strategy and Delivery Committee	1/5	
Sharon Hopkins	Director of Public Health (until 30 Sept 2018)		Board	3/3	Healthy Sustainable Wales
Steve Curry	Chief Operating Officer		Board	5/6	
Sue Bailey	Associate Member	Healthcare Professionals Forum (Chair)	Board	0/6	
			Health Professionals Forum	2/2	
Susan Elsmore	Independent Member	Local Authority Elected	Board	4/6	Older People
			Quality, Safety and Experience Committee	3/5	

THE REMUNERATION AND STAFF REPORT

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BACKGROUND

The Treasury's Government Financial Reporting Manual (FReM) requires that a Remuneration Report shall be prepared by NHS bodies providing information under the headings in SI 2008 No 410 [http://www.legislation.gov.uk/ukxi/2008/410/ contents/](http://www.legislation.gov.uk/ukxi/2008/410/contents/)

made to the extent that they are relevant. The Remuneration Report contains information about senior manager's remuneration. The definition of "Senior Managers" 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."

This section of the Accountability Report meets these requirements. The following disclosures are subject to audit:

- Single total figure of remuneration for each director (pg. 60)
- CETV disclosures for each director (pg.63)
- Payments to past directors, if relevant
- Payments for loss of office, if relevant
- Fair pay disclosures (Included in Annual Accounts) note 9.6
- Exit packages, (Included in Annual Accounts) if relevant note 9.5, and
- Analysis of staff numbers (pg.64)

THE REMUNERATION TERMS OF SERVICE COMMITTEE

Remuneration and terms of service for Executive Directors and the Chief Executive are agreed, and kept under review by the Remuneration and Terms of Service Committee. The Committee also monitors and evaluates the annual performance of the Chief Executive and individual Directors (the latter with the advice of the Chief Executive).

The Remuneration and Terms of Services Committee is chaired by the UHB's Chair, and the membership includes the Vice Chair and the Chairs of the Audit Committee and Finance Committee.

INDEPENDENT MEMBERS' REMUNERATION

Remuneration for Independent Members is decided by the Welsh Government, which also determines their tenure of appointment.

SALARY AND PENSION ENTITLEMENTS OF SENIOR MANAGERS

Details of Directors' and Independent Members' remuneration for the 2018-19 financial year, together with comparators are given in *Table 1, 1a and 2 below*.

It should be noted that Executive Directors are not on any form of performance related pay. All contracts are permanent with a three month notice period. Conditions were set by Welsh Government as part of the NHS Reform Programme of 2009.

We wish to bring to your attention that the column for Bonus payments contains amounts paid to Dr Graham Shortland under the national Clinical Excellence and Distinction award scheme. Clinical Excellence and Distinction awards are awarded at a National level by the Advisory Committee on Clinical Excellence awards (ACCEA) which is an independent, advisory Non-

Departmental Public Body (NDPB) and succeeded the Advisory Committee on Distinction awards (ACDA). The awards are given to recognise and reward the exceptional contribution of NHS consultants, over and above that normally expected in a job, to the values and goals of the NHS and to patient care. All Clinical Excellence awards and Distinction awards are funded separately to the UHB by the Welsh Government.

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

The Medical Director is a member of the UHBs Bike Salary Sacrifice scheme which is open to all UHB Employees. An element of an employee's salary is 'swapped' for the use of a new bicycle. In the Remuneration table for 2018-19 the amount of £578 swapped for the use of the bike has been included in the Salary column.

Table 1: Salaries of Senior Managers

Name and title	31-Mar-2019					
	Salary (bands of £5,000)	Other Remuneration (bands of £5,000)	Bonus Payments (bands of £5,000)	Benefits in kind (Rounded to the nearest £00)	Pension Benefits (Rounded to the nearest £000)	Total (bands of £5,000)
	£000	£000	£000	£00	£000	£000
Cardiff and Vale University Local Health Board						
<u>Officer Members</u>						
Leonard Richards, Chief Executive (see footnote)	205-210	0	0	0	14	220-225
Dr Sharon Hopkins, Executive Director of Public Health (1)	65-70	0	0	0	0	65-70
Ruth Walker, Executive Director of Nursing	135-140	0	0	0	0	135-140
Steve Curry, Chief Operating Officer	135-140	0	0	0	69	205-210
Abigail Harris, Executive Director of Planning	125-130	0	0	0	24	150-155
Robert Chadwick, Executive Director of Finance (2)	155-160	0	0	0	0	155-160
Martin Driscoll, Executive Director of Workforce & Organisational Development	130-135	0	0	0	30	160-165
Dr Fiona Jenkins, Executive Director of Therapies & Health Science	105-110	0	0	0	5	110-115
Dr Graham Shortland, Executive Medical Director	165-170	0	45-50	0	0	215-220
Fiona Kinghorn, Interim Executive Director of Public Health (3)	55-60	0	0	0	4	60-65
<u>Other Directors</u>						
Peter Welsh, Director of Corporate Governance (4)	50-55	0	0	0	0	50-55
Nicola Foreman, Director of Corporate Governance (4)	70-75	0	0	0	47	115-120
Dr Sharon Hopkins, Director of Transformation & Informatics (1)	55-60	0	0	0	0	55-60
<u>Independent Members (IM)</u>						
Maria Battle, Chair	65-70	0	0	0	0	65-70
Charles Janczewski, Vice Chair	55-60	0	0	19	0	55-60
John Union - Finance	15-20	0	0	4	0	15-20
Eileen Brandreth, IM - Information Communication & Technology	15-20	0	0	0	0	15-20
Professor Gary Baxter, IM - University	0	0	0	0	0	0-5
Sara Moseley, IM - Third (Voluntary) Sector	15-20	0	0	0	0	15-20
Councillor Susan Elsmore, IM - Local Authority	15-20	0	0	0	0	15-20
Michael Imperato, IM - Legal	15-20	0	0	0	0	15-20
Akmal Hanuk, IM - Local Community	15-20	0	0	0	0	15-20
John Antoniazzi, IM - Estates	15-20	0	0	0	0	15-20
Dawn Ward, IM - Trade Union	0	40-45	0	0	0	40-45
<u>Associate Members</u>						
Paula Martyn, Chair, Stakeholder Reference Group (5)	0	0	0	0	0	0
Richard Thomas, Chair, Stakeholder Reference Group (5)	0	0	0	0	0	0
Susan Bailey, Chair, Health Professionals' Forum	0	80-85	0	0	0	80-85
Lance Carver, Associate Member - Local Authority	0	0	0	0	0	0

During the preparation of the 2018-19 Remuneration Report information provided by the NHS Pensions Agency confirmed that the information which they had provided for 2017-18 report for the Chief Executive had been incorrect. The UHB has therefore re-stated the Pension Benefit and Total Remuneration figures for 2017-18 for the Chief Executive. The CETV figure for 2017-18 disclosed in the Pensions Benefits table is the re-stated figure.

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

Table 1a: Salaries of Senior Managers as at 31 March 2018 – re-stated

Name and title	31-Mar-2018					
	Salary (bands of £5,000)	Other Remuneration (bands of £5,000)	Bonus Payments (bands of £5,000)	Benefits in kind (Rounded to the nearest £00)	Re-stated Pension Benefits (Rounded to the nearest £000)	Re-stated Total (bands of £5,000)
	£000	£000	£000	£00	£000	£000
Cardiff and Vale University Local Health Board						
<u>Officer Members</u>						
Leonard Richards, Chief Executive (see footnote 1)	155-160	10-15	0	0	75	245-250
Dr Sharon Hopkins, Interim Chief Executive	40-45	0	0	0	0	40-45
Dr Sharon Hopkins, Executive Director of Public Health	100-105	0	0	0	0	100-105
Ruth Walker, Executive Director of Nursing & Interim Deputy Chief Executive	135-140	0	0	0	6	140-145
Steve Curry, Chief Operating Officer	125-130	0	0	0	131	260-265
Abigail Harris, Executive Director of Planning	125-130	0	0	0	30	155-160
Robert Chadwick, Executive Director of Finance	165-170	0	0	0	0	165-170
Martin Driscoll, Executive Director of Workforce & Organisational Development	60-65	0	0	0	15	75-80
Julie Cassley, Interim Executive Director of Workforce & Organisational Development	60-65	0	0	0	18	80-85
Dr Fiona Jenkins, Executive Director of Therapies & Health Science	105-110	0	0	0	58	160-165
Dr Graham Shortland, Executive Medical Director	160-165	0	45-50	0	0	210-215
Fiona Kinghorn, Interim Executive Director of Public Health	20-25	0	0	0	11	35-40
<u>Other Directors</u>						
Peter Welsh, Director of Corporate Governance	90-95	0	0	1	37	130-135
Alice Casey, Executive Programme Director	25-30	0	0	0	0	25-30
Unscheduled Care						
<u>Independent Members (IM)</u>						
Maria Battle, Chair	65-70	0	0	0	0	65-70
Charles Janczewski, Vice Chair	25-30	0	0	0	0	25-30
Marcus Longley, Vice Chair	25-30	0	0	0	0	25-30
Ivar Grey, IM - Finance	5-10	0	0	0	0	5-10
John Union - Finance	5-10	0	0	0	0	5-10
Eileen Brandreth, IM - Information Communication & Technology	15-20	0	0	0	0	15-20
Professor Elizabeth Treasure, IM - University	0	0	0	0	0	0-5
Professor Gary Baxter, IM - University	0	0	0	0	0	0-5
Margaret McLaughlin, IM - Third (Voluntary) Sector	5-10	0	0	0	0	5-10
Sara Moseley, IM - Third (Voluntary) Sector	5-10	0	0	0	0	5-10
Councillor Susan Elsmore, IM - Local Authority	15-20	0	0	0	0	15-20
Martyn Waygood, IM - Legal	5-10	0	0	0	0	5-10
Michael Imperato, IM - Legal	5-10	0	0	0	0	5-10
Akmal Hanuk, IM - Local Community	15-20	0	0	0	0	15-20
John Antoniazzi, IM - Estates	15-20	0	0	0	0	15-20
Stuart Egan, IM - Trade Union	0	25-30	0	0	0	25-30
Dawn Ward, IM - Trade Union	0	5-10	0	0	0	5-10
<u>Associate Members</u>						
Paula Martyn, Chair, Stakeholder Reference Group	0	0	0	0	0	0
Susan Bailey, Chair, Health Professionals' Forum	0	75-80	0	0	0	75-80
Tony Young, Associate Member - Local Authority	0	0	0	0	0	0
Phil Evans, Associate Member - Local Authority	0	0	0	0	0	0
Lance Carver, Associate Member - Local Authority	0	0	0	0	0	0

(1) During the preparation of the 2018-19 Remuneration Report information provided by the NHS Pensions Agency confirmed that the information which they had provided for 2017-18 report for the Chief Executive had been incorrect. The UHB has therefore re-stated the Pension Benefit and Total Remuneration figures for 2017-18 for the Chief Executive. The CETV figure for 2017-18 disclosed in the Pensions Benefits table is the re-stated figure.

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

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

CHANGES TO BOARD MEMBERSHIP IN 2018-19

During 2018-19 the following changes to Board membership occurred (see references in [Table 1](#)):

- (1) Sharon Hopkins ended as Executive Director of Public Health on the 30 September 2018. She then took on the role of Director of Transformation & Informatics. She is still also the Deputy Chief Executive.
- (2) Robert Chadwick retired on the 31 December 2018 and returned to employment initially for 16 hours per week from the 15 January 2019, increasing to full-time hours from the 2 February 2019 under the provisions of the 1995 NHS Pension Scheme. During the two week break in employment Christopher Lewis, the Deputy Director of Finance, was temporary Director of Finance. He did not receive any additional remuneration for the two-week period to 15 January.
- (3) Fiona Kinghorn was Interim Executive Director of Public Health from 1 October 2018 until she was appointed permanent Executive Director of Public Health from 1 April 2019.
- (4) Nicola Foreman started on 23 July 2018. Peter Welsh's last day as Director of Governance was 22 July, however a handover period followed until his contract ended on the 30 September 2018. On 1 October 2018 he took up the post of Senior Hospital Manager, University Hospital of Llandough; working 25 hours per week.
- (5) Paula Martyn ended 26th November 2018. Richard Thomas started 27th November 2018.

REMUNERATION RELATIONSHIP

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

PENSION BENEFITS

Table 2: Pension Benefits

Name and title	Real increase in pension at pension age (bands of £2,500)	Real increase in pension lump sum at pension age (bands of £2,500)	Total accrued pension at pension age at 31/03/19 (bands of £5,000)	Lump sum at pension age related to accrued pension at 31/03/2019 (bands of £5,000)	Cash Equivalent Transfer Value at 31 March 2019	Cash Equivalent Transfer Value at 31 March 2018	Real increase (decrease) in Cash Equivalent Transfer Value	Employer's contribution to stakeholder pension
	£000	£000	£000	£000	£000	£000	£000	To nearest £100
Leonard Richards, Chief Executive (Note 1)	0-2.5	0-2.5	45-50	130-135	1,021	880	102	
Ruth Walker - Executive Director of Nursing & Interim Deputy Chief Executive	0-2.5	0-2.5	55-60	165-170	1,226	1,067	107	
Steve Curry - Chief Operating Officer	2.5-5	5-7.5	55-60	145-150	1,176	963	159	
Abigail Harris - Executive Director of Planning	0-2.5	(2.5) - 0	35-40	85-90	704	583	84	
Martin Driscoll - Executive Director of Workforce & Organisational Development	0-2.5	0-2.5	0-5	0	47	13	14	
Dr Fiona Jenkins, Executive Director of Therapies & Health Science	0-2.5	2.5-5	50-55	150-155	1,259	1,105	107	
Fiona Kinghorn - Interim Executive Director of Public Health	0-2.5	(2.5) - 0	35-40	90-95	756	647	37	
Nicola Foreman - Director of Governance	2.5-5	0	15-20	0	197	128	36	

Note 1 - During the preparation of the 2018-19 Remuneration Report information provided by the NHS Pensions Agency confirmed that the information which they had provided for 2017-18 had been incorrect. The CETV figure for 2017-18 disclosed above is the re-stated figure. The Chief Executive chose not to be covered by the NHS pension arrangements from 1st September 2018.

Note 2 - Sharon Hopkins, Graham Shortland and Robert Chadwick chose not to be covered by the NHS Pension arrangements for 2017/2018 and 2018/2019 and hence are not included in the table above.

The UHB is also contributing to the NEST (National Employment Savings Trust) Pension Scheme in respect of Peter Welsh. The UHB was unable to obtain pension benefit information from NEST in time for publication, however as the UHB has only paid Pension Contributions to this scheme of £398 during the period 1st April 18 to 30th September 2018 for Peter Welsh it does not expect the pension benefit would have been material.

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

Cash Equivalent Transfer Values

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

Real Increase in CETV

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

STAFF REPORT

STAFF NUMBERS

The UHB workforce profile identifies that approximately 76% of the workforce is female. This is not representative of the local community where a little more than half the population is female. The numbers of female and male directors, managers and employees as at 31st March 2019 were as follows:

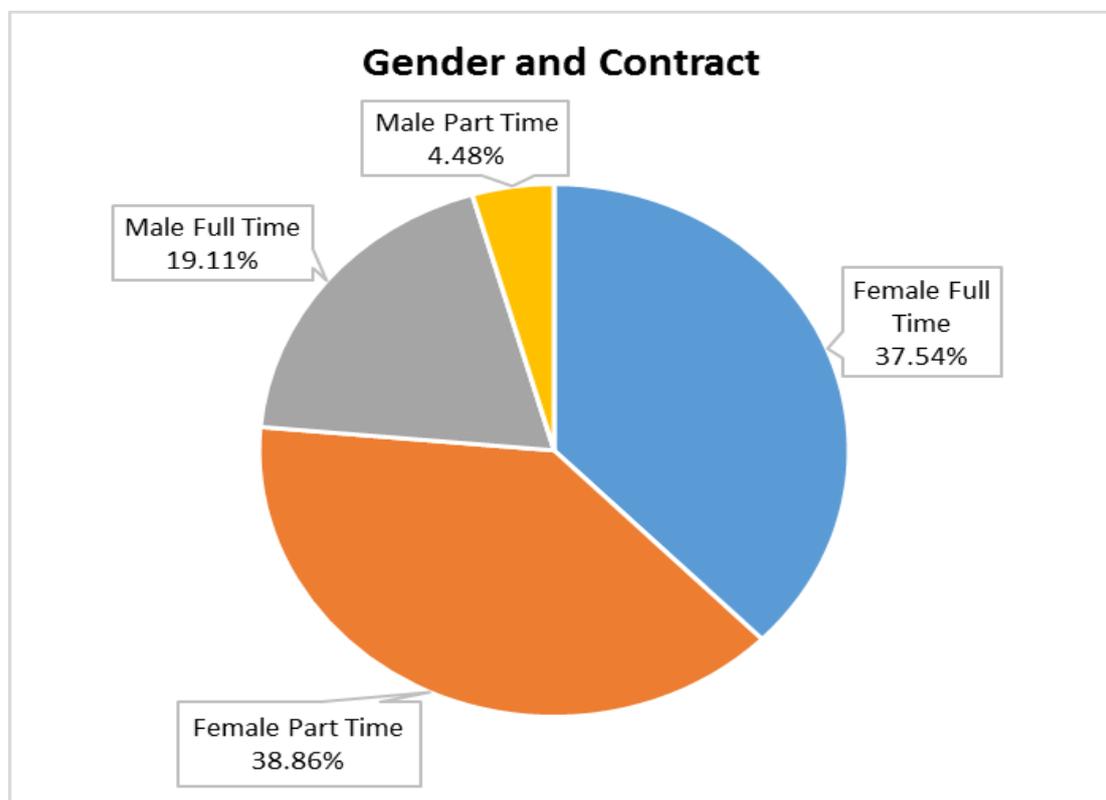
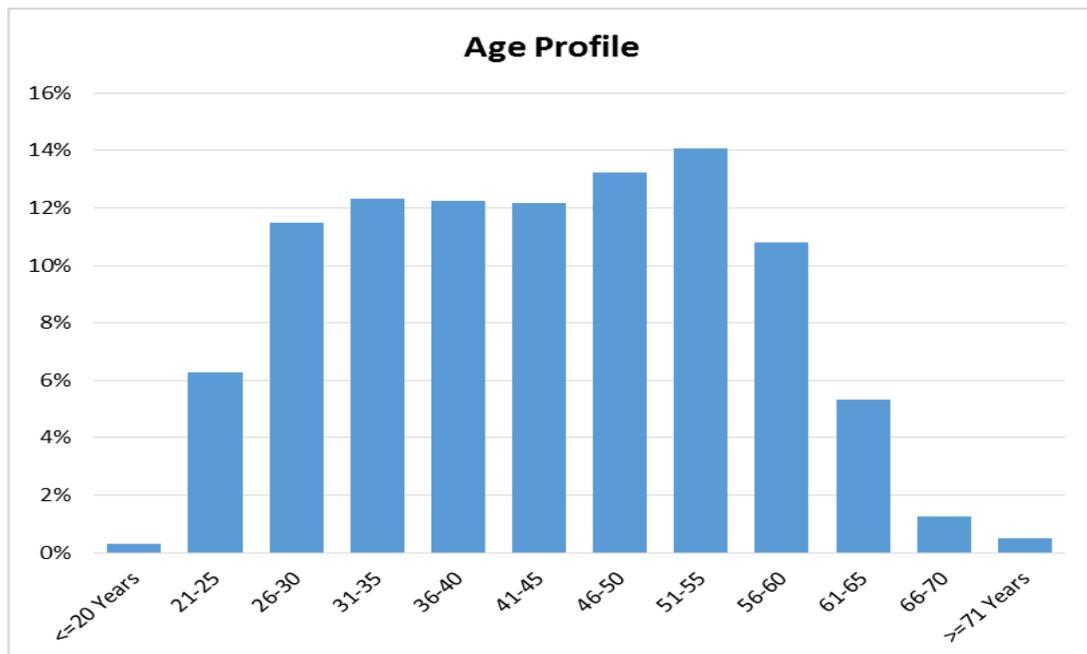
	Female	Male	Total
Director	13	14	27
Manager	135	74	209
Employee	11386	3474	14860
Total	11534	3562	15096

STAFF COMPOSITION

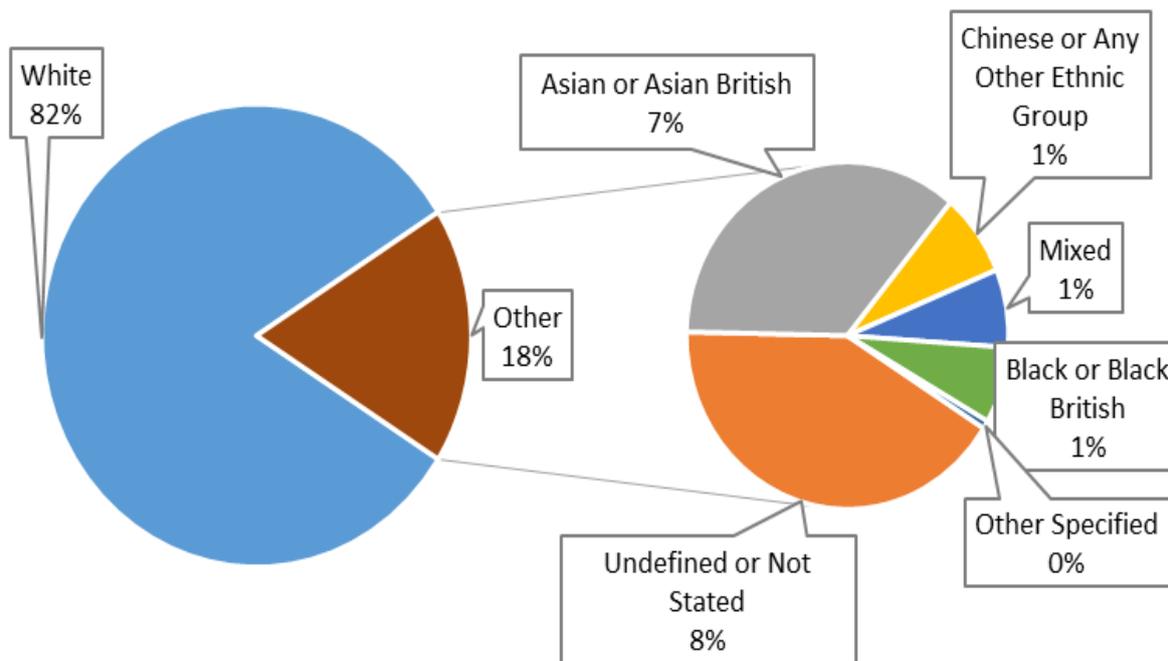
The charts below indicate the following challenges when determining optimal ways to deploy the current and future workforce and how to consider future supply against service priorities:

- The UHB has an aging workforce with the largest age categories being aged 46-50 years and 51-55 years (approximately 2000 staff in each of these categories). The impact of employees retiring from service critical areas is key in Clinical Boards undertaking local workforce planning.
- The largest grade categories are staff in Agenda for Change Bands 2, 5 and 6. The UHB has made a shift in the skill mix and overall shape of its “Xmas Tree” over recent years as in 2012 the highest percentage of workforce was in band 6. Continually reviewing skill mix and new ways of working is important in ensuring adequate future supply of skills in the right place and grade.
- The majority of the workforce is female (76%) with an even split in this group of full-time (38%) and part-time working (39%). Use of our employment policies, such as the Flexible Working Policy, is crucial to retaining talent and keeping staff engaged.
- The majority of the workforce is white (82%) with 11% in Black and Minority Ethnic categories and 7% not stated. The Single Equality Plan has a number of actions to continue review of our workforce in this regard to ensure it strives to reflect the local population where relevant e.g. in recruiting practices.
- The nursing and midwifery registered staff and unqualified nursing staff make up just over 42% of the total workforce. Given there is a recognised national shortage of registered nurses, the UHB has made nurse sustainability a high priority on its workforce agenda.
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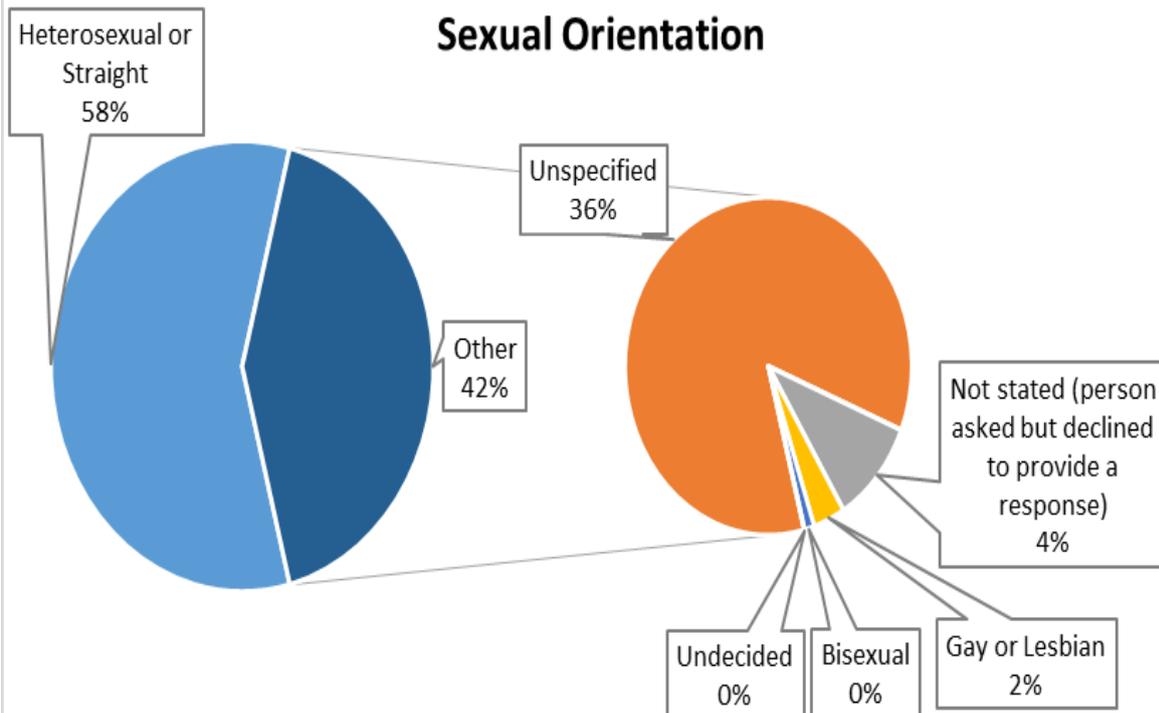
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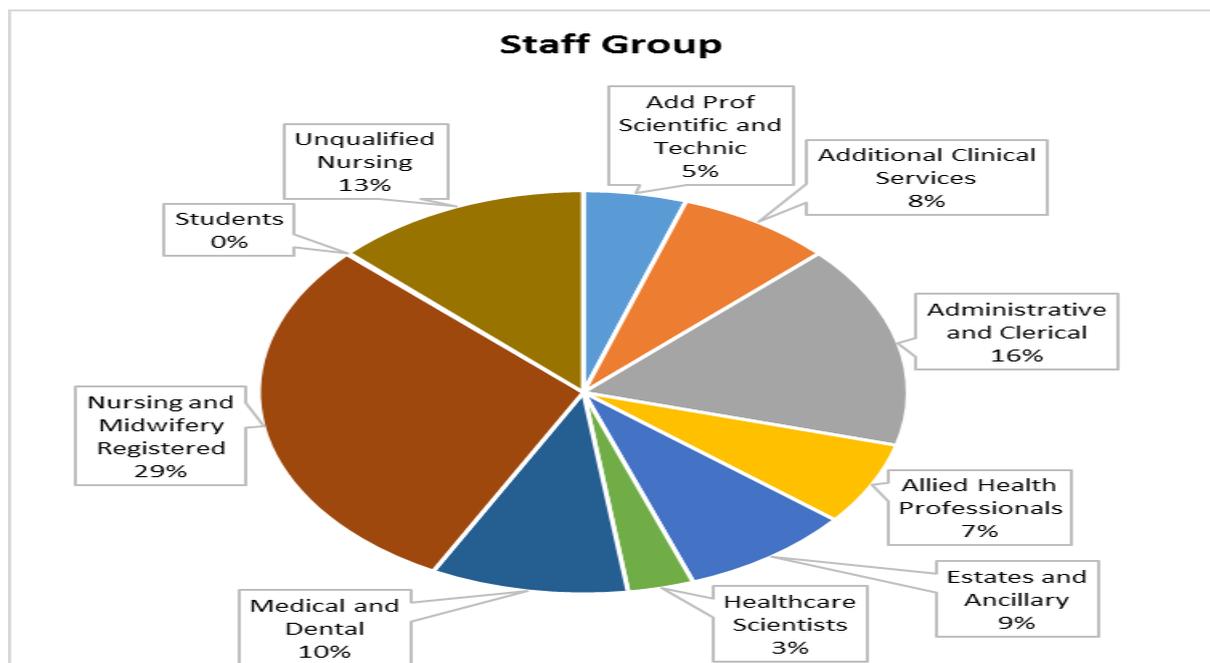
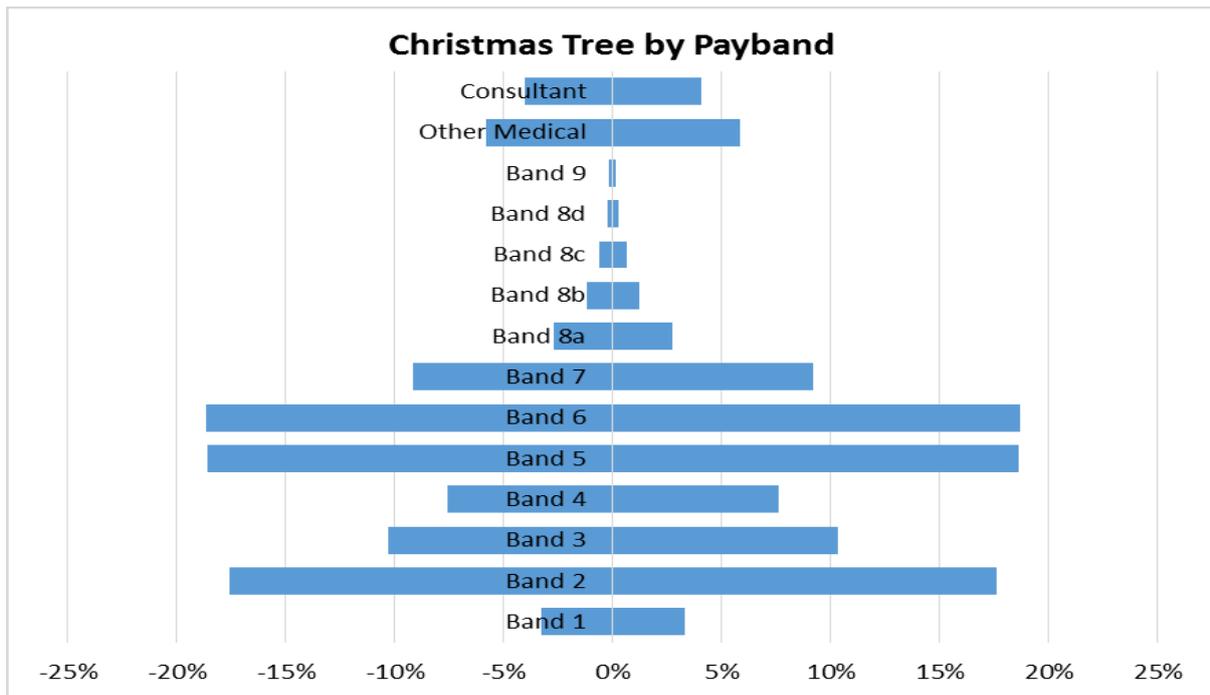


Ethnic Group

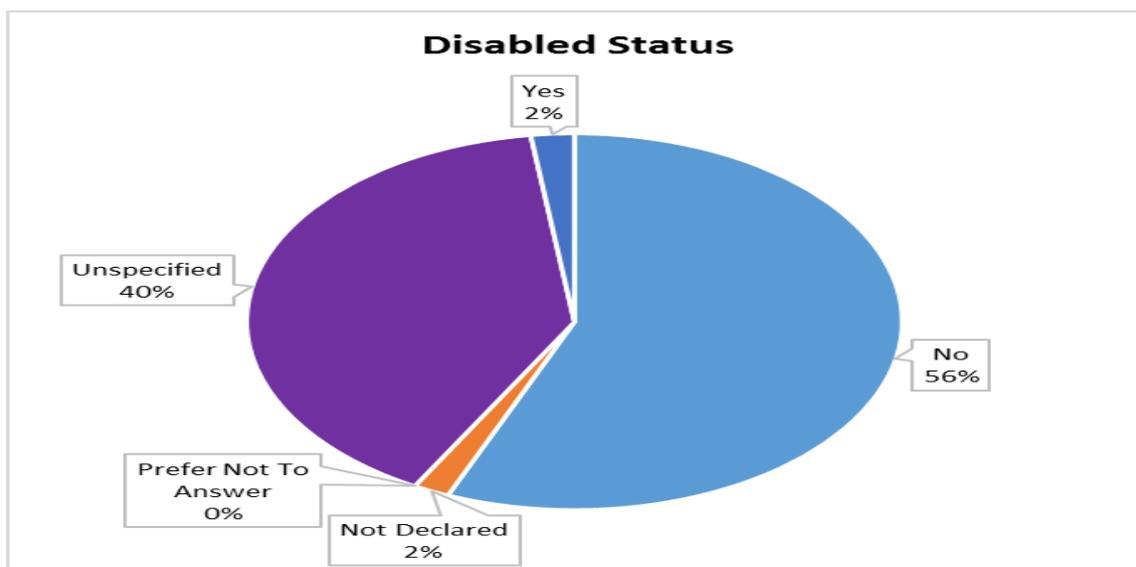


Sexual Orientation





Workforce profile information collected for the UHB in March 2019 shows that 2.13% of staff consider themselves to have a disability, but this information is not known for a significant number of staff (41.54%).



SICKNESS ABSENCE DATA

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

A multi-disciplinary group leads a strategic action plan for **improving staff health and wellbeing**. Dietetics, physiotherapy, health and safety, transport and travel, occupational health, employee well-being and the Public Health team have developed a collaborative plan, which has realised improvements across a range of areas. 2017/18 was a year of great success with the UHB achieving both the Gold and Platinum Corporate Health Standards and being recognised as an exemplar organization. In 2018/19 we have continued to use the learning from these standards to stretch our health and wellbeing activity even further, achieving further reductions in sickness absence through whole-system approaches.

The cumulative sickness rate for the 12-month period up to and including March 2019 is **5.11%** which is 0.51% above the 2018-19 year-end target of 4.60%.

73% of this sickness was attributed to long-term absence and 27% to short-term absence. The UHB top reasons recorded for absence during 2018-19 were Anxiety/Stress and Musculoskeletal.

The following table provides information on the number of days lost due to sickness during 2017-18 and 2018-19.

	2018-19	2017-18
	Number	Number
Days lost (long term)	175,070	162,020
Days lost (short term)	64,752	73,707
Total days lost	239,822	235,727
Total staff years	12,823	12,726
Average working days lost	11.65	11.56
Total staff employed in period	14,658	14,170
Total staff employed in period with no absence (headcount)	6,247	5,248
Percentage staff with no sick leave	41.36%	37.04%

This year Cardiff & Vale UHB recommitted to the **Time to Change Wales Pledge** and in line with World Mental Health Day launched its 'Cav a Coffee and Talk' Campaign. This campaign is designed to encourage individuals to speak about their mental health and to feel confident to ask for support when needed. The campaign also encourages staff talk to their colleagues, ask how they are, listen to what they say and keep in touch. The campaign aims to make them aware that they have the ability to help that person, as even the smallest of gestures (having a coffee together for instance) can make a huge difference. This campaign is designed to empower staff to take breaks from their busy working days where and when they're able to. We are proud of our CAV a Coffee Champions, who are approachable colleagues who staff can talk to if they feel they need someone to confide in. These Champions will listen and signpost staff to appropriate services if they need further support.



STAFF POLICIES

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

The UHB is committed to ensuring that the recruitment and selection of staff is conducted in a systematic, comprehensive and fair manner, promoting equality of opportunity at all times. For example, the [Recruitment and Selection Policy](#) aims to provide a robust framework to ensure compliance and promote best practice within the necessary legislative framework (including the Equality Act 2010), whilst maximising flexibility to meet the varying needs of the UHB and ensuring that the best candidate for each position is appointed. The Recruitment and Selection Policy was reviewed in 2018.

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



The UHB is committed to supporting its employees and keeping them well. Managers and employees need to work together to sustain attendance at work so that we can do what we are

here for - care for our patients! The [NHS Wales Managing Attendance at Work Policy](#) was developed in 2018 to assist managers in supporting staff when they are ill, manage their absence and help facilitate their timely return to work, but it is about more than that - it is also designed to help you know your staff and focus on their health and wellbeing to keep them well and in work.

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

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

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

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

We also continue the partnership work with Elite, a Working Group organisation to help young people with Learning Disabilities into employment. From the work completed to date, the UHB along with Elite, has placed 3 individuals on our Apprenticeship programmes and we will continue to explore other roles within the organisation, including permanent employment, to recruit further candidates with learning disabilities into employment.

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

CONSULTANCY EXPENDITURE

As disclosed in note 3.3 of its annual accounts, the UHB spent £2.186m on consultancy services during 2018-19, compared to £1.144m in 2017-18. The majority of this expenditure going towards projects aimed at delivering better clinical outcomes and efficiencies.

Tax assurance for off-payroll appointees

For all off-payroll engagements as of 31 March 2019, for more than £245 per day and that last longer than six months.

	Employees engaged via other public sector bodies	Employed for tax and NI purposes only	Other Engagements	Total
No. of existing engagements as of 31 March 2019	42	7	0	49
Of which:				
No. that have existed for less than one year at time of reporting	1	5	0	6
No. that have existed for between one and two years at the time of reporting	2	1	0	3
No. that have existed for between two and three years at the time of reporting	2	0	0	2
No. that have existed for between three and four years at the time of reporting	1	1	0	2
No. that have existed for four or more years at the time of reporting	36	0	0	36

The "other engagements" shown above represent staff employed via recruitment agencies. While the UHB is not responsible for deducting tax and national insurance in respect of these engagements, we have written to the agencies concerned stating that we believe that our relationship with the staff is one of employment and so they should be paying these employees under deduction of tax and national insurance.

For all new off-payroll engagements, or those that reached six months in duration between 1 April 2018 and 31 March 2019, for more than £245 per day and that last for longer than six months.

	Employees engaged via other public sector bodies	Employed for tax and NI purposes only	Other Engagements	Total
No. of new engagements, or those that reached six months in duration between 1st April 2018 & 31st March 2019	2	10	0	12
of which.....				
No. assessed as caught by IR35	0	10	0	10
No. assessed as not caught by IR35	2	0	0	2
No. engaged directly (via PSC contracted to department) and are on the departmental payroll	0	10	0	10
No. of engagements reassessed for consistency / assurance purposes during the year whom assurance has been requested but not received, and	0	0	0	0
No. of engagements that saw a change to IR35 status following the consistency review	0	0	0	0

While the UHB does not have the contractual right to request assurance that the appropriate tax and national insurance is being deducted in respect of staff supplied by public sector bodies, it has been agreed by The Welsh Government that this assurance can be obtained via written confirmation from the Director of Finance of the public body who is invoicing us for the staff concerned. This has been requested and received for all staff meeting the disclosure criteria in 2018/19.

For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2018 and 31 March 2019

	Employees engaged via other public sector bodies	Employed for tax and NI purposes only	Other Engagements	Total
No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	2	0	0	2
No. of individuals that have been deemed "board members, and/or senior officials with significant financial responsibility", during the financial year.	0	0	0	0

Please note that the UHB considers that its Board members are the only officials who have significant financial responsibility within the Health Board. One of the members disclosed above was Acting Director of Public Health during 2018/19 and was on secondment during this time from another Welsh NHS Body. Written assurance has been received from this body that they were appropriately deducting tax and national insurance on her salary during this time. The other member was acting Director of Operations Primary Care Clinical Board during 2018/19 and was on secondment during this time from Welsh Government. Written assurance has been requested from Welsh Government to confirm that they were appropriately deducting tax and national insurance on the salary during this time.

THE NATIONAL ASEMBLY FOR WALES ACCOUNTABILITY REPORT

THE NATIONAL ASSEMBLY FOR WALES ACCOUNTABILITY REPORT

REGULARITY OF EXPENDITURE

As a result of pressures on public spending, the UHB has had to meet considerable new cost pressures and increase in demand for high quality patient services, within a period of restricted growth in funding. This has resulted in the need to deliver significant cost and efficiency savings to offset unfunded cost pressures to work towards achieving its financial duty, which is break even over a three year period. Unfortunately this has not been achieved and the expenditure of £65.968m which it has incurred in excess of its resource limit over that period is deemed to be irregular. The UHB has an approved IMTP covering the years 2019-20 to 2021-22 which plans to deliver a break even position in each of these financial years. Successful delivery of this plan will result in the UHB achieving its Statutory Financial Duty of a break even position at the end of this period.

FEES AND CHARGES

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

MANAGING PUBLIC MONEY

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

MATERIAL REMOTE CONTINGENT LIABILITIES

As disclosed in note 21.2 of its annual accounts, the UHB is not aware of any remote contingent liabilities as at March 31st 2019.

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

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

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements of Cardiff and Vale University Local Health Board for the year ended 31 March 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 Cardiff and Vale University Local Health Board as at 31 March 2019 and of its net operating costs for the year then ended; and
- have been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by Welsh Ministers.

Basis for opinions

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

Conclusions relating to going concern

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

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

Other information

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

auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

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

Basis for Qualified Opinion on Regularity

Cardiff and Vale University Local Health Board has breached its revenue resource limit by spending £65.968 million over the £2,693 million that it was authorised to spend in the three-year period 2016-17 to 2018-19. This spend constitutes irregular expenditure. Further detail is set out in my Report at page 75.

Qualified Opinion on Regularity

In my opinion, except for the irregular expenditure of £65.968 million explained in the paragraph above, in all material respects the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

Report on other requirements

Opinion on other matters

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

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

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

Matters on which I report by exception

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

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

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

Please see my Report on page 75.

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 8 and 9, the Directors and the Chief Executive are responsible for the preparation of financial statements which give a true and fair view and for such internal control as the Directors and Chief Executive determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Responsibilities for regularity

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

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

Adrian Crompton
Auditor General for Wales
11 June 2019

24 Cathedral Road
Cardiff
CF11 9LJ

Report of the Auditor General to the National Assembly for Wales

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

Introduction

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

For 2018-19 Cardiff and Vale University Local Health Board (the LHB) failed to meet both the first and the second financial duty and so I have decided to issue a narrative report to explain the position.

Failure of the first financial duty

The **first financial duty** gives additional flexibility to LHBs by allowing them to balance their income with their expenditure over a three-year rolling period. The third three-year period under this duty is 2016-17 to 2018-19, and so it is measured this year for the third time.

Note 2.1 to the Financial Statements shows that the LHB did not manage its revenue expenditure within its resource allocation over this three-year period, exceeding its cumulative revenue resource limit of £2,693 million by £65.968 million. The LHB therefore did not meet its first financial duty.

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

Failure of the second financial duty

The **second financial duty** requires LHBs to prepare and have approved by the Welsh Ministers a rolling three-year integrated medium term plan. This duty is an essential foundation to the delivery of sustainable quality health services. An LHB will be deemed to have met this duty for 2018-19 if it submitted a 2018-19 to 2020-21 plan approved by its Board to the Welsh Ministers who then approved it by 30 June 2018.

As shown in Note 2.3 to the Financial Statements, the LHB did not meet its second financial duty to have an approved three-year integrated medium term plan in place for the period 2018-19 to 2020-21.

In September 2016 the Welsh Government placed the LHB in 'targeted intervention'. In the absence of an approved integrated medium-term plan, with the agreement of the Welsh Government the LHB has been operating under annual planning arrangements. In March 2018 the Board approved the LHB's Annual Operating Plan for 2018-19, which set out a planned annual deficit of £19.9 million. Subsequent to the Board's approval, in July 2018 the Welsh Government provided additional funding of £10 million which reduced the planned annual deficit to £9.9m. The LHB's actual deficit for 2018-19 was £9.872 million, as shown in Note 2.1 to the Financial Statements.

In February 2019 the Welsh Government reduced the escalation status of the LHB from 'targeted intervention' to 'enhanced monitoring'. Further to this change, in April 2019 the Welsh Government approved the LHB's three-year integrated medium term plan for 2019-20 to 2021-22.

Adrian Crompton

Auditor General for Wales

11 June 2019

CARDIFF & VALE UNIVERSITY HEALTH BOARD

FOREWORD

These accounts have been prepared by the Local Health Board under schedule 9 section 178 Para 3(1) of the National Health Service (Wales) Act 2006 (c.42) in the form in which the Welsh Ministers have, with the approval of the Treasury, directed.

Statutory background

The Local Health Board was established on 1 October 2009.

Performance Management and Financial Results

Local Health Boards in Wales must comply fully with the Treasury's Financial Reporting Manual to the extent that it is applicable to them. As a result, the Primary Statement of in-year income and expenditure is the Statement of Comprehensive Net Expenditure, which shows the net operating cost incurred by the LHB which is funded by the Welsh Government. This funding is allocated on receipt directly to the General Fund in the Statement of Financial Position.

Under the National Health Services Finance (Wales) Act 2014, the annual requirement to achieve balance against Resource Limits has been replaced with a duty to ensure, in a rolling 3 year period, that its aggregate expenditure does not exceed its aggregate approved limits.

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

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

					2018-19	2017-18
				Note	£'000	£'000
Expenditure on Primary Healthcare Services				3.1	233,138	228,347
Expenditure on healthcare from other providers				3.2	301,919	264,950
Expenditure on Hospital and Community Health Services				3.3	862,403	820,035
					1,397,460	1,313,332
Less: Miscellaneous Income				4	(434,168)	(387,394)
LHB net operating costs before interest and other gains and losses					963,292	925,938
Investment Revenue				5	0	0
Other (Gains) / Losses				6	9	(7,840)
Finance costs				7	1,332	1,386
Net operating costs for the financial year					964,633	919,484

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

The notes on pages 8 to 65(b) form part of these accounts.

CARDIFF & VALE UNIVERSITY HEALTH BOARD ANNUAL ACCOUNTS 2018-19						
Other Comprehensive Net Expenditure						
					2018-19	2017-18
					£'000	£'000
Net (gain) / loss on revaluation of property, plant and equipment					(4,172)	6,679
Net (gain) / (loss) on revaluation of intangibles					0	0
Net (gain) / loss on revaluation of available for sale financial assets					0	0
(Gain) / loss on other reserves					(7)	(499)
Impairment and reversals					0	0
Release of Reserves to Statement of Comprehensive Net Expenditure					0	0
Other comprehensive net expenditure for the year					(4,179)	6,180
Total comprehensive net expenditure for the year					960,454	925,664
The gain on other reserves reflects a correction in respect of balances transferred over from Abertawe Bro Morgannwg LHB in 2017/18.						
The notes on pages 8 to 65(b) form part of these accounts.						

Statement of Financial Position as at 31 March 2019

		31 March	31 March
		2019	2018
	Notes	£'000	£'000
Non-current assets			
Property, plant and equipment	11	675,904	657,424
Intangible assets	12	2,902	2,245
Trade and other receivables	15	21,432	57,469
Other financial assets	16	0	0
Total non-current assets		700,238	717,138
Current assets			
Inventories	14	16,926	15,697
Trade and other receivables	15	176,987	166,189
Other financial assets	16	0	0
Cash and cash equivalents	17	1,219	1,856
		195,132	183,742
Non-current assets classified as "Held for Sale"	11	1,906	0
Total current assets		197,038	183,742
Total assets		897,276	900,880
Current liabilities			
Trade and other payables	18	(174,685)	(180,290)
Other financial liabilities	19	0	0
Provisions	20	(129,087)	(120,512)
Total current liabilities		(303,772)	(300,802)
Net current assets/ (liabilities)		(106,734)	(117,060)
Non-current liabilities			
Trade and other payables	18	(9,095)	(9,635)
Other financial liabilities	19	0	0
Provisions	20	(24,862)	(60,471)
Total non-current liabilities		(33,957)	(70,106)
Total assets employed		559,547	529,972
Financed by :			
Taxpayers' equity			
General Fund		443,904	417,207
Revaluation reserve		115,643	112,765
Total taxpayers' equity		559,547	529,972

The financial statements on pages 2 to 7 were approved by the Board on 30th May 2019 and signed on its behalf by:

Signed on Behalf of the Chief Executive and Accountable Officer

On Behalf of the Chief Executive and Accountable Officer Date.....
 Leonard Richards 30th May 2019

**Statement of Changes in Taxpayers' Equity
For the year ended 31 March 2019**

	General Fund £000s	Revaluation Reserve £000s	Total Reserves £000s
Changes in taxpayers' equity for 2018-19			
Balance as at 31 March 2018	417,207	112,765	529,972
Adjustment for Implementation of IFRS 9	(1,259)	0	(1,259)
Balance at 1 April 2018	415,948	112,765	528,713
Net operating cost for the year	(964,633)		(964,633)
Net gain/(loss) on revaluation of property, plant and equipment	0	4,172	4,172
Net gain/(loss) on revaluation of intangible assets	0	0	0
Net gain/(loss) on revaluation of financial assets	0	0	0
Net gain/(loss) on revaluation of assets held for sale	0	0	0
Impairments and reversals	0	0	0
Movements in other reserves	0	0	0
Transfers between reserves	1,294	(1,294)	0
Release of reserves to SoCNE	0	0	0
Transfers to/from (please specify)	7	0	7
Total recognised income and expense for 2018-19	(963,332)	2,878	(960,454)
Net Welsh Government funding	991,288		991,288
Balance at 31 March 2019	443,904	115,643	559,547

The £7k on the Transfers to/from line reflects a correction in respect of balances transferred over from Abertawe Bro Morgannwg LHB in 2017/18.

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

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

The notes on pages 8 to 65(b) form part of these accounts.

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

Statement of Cash Flows for year ended 31 March 2019

		2018-19	2017-18
		£'000	£'000
Cash Flows from operating activities	Notes		
Net operating cost for the financial year		(964,633)	(919,484)
Movements in Working Capital	27	22,537	(23,495)
Other cash flow adjustments	28	29,544	63,623
Provisions utilised	20	(25,133)	(24,828)
Net cash outflow from operating activities		(937,685)	(904,184)
Cash Flows from investing activities			
Purchase of property, plant and equipment		(52,538)	(45,906)
Proceeds from disposal of property, plant and equipment		131	9,929
Purchase of intangible assets		(1,532)	(1,499)
Proceeds from disposal of intangible assets		170	208
Payment for other financial assets		0	0
Proceeds from disposal of other financial assets		0	0
Payment for other assets		0	0
Proceeds from disposal of other assets		0	0
Net cash inflow/(outflow) from investing activities		(53,769)	(37,268)
Net cash inflow/(outflow) before financing		(991,454)	(941,452)
Cash Flows from financing activities			
Welsh Government funding (including capital)		991,288	942,853
Capital receipts surrendered		0	0
Capital grants received		0	0
Capital element of payments in respect of finance leases and on-SoFP		(471)	(426)
Cash transferred (to)/ from other NHS bodies		0	0
Net financing		990,817	942,427
Net increase/(decrease) in cash and cash equivalents		(637)	975
Cash and cash equivalents (and bank overdrafts) at 1 April 2018		1,856	881
Cash and cash equivalents (and bank overdrafts) at 31 March 2019		1,219	1,856

The notes on pages 8 to 65(b) 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 Local Health Boards (LHB) in Wales shall meet the accounting requirements of the NHS Wales Manual for Accounts. Consequently, the following financial statements have been prepared in accordance with the 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 LHB Manual for Accounts permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the LHB for the purpose of giving a true and fair view has been selected. The particular policies adopted by the LHB are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

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

1.2 Acquisitions and discontinued operations

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

1.3 Income and funding

The main source of funding for the Local Health Boards (LHBs) are allocations (Welsh Government funding) from the Welsh Government within an approved cash limit, which is credited to the General Fund of the Local Health Board. Welsh Government funding is recognised in the financial period in which the cash is received.

Non discretionary funding outside the Revenue Resource Limit is allocated to match actual expenditure incurred for the provision of specific pharmaceutical, or ophthalmic services identified by the Welsh Government. Non discretionary expenditure is disclosed in the accounts and deducted from operating costs charged against the Revenue Resource Limit. Funding for the acquisition of fixed assets received from the Welsh Government is credited to the General Fund.

Miscellaneous income is income which relates directly to the operating activities of the LHB and is not funded directly by the Welsh Government. This includes payment for services uniquely provided by the LHB for the Welsh Government such as funding provided to agencies and non-activity costs incurred by the LHB in its provider role. Income received from LHBs transacting with other LHBs is always treated as miscellaneous income.

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 Taxpayers' 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. More information on the work done in establishing this conclusion is shown in note 34 of the accounts.

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 the LHB commits itself to the retirement, regardless of the method of payment.

Where employees are members of the Local Government Superannuation Scheme, which is a defined benefit pension scheme, this is disclosed. The scheme assets and liabilities attributable to those employees can be identified and are recognised in the LHBs accounts. The assets are measured at fair value and the liabilities at the present value of the future obligations. The increase in the liability arising from pensionable service earned during the year is recognised within operating expenses. The expected gain during the year from scheme assets is recognised within finance income. The interest cost during the year arising from the unwinding of the discount on the scheme liabilities is recognised within finance costs.

NEST Pension Scheme

The LHB has to offer an alternative pensions scheme for employees not eligible to join the NHS Pensions scheme. The NEST (National Employment Savings Trust) Pension scheme is a defined contribution scheme and therefore the cost to the NHS body of participating in the scheme is equal to the contributions payable to the scheme for the accounting period.

1.5 Other expenses

Other operating expenses for goods or services are recognised when, and to the extent that, they have been received. They are measured at the fair value of the consideration payable.

1.6 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised if:

- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potential will be supplied to, the LHB;
- it is expected to be used for more than one financial year;
- the cost of the item can be measured reliably; and
- the item has cost of at least £5,000; or
- collectively, a number of items have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
- items form part of the initial equipping and setting-up cost of a new building, ward or unit, irrespective of their individual or collective cost.

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

Valuation

All property, plant and equipment are measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management.

Land and buildings used for the LHBs services or for administrative purposes are stated in the Statement of Financial Position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Fair values are determined as follows:

- Land and non-specialised buildings – market value for existing use
- Specialised buildings – depreciated replacement cost

HM Treasury has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued. NHS Wales bodies have applied these new valuation requirements from 1 April 2009.

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees but not borrowing costs, which are recognised as expenses immediately, as allowed by IAS 23 for assets held at fair value. Assets are revalued and depreciation commences when they are brought into use.

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

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

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

From 2015-16, the LHB must comply with IFRS 13 Fair Value Measurement in full. However IAS 16 and IAS 38 have been adapted for the public sector context which limits the circumstances under which a valuation is prepared under IFRS 13. Assets which are held for their service potential and are in use should be measured at their current value in existing use. For specialised assets current value in existing use should be interpreted as the present value of the assets remaining service potential, which can be assumed to be at least equal to the cost of replacing that service potential.

In accordance with the adaptation of IAS 16 in table 6.2 of the 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 the LHBs business or which arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to, the LHB; where the cost of the asset can be measured reliably, and where the cost is at least £5,000.

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

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

Measurement

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

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

1.8 Depreciation, amortisation and impairments

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

Otherwise, depreciation and amortisation are charged to write off the costs or valuation of property, plant and equipment and intangible non-current assets, less any residual value, over their estimated useful lives, in a manner that reflects the consumption of economic benefits or service potential of the assets. The estimated useful life of an asset is the period over which the LHB expects to obtain economic benefits or service potential from the asset. This is specific to the LHB and may be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. Assets held under finance leases are depreciated over the shorter of the lease term and estimated useful lives.

At each reporting period end, the LHB checks whether there is any indication that any of its tangible or intangible non-current assets have suffered an impairment loss. If there is indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount. Intangible assets not yet available for use are tested for impairment annually.

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

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 The Local Health Board as lessee

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

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

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

1.11.2 The Local Health Board as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the LHB net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the LHB's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

1.12 Inventories

Whilst it is accounting convention for inventories to be valued at the lower of cost and net realisable value using the weighted average or "first-in first-out" cost formula, it should be recognised that the NHS is a special case in that inventories are not generally held for the intention of resale and indeed there is no market readily available where such items could be sold. Inventories are valued at cost and this is considered to be a reasonable approximation to fair value due to the high turnover of stocks. Work-in-progress comprises goods in intermediate stages of production. Partially completed contracts for patient services are not accounted for as work-in-progress.

1.13 Cash and cash equivalents

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Statement of Cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of the cash management.

1.14 Provisions

Provisions are recognised when the LHB has a present legal or constructive obligation as a result of a past event, it is probable that the LHB will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using the discount rate supplied by HM Treasury.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursements will be received and the amount of the receivable can be measured reliably.

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the LHB has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

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

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 Taxpayers' equity.

1.16 Financial assets

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

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 IFRS 9 to construct a provision matrix. More detail on the approach taken in the adoption of IFRS 9 is given under Note 34 of these Accounts.

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, the LHB assesses whether any financial assets, other than those held at 'fair value through profit and loss' are impaired. Financial assets are impaired and impairment losses recognised if there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in the Statement of

Comprehensive Net Expenditure and the carrying amount of the asset is reduced directly, or through a provision 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 the LHB becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been discharged, that is, the liability has been paid or has expired.

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

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 the LHB 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 LHBs not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure). However, the note on losses and special payments is compiled directly from the losses register which is prepared on a cash basis.

The LHB accounts for all losses and special payments gross (including assistance from the WRP). The LHB accrues or provides for the best estimate of future payouts for certain liabilities and discloses all other potential payments as contingent liabilities, unless the probability of the liabilities becoming payable is remote.

All claims for losses and special payments are provided for, where the probability of settlement of an individual claim is over 50%. Where reliable estimates can be made, incidents of clinical negligence against which a claim has not, as yet, been received are provided in the same way. Expected reimbursements from the WRP are included in debtors. For those claims where the probability of settlement is below 50%, the liability is disclosed as a contingent liability.

1.22 Pooled budget

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

During 2018-19 the UHB received funding from the Welsh Government's Integrated Care Fund and its Transformation Fund. The planning and delivery of the programmes associated with this funding has the involvement of social services, housing and the third independent sector.

Also during 2018-19 the UHB received funding from Cardiff Council which had been allocated from Welsh Government Families First monies. The service provided from this funding is operationally managed by the Local Authority with the UHB offering professional support.

As required under Part 9 of the Social Services and Well-being (Wales) Act 2014, a pooled budget arrangement has been agreed between ourselves and the Cardiff and Vale Local Authorities. This came into effect from April 1st 2018.

Details of the operational and accounting arrangements in place around each of the above can be found in Note 32 of these accounts on page 63.

1.23 Critical Accounting Judgements and key sources of estimation uncertainty

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

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

1.24 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.

(i) Provisions

The Health Board provides for legal or constructive obligations for clinical negligence, personal injury and defence costs that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation.

Claims are funded via the Welsh Risk Pool Services (WRPS) which receives an annual allocation from Welsh Government to cover the cost of reimbursement requests submitted to the bi-monthly WRPS Committee. Following settlement to individual claimants by the Health Board or Trust, the full cost is recognised in year and matched to income (less a £25K excess) via a WRPS debtor, until reimbursement has been received from the WRPS Committee.

Probable & Certain Cases – Accounting Treatment

A provision for these cases is calculated in accordance with IAS 37. Cases are assessed and divided into four categories according to their probability of settlement;

Remote	Probability of Settlement	0 – 5%
	Accounting Treatment	Contingent Liability.
Possible	Probability of Settlement	6% - 49%
	Accounting Treatment	Defence Fee - Provision Contingent Liability for all other estimated expenditure.
Probable	Probability of Settlement	50% - 94%
	Accounting Treatment	Full Provision
Certain	Probability of Settlement	95% - 100%
	Accounting Treatment	Full Provision

The provision for probable and certain cases is based on case estimates of individual reported claims received by Legal & Risk Services within NHS Wales Shared Services Partnership.

The solicitor will estimate the case value including defence fees, using professional judgement and from obtaining counsel advice. Valuations are then discounted for the future loss elements using individual life expectancies and the Government Actuary's Department actuarial tables (Ogden tables) and Personal Injury Discount Rate of -0.75%.

Future liabilities for certain & probable cases with a probability of 95%-100% and 50%- 94% respectively are held as a provision on the balance sheet. Cases typically take a number of years to settle, particularly for high value cases where a period of development is necessary to establish the full extent of the injury caused.

ii) The LHB provides for potential bad debts both as a result of specific disputes and based on historic collectability patterns. As a result of this, the LHB is carrying a bad debt provision of £8.137m re non NHS organisations and a credit note provision of £0.945m in respect of NHS debts. While this provision is considered prudent and accurate as at the statement of financial position date, due to the ongoing trading relationships it covers, potentially there could be gains and losses re the ultimate recoverability in respect of amounts provided for.

iii) In line with IAS 19 the LHB has reviewed the level of annual leave taken by its staff to March 31st 2019. Based on a sample the LHB has accrued £0.741m re untaken annual leave. This is based on a sample of the leave records of 57% of all LHB staff and reflects the LHB's policy of only allowing annual leave to be carried forward into 2019/20 under exceptional circumstances or when this has been necessary to help the LHB achieve service performance targets.

iv) The LHB has estimated a liability of £2.503m in respect of retrospective claims for continuing healthcare funding. The estimated provision is based upon an assessment of the likelihood of claims meeting criteria for continuing healthcare and the actual costs incurred by individuals in care homes. The provision is based on information made available to the LHB at the time of these accounts and could be subject to significant change as outcomes are determined. Accordingly the UHB is disclosing a contingent liability of £7.869m in respect of such cases within note 21.1 of these Accounts.

v) During 2009/10 the LHB counted inventory (excluding drugs which were already being counted) held on wards for the first time as part of its year end inventory figure. From a practical perspective it would be extremely difficult for the LHB to physically count all such areas immediately prior to March 31st, hence an extrapolation method was agreed. As a result, on a three yearly rolling basis the stock in 28 different wards has now been counted. This represents 654 beds out of a possible 1,911 across the LHB. In this way a figure of £0.697m has been calculated for ward stock and has been included within the inventory balance shown in note 14.1 of the accounts. As the number of wards counted increases a picture has emerged of a strata of wards which have a relatively low level of stockholding and one for those which have higher than average levels. This intelligence is now being built in to the calculation of the balance involved.

vi) As in other years due to the relatively short timescale available to prepare the annual accounts, the primary care expenditure disclosed contains a number of significant estimates where the value of actual liabilities was not available prior to the date of the accounts submission. The most material areas being:

- > GMS Enhanced Services £1.835m
- > GMS Quality and Outcomes Framework £1.887m
- > Prescribing £11.694m
- > Pharmacy £5.591m

1.25 Private Finance Initiative (PFI) transactions

HM Treasury has determined that government bodies shall account for infrastructure PFI schemes where the government body controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement as service concession arrangements, following the principles of the requirements of IFRIC 12. The LHB therefore recognises the PFI asset as an item of property, plant and equipment together with a liability to pay for it. The services received under the contract are recorded as operating expenses.

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:

- a) Payment for the fair value of services received;
- b) Payment for the PFI asset, including finance costs; and
- c) Payment for the replacement of components of the asset during the contract 'lifecycle replacement'.

Services received

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

PFI asset

The PFI assets are recognised as property, plant and equipment, when they come into use. The assets are measured initially at fair value in accordance with the principles of IAS 17. Subsequently, the assets are measured at fair value, which is kept up to date in accordance with the LHBs approach for each relevant class of asset in accordance with the principles of IAS 16.

PFI liability

A PFI liability is recognised at the same time as the PFI assets are recognised. It is measured initially at the same amount as the fair value of the PFI assets and is subsequently measured as a finance lease liability in accordance with IAS 17.

An annual finance cost is calculated by applying the implicit interest rate in the lease to the opening lease liability for the period, and is charged to 'Finance Costs' within the Statement of Comprehensive Net Expenditure.

The element of the annual unitary payment that is allocated as a finance lease rental is applied to meet the annual finance cost and to repay the lease liability over the contract term.

An element of the annual unitary payment increase due to cumulative indexation is allocated to the finance lease. In accordance with IAS 17, this amount is not included in the minimum lease payments, but is instead treated as contingent rent and is expensed as incurred. In substance, this amount is a finance cost in respect of the liability and the expense is presented as a contingent finance cost in the Statement of Comprehensive Net Expenditure.

Lifecycle replacement

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

Transfers of function are accounted for as either by merger or by absorption accounting dependent upon the treatment prescribed in the FReM. Absorption accounting requires that entities account for their transactions in the period in which they took place with no restatement of performance required.

Where transfer of function is between LHBs the gain or loss resulting from the assets and liabilities transferring is recognised in the SoCNE and is disclosed separately from the operating costs.

1.29 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

Following Treasury's agreement to apply IAS 27 to NHS Charities from 1 April 2013, the LHB has established that as the LHB is the corporate trustee of the linked NHS Charity (Cardiff & Vale Health Charity), it is considered for accounting standards compliance to have control of Cardiff & Vale Health Charity as a subsidiary and therefore is required to consolidate the results of Cardiff & Vale Health Charity within the statutory accounts of the LHB. The determination of control is an accounting standards test of control and there has been no change to the operation of Cardiff & Vale Health Charity or its independence in its management of charitable funds.

However, the LHB has with the agreement of the Welsh Government adopted the IAS 27 (10) exemption to consolidate. Welsh Government as the ultimate parent of the Local Health Boards will [consolidate/disclose] the Charitable Accounts of Local Health Boards in the Welsh Government Consolidated Accounts. Details of the transactions with the charity are included in the related parties' notes.

2. Financial Duties Performance

The National Health Service Finance (Wales) Act 2014 came into effect from 1 April 2014. The Act amended the financial duties of Local Health Boards under section 175 of the National Health Service (Wales) Act 2006. From 1 April 2014 section 175 of the National Health Service (Wales) Act places two financial duties on Local Health Boards:

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

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

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

2.1 Revenue Resource Performance

Annual financial performance

	2016-17	2017-18	2018-19	Total
	£'000	£'000	£'000	£'000
Net operating costs for the year	936,816	919,484	964,633	2,820,933
Less general ophthalmic services expenditure and other non-cash limited expenditure	(21,567)	(19,396)	(18,186)	(59,149)
Less revenue consequences of bringing PFI schemes onto SoFP	(1,028)	(1,028)	(1,028)	(3,084)
Total operating expenses	914,221	899,060	945,419	2,758,700
Revenue Resource Allocation	884,978	872,207	935,547	2,692,732
Under /(over) spend against Allocation	(29,243)	(26,853)	(9,872)	(65,968)

Cardiff & Vale University LHB has not met its financial duty to break-even against its Revenue Resource Limit over the 3 years 2016-17 to 2018-19.

The Health Board received £9.325m repayable cash only support in 2018-19. The accumulated cash only support provided to the Health Board by the Welsh Government is £54.849m as at 31 March 2019. The cash only support is provided to assist the Health Board with ensuring payments to staff and suppliers, there is no interest payable on cash only support. Repayment of this cash assistance will be in accordance with the Health Boards future Integrated Medium Term Plan submissions.

2.2 Capital Resource Performance

	2016-17	2017-18	2018-19	Total
	£'000	£'000	£'000	£'000
Gross capital expenditure	44,061	55,936	49,349	149,346
Add: Losses on disposal of donated assets	9	0	4	13
Less: NBV of property, plant and equipment and intangible assets disposed	(621)	(2,297)	(310)	(3,228)
Less: capital grants received	0	0	0	0
Less: donations received	(1,423)	(6,606)	(630)	(8,659)
Charge against Capital Resource Allocation	42,026	47,033	48,413	137,472
Capital Resource Allocation	42,104	47,121	48,487	137,712
(Over) / Underspend against Capital Resource Allocation	78	88	74	240

The LHB met its financial duty to break-even against its Capital Resource Limit over the 3 years 2016-17 to 2018-19.

CARDIFF & VALE UNIVERSITY HEALTH BOARD ANNUAL ACCOUNTS 2018-19						
2.3 Duty to prepare a 3 year plan						
The NHS Wales Planning Framework for the period 2018-19 to 2020-21 issued to LHBs placed a requirement upon them to prepare and submit Integrated Medium Term Plans to the Welsh Government.						
The LHB submitted an Integrated Medium Term Plan for the period 2018-19 to 2020-21 in accordance with NHS Wales Planning Framework.						
						2018-19
						to
						2020-21
The Minister for Health and Social Services approval status						Not Approved
The LHB has not met its statutory duty to have an approved financial plan for the period 2018-19 to 2020-21.						
In the absence of an approved Integrated Medium Term Plan, the LHB submitted a one year Operational Plan to Welsh Government in July 2018. This position was accepted and the UHB has been operating with a planned deficit of £9.9m in 2018/19.						
The LHB Integrated Medium Term Plan was not approved in 2017-18.						

3. Analysis of gross operating costs**3.1 Expenditure on Primary Healthcare Services**

	Cash limited £'000	Non-cash limited £'000	2018-19 Total £'000	2017-18 £'000
General Medical Services	74,929		74,929	72,250
Pharmaceutical Services	21,894	13,038	34,932	35,904
General Dental Services	32,806		32,806	31,854
General Ophthalmic Services	1,924	5,148	7,072	6,973
Other Primary Health Care expenditure	11,327		11,327	7,160
Prescribed drugs and appliances	72,072		72,072	74,206
Total	214,952	18,186	233,138	228,347

The Total expenditure above includes £12.923m in respect of staff costs (£13.208m 2017-18).

3.2 Expenditure on healthcare from other providers

	2018-19 £'000	2017-18 £'000
Goods and services from other NHS Wales Health Boards	26,331	25,866
Goods and services from other NHS Wales Trusts	28,606	25,366
Goods and services from Health Education and Improvement Wales (HEIW)	0	0
Goods and services from other non Welsh NHS bodies	2,244	1,433
Goods and services from WHSSC / EASC	121,693	119,424
Local Authorities	35,414	5,666
Voluntary organisations	7,309	7,810
NHS Funded Nursing Care	8,979	10,811
Continuing Care	57,757	55,920
Private providers	13,586	12,654
Specific projects funded by the Welsh Government	0	0
Other	0	0
Total	301,919	264,950

CARDIFF & VALE UNIVERSITY HEALTH BOARD ANNUAL ACCOUNTS 2018-19						
3.3 Expenditure on Hospital and Community Health Services						
					2018-19	2017-18
					£'000	£'000
Directors' costs					2,331	2,182
Staff costs					597,790	575,399
Supplies and services - clinical					177,070	165,455
Supplies and services - general					8,561	6,108
Consultancy Services					2,186	1,144
Establishment					10,666	10,650
Transport					865	642
Premises					27,863	29,831
External Contractors					0	0
Depreciation					31,574	25,686
Amortisation					717	658
Fixed asset impairments and reversals (Property, plant & equipment)					(123)	(7,033)
Fixed asset impairments and reversals (Intangible assets)					0	0
Impairments & reversals of financial assets					0	0
Impairments & reversals of non-current assets held for sale					0	(56)
Audit fees					401	451
Other auditors' remuneration					0	8
Losses, special payments and irrecoverable debts					2,898	5,391
Research and Development					0	0
Other operating expenses					(396)	3,519
Total					862,403	820,035
3.4 Losses, special payments and irrecoverable debts: charges to operating expenses						
					2018-19	2017-18
					£'000	£'000
Increase/(decrease) in provision for future payments:						
Clinical negligence					22,390	51,613
Personal injury					277	1,649
All other losses and special payments					440	180
Defence legal fees and other administrative costs					372	1,028
Gross increase/(decrease) in provision for future payments					23,479	54,470
Contribution to Welsh Risk Pool					0	0
Premium for other insurance arrangements					0	0
Irrecoverable debts					875	1,834
Less: income received/due from Welsh Risk Pool					(21,456)	(50,913)
Total					2,898	5,391
<p>Personal injury includes -£20k (2017-18 £972k) in respect of Permanent Injury Benefits. The Permanent Injury figure for 2018-19 is negative due to a reduction in the provision required as a result of a change in the discount rate applied to these cases. Clinical Redress expenditure during the year was £331k in respect of 46 cases (2017-18 £608k re 60 cases).</p>						

4. Miscellaneous Income

	2018-19 £'000	2017-18 £'000
Local Health Boards	71,217	69,442
Welsh Health Specialised Services Committee (WHSSC) / Emergency Ambulance Services Committee (EASC)	221,552	204,324
NHS trusts	5,311	4,745
Health Education and Improvement Wales (HEIW)	9,953	0
Other NHS England bodies	4,848	5,540
Foundation Trusts	224	69
Local authorities	35,585	8,824
Welsh Government	4,739	2,668
Non NHS:		
Prescription charge income	83	95
Dental fee income	5,859	5,739
Private patient income	1,055	831
Overseas patients (non-reciprocal)	302	91
Injury Costs Recovery (ICR) Scheme	1,654	2,748
Other income from activities	1,965	2,051
Patient transport services	0	0
Education, training and research	38,520	46,752
Charitable and other contributions to expenditure	2,842	2,686
Receipt of donated assets	631	6,606
Receipt of Government granted assets	0	0
Non-patient care income generation schemes	2,227	1,880
NHS Wales Shared Services Partnership (NWSSP)	0	0
Deferred income released to revenue	224	243
Contingent rental income from finance leases	0	0
Rental income from operating leases	0	0
Other income:		
Provision of laundry, pathology, payroll services	7,415	6,238
Accommodation and catering charges	3,577	2,344
Mortuary fees	343	326
Staff payments for use of cars	0	0
Business Unit	0	0
Other	14,042	13,152
Total	434,168	387,394

Injury Costs Recovery (ICR) Scheme income is subject to a provision for impairment of 50.28% re personal injury claims and 18.42% re RTA claims to reflect expected rates of collection based on the UHB's past recoverability performance.

Other Income includes:		
Non Staff SLAs with Cardiff University	3,338	4,209
Creche Fees	600	658
Compensation Payments received	1,218	43
Pharmacy sales	2,070	1,751
Equipment Evaluation Income	442	737
NHS Non Patient Care Income	2,114	2,029
Non Patient Related Staff Recharges	1,305	1,162
Total	11,087	10,589

HEIW is a new Welsh Health Body that began operations on October 1st 2018. The income that the UHB receives from HEIW would previously have come from Cardiff University or Velindre NHS Trust and would have been classed as Education, training and research.

The increase in Local Authorities income relates to new arrangements put in place during the year with our Local Authority partners for the exercise of care home accommodation functions. More detail in respect of this is given in note 32 of these accounts.

5. Investment Revenue

	2018-19	2017-18
	£000	£000
Rental revenue :		
PFI Finance lease income		
planned	0	0
contingent	0	0
Other finance lease revenue	0	0
Interest revenue :		
Bank accounts	0	0
Other loans and receivables	0	0
Impaired financial assets	0	0
Other financial assets	0	0
Total	0	0

6. Other gains and losses

	2018-19	2017-18
	£000	£000
Gain/(loss) on disposal of property, plant and equipment	(12)	244
Gain/(loss) on disposal of intangible assets	0	0
Gain/(loss) on disposal of assets held for sale	3	7,596
Gain/(loss) on disposal of financial assets	0	0
Change on foreign exchange	0	0
Change in fair value of financial assets at fair value through SoCNE	0	0
Change in fair value of financial liabilities at fair value through SoCNE	0	0
Recycling of gain/(loss) from equity on disposal of financial assets held for sale	0	0
Total	(9)	7,840

7. Finance costs

	2018-19	2017-18
	£000	£000
Interest on loans and overdrafts	0	0
Interest on obligations under finance leases	8	10
Interest on obligations under PFI contracts		
main finance cost	1,282	1,303
contingent finance cost	0	0
Interest on late payment of commercial debt	0	1
Other interest expense	0	0
Total interest expense	1,290	1,314
Provisions unwinding of discount	42	72
Other finance costs	0	0
Total	1,332	1,386

8. Operating leases**LHB as lessee**

As at 31st March 2019 the LHB had 22 operating leases agreements in place for the leases of premises, 0 arrangements in respect of equipment and 55 in respect of vehicles, with 1 premises, 1 equipment and 3 vehicle leases having expired in year. The periods in which the remaining 77 agreements expire are shown below:

	2018-19	2017-18
	£000	£000
Payments recognised as an expense		
Minimum lease payments	1,353	1,566
Contingent rents	0	0
Sub-lease payments	0	0
Total	1,353	1,566

Total future minimum lease payments

Payable	£000	£000
Not later than one year	1,129	1,388
Between one and five years	2,564	3,043
After 5 years	2,167	2,621
Total	5,860	7,052

Number of operating leases expiring	Land & Buildings	Vehicles	Equipment	Total
Not later than one year	3	29	0	32
Between one and five years	6	26	0	32
After 5 years	13	0	0	13
Total	22	55	0	77

Charged to the income statement (£000)	1,170	174	0	1,344
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There are no future sublease payments expected to be received.

LHB as lessor

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

Total future minimum lease payments

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

9. Employee benefits and staff numbers

9.1 Employee costs	Permanent	Staff on	Agency	Other	Total	2017-18
	Staff	Inward	Staff	Staff	2018-19	
	Secondment					
	£000	£000	£000	£000	£000	£000
Salaries and wages	483,438	2,159	11,343	9,132	506,072	490,298
Social security costs	48,394	0	0	0	48,394	44,141
Employer contributions to NHS Pension Scheme	59,065	0	0	0	59,065	56,817
Other pension costs	386	0	0	0	386	35
Other employment benefits	0	0	0	0	0	0
Termination benefits	315	0	0	0	315	154
Total	591,598	2,159	11,343	9,132	614,232	591,445
Charged to capital					1,294	913
Charged to revenue					612,938	590,532
					614,232	591,445
Net movement in accrued employee benefits (untaken staff leave accrual included above)					85	(253)

During the preparation of the 2018/19 accounts, it was identified that the figures shown above for "salaries and wages" and "social security costs" for the year ending 31/3/18 are misstated by a compensatory amount of £2.3 million. The misstatement would increase social security costs and decrease salaries and wages. The figures effected have not been restated as the error doesn't impact upon our financial performance in either 2017/18 or 2018/19.

9.2 Average number of employees

	Permanent	Staff on	Agency	Other	Total	2017-18
	Staff	Inward	Staff	Staff	2018-19	
	Secondment					
	Number	Number	Number	Number	Number	Number
Administrative, clerical and board members	2,011	7	25	12	2,055	2,006
Medical and dental	1,328	15	2	46	1,391	1,355
Nursing, midwifery registered	3,758	1	134	1	3,894	3,876
Professional, Scientific, and technical staff	590	4	0	10	604	596
Additional Clinical Services	2,480	0	0	0	2,480	2,457
Allied Health Professions	820	4	6	25	855	828
Healthcare Scientists	461	0	2	1	464	471
Estates and Ancillary	1,083	0	1	0	1,084	1,095
Students	13	0	0	0	13	11
Total	12,544	31	170	95	12,840	12,695

9.3. Retirements due to ill-health

During 2018-19 there were 11 early retirements from the LHB agreed on the grounds of ill-health (20 in 2017-18 - £1,142,043). The estimated additional pension costs of these ill-health retirements (calculated on an average basis and borne by the NHS Pension Scheme) will be £427,856.

9.4 Employee benefits

The LHB does not have an employee benefit scheme.

9.5 Reporting of other compensation schemes - exit packages

	2018-19	2018-19	2018-19	2018-19	2017-18
Exit packages cost band (including any special payment element)	Number of compulsory redundancies	Number of other departures	Total number of exit packages	Number of departures where special payments have been made	Total number of exit packages
	Whole numbers only	Whole numbers only	Whole numbers only	Whole numbers only	Whole numbers only
less than £10,000	0	0	0	0	1
£10,000 to £25,000	0	2	2	2	2
£25,000 to £50,000	0	4	4	4	1
£50,000 to £100,000	0	2	2	2	1
£100,000 to £150,000	0	0	0	0	0
£150,000 to £200,000	0	0	0	0	0
more than £200,000	0	0	0	0	0
Total	0	8	8	8	5

	2018-19	2018-19	2018-19	2018-19	2017-18
Exit packages cost band (including any special payment element)	Cost of compulsory redundancies	Cost of other departures	Total cost of exit packages	Cost of special element included in exit packages	Total cost of exit packages
	£'s	£'s	£'s	£'s	£'s
less than £10,000	0	0	0	0	528
£10,000 to £25,000	0	28,098	28,098	28,098	46,402
£25,000 to £50,000	0	134,061	134,061	134,061	35,578
£50,000 to £100,000	0	153,161	153,161	153,161	71,156
£100,000 to £150,000	0	0	0	0	0
£150,000 to £200,000	0	0	0	0	0
more than £200,000	0	0	0	0	0
Total	0	315,320	315,320	315,320	153,664

Redundancy costs have been paid in accordance with the NHS Redundancy provisions, other departure costs have been paid in accordance with the provisions of the NHS Voluntary Early Release Scheme (VERS). Where the LHB has agreed early retirements, the additional costs are met by the LHB and not by the NHS pension scheme. Ill-health retirement costs are met by the NHS pensions scheme and are not included in the table.

All 8 special payments are severance payments, the highest payment was £90,998 the lowest payment was £12,269 and the median payment was for £29,020.

9.6 Remuneration Relationship

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

The banded remuneration of the highest-paid director in the LHB in the financial year 2018-19 was £215,000 - £220,000 (2017-18, £210,000 - £215,000). This was 7.42 times (2017-18, 7.47) the median remuneration of the workforce, which was £29,302 (2017-18, £28,535). In both 2018-19 and 2019-20 the highest-paid director was the Medical Director.

	2018-19	2017-18
Band of Chief Executive Remuneration	205-210	200-205
Median Total Remuneration £	29,302	28,435
Ratio	7.08	7.12
Band of Highest-Paid Director's Remuneration	215-220	210-215
Median Total Remuneration £	29,302	28,435
Ratio	7.42	7.47

In 2018-19, 6 (2017-18, 3) employees received remuneration in excess of the highest-paid director. Remuneration for these staff ranged from £215,000 to £250,000 (2017-18 £215,000 to £235,000). All these employees are Medical Consultants and remuneration for the highest-paid staff includes payments for additional sessions worked, and varies from month to month.

Total remuneration includes salary and non-consolidated performance-related pay. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions. The guidance also suggests that this information should include benefits-in-kind, the LHB does not have the relevant information available to comply with this requirement. In addition, please note that overtime payments are included where applicable in the calculation of both elements of the relationship.

There has been an increase in year in the median remuneration of the workforce which was partly the result of an average 3% inflationary pay increase received by staff covered by the Agenda for Change agreement. In addition, Medical Staff and Executives received an inflationary pay award of 2% and there were also slight changes to the composition of the workforce which will have contributed to the change in ratio.

9.7 Pension costs

PENSION COSTS

Past and present employees are covered by the provisions of the two NHS Pension Schemes. Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. Both are unfunded defined benefit schemes that cover NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State 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.

CARDIFF & VALE UNIVERSITY HEALTH BOARD ANNUAL ACCOUNTS 2018-19					
<p>c) National Employment Savings Trust (NEST)</p> <p>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).</p> <p>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.</p> <p>NEST Corporation aims for the scheme to become self-financing while providing consistently low charges to members.</p> <p>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.</p> <p>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).</p> <p>Restrictions on the annual contribution limits were removed on 1st April 2017.</p>					

10. Public Sector Payment Policy - Measure of Compliance**10.1 Prompt payment code - measure of compliance**

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

The figures for 2018-19 and 2017-18 exclude both the number and value of non-NHS bills paid to primary care services and contractor services.

	2018-19	2018-19	2017-18	2017-18
NHS	Number	£000	Number	£000
Total bills paid	8,361	231,945	6,889	219,335
Total bills paid within target	5,991	217,636	5,056	208,588
Percentage of bills paid within target	71.7%	93.8%	73.4%	95.1%
Non-NHS				
Total bills paid	308,555	606,354	271,953	534,405
Total bills paid within target	293,203	580,435	250,865	505,636
Percentage of bills paid within target	95.0%	95.7%	92.2%	94.6%
Total				
Total bills paid	316,916	838,299	278,842	753,740
Total bills paid within target	299,194	798,071	255,921	714,224
Percentage of bills paid within target	94.4%	95.2%	91.8%	94.8%

The above performance was achieved after the UHB received £20.959m of non recurrent cash support from WG. £9.325m of this is repayable.

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

	2018-19	2017-18
	£	£
Amounts included within finance costs (note 7) from claims made under this legislation	0	340
Compensation paid to cover debt recovery costs under this legislation	0	197
Total	0	537

11.1 Property, plant and equipment

		Buildings, excluding dwellings		Assets under construction & payments on account	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	Land £000	dwellings £000	Dwellings £000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2018	103,055	496,155	4,087	20,641	120,476	870	18,666	180	764,130
Indexation	2,041	1,113	41	0	0	0	0	0	3,195
Additions									
- purchased	425	6,199	0	29,772	8,914	0	1,877	0	47,187
- donated	0	191	0	200	206	0	22	0	619
- government granted	0	0	0	0	0	0	0	0	0
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	0
Reclassifications	1,950	10,729	0	(12,679)	0	0	0	0	0
Revaluations	0	1,019	0	0	0	0	0	0	1,019
Reversal of impairments	20	3,848	0	0	0	0	0	0	3,868
Impairments	(29)	(5,196)	0	0	0	0	0	0	(5,225)
Reclassified as held for sale	(1,122)	(2,675)	0	0	0	0	0	0	(3,797)
Disposals	0	0	0	0	(8,317)	(15)	(1,931)	0	(10,263)
At 31 March 2019	106,340	511,383	4,128	37,934	121,279	855	18,634	180	800,733
Depreciation at 1 April 2018	0	14,358	103	0	77,714	824	13,527	180	106,706
Indexation	0	41	1	0	0	0	0	0	42
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0	0
Revaluations	0	0	0	0	0	0	0	0	0
Reversal of impairments	0	97	0	0	0	0	0	0	97
Impairments	0	(1,577)	0	0	0	0	0	0	(1,577)
Reclassified as held for sale	0	(1,773)	0	0	0	0	0	0	(1,773)
Disposals	0	0	0	0	(8,294)	(15)	(1,931)	0	(10,240)
Provided during the year	0	20,025	104	0	9,219	20	2,206	0	31,574
At 31 March 2019	0	31,171	208	0	78,639	829	13,802	180	124,829
Net book value at 1 April 2018	103,055	481,797	3,984	20,641	42,762	46	5,139	0	657,424
Net book value at 31 March 2019	106,340	480,212	3,920	37,934	42,640	26	4,832	0	675,904
Net book value at 31 March 2019 comprises :									
Purchased	106,340	464,037	3,920	37,734	39,521	26	4,748	0	656,326
Donated	0	16,175	0	200	3,119	0	84	0	19,578
Government Granted	0	0	0	0	0	0	0	0	0
At 31 March 2019	106,340	480,212	3,920	37,934	42,640	26	4,832	0	675,904
Asset financing :									
Owned	105,748	460,996	2,882	37,934	42,456	26	4,832	0	654,874
Held on finance lease	0	1,402	0	0	184	0	0	0	1,586
On-SoFP PFI contracts	592	17,814	1,038	0	0	0	0	0	19,444
PFI residual interests	0	0	0	0	0	0	0	0	0
At 31 March 2019	106,340	480,212	3,920	37,934	42,640	26	4,832	0	675,904
The net book value of land, buildings and dwellings at 31 March 2019 comprises :									
									£000
Freehold									569,626
Long Leasehold									20,846
Short Leasehold									0
									590,472

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

Of the totals at 31st March 2019, £0 related to land valued at open market value and £0 related to buildings, installations and fittings valued at open market value.

Figures for freehold land and buildings are given gross with separate accumulated depreciation.

The LHB had to charge accelerated depreciation on the following: (1) Rookwood Hospital which has been earmarked for closure, £0.659m. (2) Two buildings at UHW which have been earmarked for closure: Brecknock House £1.846m and Denbigh House £0.748m. (3) Non specialised assets reclassified as Assets Held for Sale: Iorwerth Jones £1.158m and Lansdowne Hospital £0.479m.

11.1 Property, plant and equipment

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

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

Of the totals at 31st March 2018, £0 related to land valued at open market value and £0 related to buildings, installations and fittings valued at open market value.

Figures for freehold land and buildings are given gross with separate accumulated depreciation.

The LHB had to charge accelerated depreciation on the following: Rookwood Hospital which has been earmarked for closure, £0.562m.

11. Property, plant and equipment (continued)**Additional disclosures re Property, Plant and Equipment**

i) Donated additions 2018/2019

Of the donated additions shown in Note 11.1, the Latch Charity funded £0.186m of building works. The Noah's Ark Charity also funded £0.095m of equipment for the Children's Hospital. The LHB's Charitable Fund contributed £0.133m towards the purchase of equipment during the year. Other donors funded building and assets under construction costs worth £0.205m.

ii) Professional valuations are carried out by the District Valuer Service (which as the commercial arm of the Valuation Office Agency, is part of HMRC). The valuations are carried out in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Assembly and HM Treasury. The last full Valuation of the LHB's estate was carried out on 1st April 2017.

However, the LHB will periodically instruct the District Valuer to Carry out "Good Housekeeping Valuations" when assets resulting from major capital schemes are first brought into use. During the year the LHB carried out 6 such revaluations the total effect of which were:

Impairments written off via the Statement of Comprehensive Net Expenditure (SoCNE) were (£3.290m), reversal of Impairments of £0.004m were credited to the SoCNE.

The significant schemes brought into use were:

CRI Safeguarding Works (£1.860m) was written off the carrying value via the SoCNE.

UHW Renal Facility Upgrading (£0.848m) was written off the carrying value via the SoCNE.

In addition four minor schemes were brought into use and (£0.578m) was written off the carrying value via the SoCNE, whilst a reversal of impairment of £0.004m was credited to the SoCNE.

iii) The useful economic life of LHB buildings has been determined on an asset by asset basis by the District Valuer. These lives are reviewed by the LHB on an annual basis to ascertain their appropriateness and are reviewed every five years by the District Valuer. Major new construction projects are allocated useful economic lives by the District Valuer when they are first brought into use, smaller alterations to existing structures are initially allocated a useful life of 30 years and alterations to mechanical and engineering assets are allocated 15 year lives. Equipment assets are allocated lives on an individual basis based on the professional judgement and past experience of clinicians, finance staff and other LHB professionals. Again the appropriateness of these lives is reviewed on an annual basis.

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

v) During the year the Board approved the sale of four of its properties and a parcel of land, these were revalued accordingly by the District Valuer and an impairment of (£0.355m) has been charged to the SoCNE, see Note 11.2 for further detail. In addition, the Board purchased two parcels of land and two properties during the year. The parcels of land were valued by the District Valuer and an impairment of (£0.003m) has been charged to the SoCNE. One of the properties is undergoing refurbishment and part of the building is now available for use. Therefore it has been revalued by the District Valuer, and an upward revaluation of £1.019m has been set against the revaluation reserve. The final property was purchased at the end of the financial year and its value is currently shown in assets under construction as it requires alteration before it can be used by the LHB.

vi) As per Welsh Government guidance the LHB has applied an Indexation factor to its Land and Buildings for 2018/2019, for a handful of sites this has resulted in a reversal of a prior period Impairment charge and therefore £3.767m has been credited to the SoCNE.

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

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
Balance brought forward 1 April 2018	0	0	0	0	0	0
Plus assets classified as held for sale in the year	1,122	902	0	0	0	2,024
Revaluation	0	0	0	0	0	0
Less assets sold in the year	(36)	(82)	0	0	0	(118)
Add reversal of impairment of assets held for sale	0	0	0	0	0	0
Less impairment of assets held for sale	0	0	0	0	0	0
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	0
Balance carried forward 31 March 2019	1,086	820	0	0	0	1,906
Balance brought forward 1 April 2017	1,815	0	0	0	0	1,815
Plus assets classified as held for sale in the year	280	0	0	0	0	280
Revaluation	0	0	0	0	0	0
Less assets sold in the year	(2,039)	0	0	0	0	(2,039)
Add reversal of impairment of assets held for sale	0	0	0	0	0	0
Less impairment of assets held for sale	(56)	0	0	0	0	(56)
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	0
Balance carried forward 31 March 2018	0	0	0	0	0	0

Assets sold in the period

The LHB sold a property and a parcel of land in 2018/2019 - a profit of £0.003m was made on the sales.

Assets classified as held for sale during the year

As mentioned on page 37 during 2018/19, the LHB obtained the appropriate approvals to sell four of its properties and a parcel of land, the properties were classified as Held for Sale during the year.

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

12. Intangible non-current assets

	Software (purchased)	Software (internally generated)	Licences and trademarks	Patents	Development expenditure- internally generated	Carbon Reduction Commitments	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2018	5,854	0	112	0	74	365	6,405
Revaluation	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0
Additions- purchased	1,106	0	0	0	0	0	1,106
Additions- internally generated	0	0	0	0	426	0	426
Additions- donated	11	0	0	0	0	0	11
Additions- government granted	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0
Disposals	(37)	0	0	0	0	(169)	(206)
Gross cost at 31 March 2019	6,934	0	112	0	500	196	7,742
Amortisation at 1 April 2018	4,085	0	75	0	0	0	4,160
Revaluation	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0
Impairment	0	0	0	0	0	0	0
Provided during the year	680	0	37	0	0	0	717
Reclassified as held for sale	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0
Disposals	(37)	0	0	0	0	0	(37)
Amortisation at 31 March 2019	4,728	0	112	0	0	0	4,840
Net book value at 1 April 2018	1,769	0	37	0	74	365	2,245
Net book value at 31 March 2019	2,206	0	0	0	500	196	2,902
At 31 March 2019							
Purchased	2,118	0	0	0	0	196	2,314
Donated	88	0	0	0	0	0	88
Government Granted	0	0	0	0	0	0	0
Internally generated	0	0	0	0	500	0	500
Total at 31 March 2019	2,206	0	0	0	500	196	2,902

12. Intangible non-current assets

	Software (purchased)	Software (internally generated)	Licences and trademarks	Patents	Development expenditure- internally generated	Carbon Reduction Commitments	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2017	5,203	0	112	0	0	0	5,315
Revaluation	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0
Additions- purchased	852	0	0	0	0	573	1,425
Additions- internally generated	0	0	0	0	74	0	74
Additions- donated	11	0	0	0	0	0	11
Additions- government granted	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0
Disposals	(212)	0	0	0	0	(208)	(420)
Gross cost at 31 March 2018	5,854	0	112	0	74	365	6,405
Amortisation at 1 April 2017	3,677	0	37	0	0	0	3,714
Revaluation	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0
Impairment	0	0	0	0	0	0	0
Provided during the year	620	0	38	0	0	0	658
Reclassified as held for sale	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0
Disposals	(212)	0	0	0	0	0	(212)
Amortisation at 31 March 2018	4,085	0	75	0	0	0	4,160
Net book value at 1 April 2017	1,526	0	75	0	0	0	1,601
Net book value at 31 March 2018	1,769	0	37	0	74	365	2,245
At 31 March 2018							
Purchased	1,643	0	37	0	0	365	2,045
Donated	126	0	0	0	0	0	126
Government Granted	0	0	0	0	0	0	0
Internally generated	0	0	0	0	74	0	74
Total at 31 March 2018	1,769	0	37	0	74	365	2,245

Additional disclosures re Intangible Assets

- i) On initial recognition Intangible non-current assets are measured at cost. Following initial recognition, intangible assets are carried at fair value by reference to an active market, or, where no active market exists, at amortised replacement cost (modern equivalent asset basis), indexed for relevant price increases, as a proxy for fair value.
- ii) The useful economic life of Intangible non-current assets are assigned on an individual basis based on the professional judgement and past experience of clinicians, finance staff and other LHB professionals. The appropriateness of these lives is reviewed on an annual basis.
- iii) All fully depreciated assets still in use are being carried at nil net book value.
- iv) The LHB's Charitable Fund contributed £0.011m to the purchase of intangible assets during the year.

13 . Impairments

	2018-19		2017-18	
	Property, plant & equipment	Intangible assets	Property, plant & equipment	Intangible assets
	£000	£000	£000	£000
Impairments arising from :				
Loss or damage from normal operations	0	0	0	0
Abandonment in the course of construction	0	0	0	0
Over specification of assets (Gold Plating)	0	0	0	0
Loss as a result of a catastrophe	0	0	0	0
Unforeseen obsolescence	0	0	0	0
Changes in market price	0	0	30,637	0
Others (specify)	3,648	0	7,069	0
Reversal of impairments	(3,771)	0	(17,632)	0
Total of all impairments	(123)	0	20,074	0
Analysis of impairments charged to reserves in year :				
Charged to the Statement of Comprehensive Net Expenditure	(123)	0	(7,089)	0
Charged to Revaluation Reserve	0	0	27,163	0
	(123)	0	20,074	0

During 2017/18 the Welsh Government commissioned the District Valuer Service to provide a valuation of the entire Welsh NHS Estate, the LHB's estate was revalued as at 1st April 2017 and the effect was included in the Statement of Financial Position values as at 31st March 2018. There was no such full valuation of the NHS Estates in 2018/19 which is why the impairment figures for this year are correspondingly much smaller than in the year before.

The LHB will periodically instruct the District Valuer to carry out "Good Housekeeping Valuations" when assets resulting from major capital schemes are first brought into use. During the year the LHB carried out 6 such revaluations the total effect of which were:

Impairments written off via the Statement of Comprehensive Net Expenditure (SoCNE) were (£3.290m), reversal of Impairments of £0.004m were credited to the SoCNE.

The significant schemes brought into use were:

CRI Safeguarding Works (£1.860m) was written off the carrying value via the SoCNE.

UHW Renal Facility Upgrading (£0.848m) was written off the carrying value via the SoCNE.

In addition four minor schemes were brought into use and (£0.578m) was written off the carrying value via the SoCNE, whilst a reversal of impairment of £0.004m was credited to the SoCNE.

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

During the year the Board approved the sale of four of its properties and a parcel of land, these were revalued accordingly by the District Valuer and an impairment of (£0.355m) has been charged to the SoCNE, see Note 11.2 for further detail. During the year the Board purchased two parcels of land and two properties. The parcels of land were valued by the District Valuer and an impairment of (£0.003m) has been charged to the SoCNE.

As per Welsh Government guidance the LHB has applied an Indexation factor to its Land and Buildings for 2018/2019, for a handful of sites this has resulted in a reversal of a prior period Impairment charge and therefore £3.767m has been credited to the SoCNE.

CARDIFF & VALE UNIVERSITY HEALTH BOARD ANNUAL ACCOUNTS 2018-19						
14.1 Inventories						
					31 March	31 March
					2019	2018
					£000	£000
Drugs					4,809	4,541
Consumables					12,071	11,094
Energy					46	62
Work in progress					0	0
Other					0	0
Total					16,926	15,697
Of which held at realisable value					0	0
14.2 Inventories recognised in expenses					31 March	31 March
					2019	2018
					£000	£000
Inventories recognised as an expense in the period					2,795	1,898
Write-down of inventories (including losses)					62	61
Reversal of write-downs that reduced the expense					0	0
Total					2,857	1,959

15. Trade and other Receivables

	31 March	31 March
	2019	2018
	£000	£000
Current		
Welsh Government	3,390	2,379
Welsh Health Specialised Services Committee (WHSSC) / Emergency Ambulance Services Committee (EASC)	5,964	5,009
Welsh Health Boards	3,463	4,085
Welsh NHS Trusts	1,796	2,403
Health Education and Improvement Wales (HEIW)	653	0
Non - Welsh Trusts	2,508	2,472
Other NHS	131	184
Welsh Risk Pool	133,521	131,876
Local Authorities	9,595	2,002
Capital debtors	0	0
Other debtors	18,524	17,324
Provision for irrecoverable debts	(8,172)	(5,427)
Pension Prepayments	0	0
Other prepayments	5,614	3,882
Other accrued income	0	0
Sub total	176,987	166,189
Non-current		
Welsh Government	0	0
Welsh Health Specialised Services Committee (WHSSC) / Emergency Ambulance Services Committee (EASC)	0	0
Welsh Health Boards	0	0
Welsh NHS Trusts	0	0
Health Education and Improvement Wales (HEIW)	0	0
Non - Welsh Trusts	0	0
Other NHS	0	0
Welsh Risk Pool	19,582	55,130
Local Authorities	0	0
Capital debtors	0	0
Other debtors	2,760	3,516
Provision for irrecoverable debts	(910)	(1,177)
Pension Prepayments	0	0
Other prepayments	0	0
Other accrued income	0	0
Sub total	21,432	57,469
Total	198,419	223,658
Receivables past their due date but not impaired		
By up to three months	12,474	5,278
By three to six months	1,092	1,175
By more than six months	4,447	4,498
	18,013	10,951
<p>Reflective of the fact that IFRS 9 requires bodies to account for the expected credit loss on all outstanding invoices (not just the non-NHS ones) the UHB has in 2018-19 included its NHS Credit note provision within the figure for irrecoverable debts in note 15 and have also included outstanding NHS invoices within the above disclosure on receivables not impaired. Comparatives have not been restated.</p>		
Expected Credit Losses (ECL) / Provision for impairment of receivables		
Balance at 31 March 2018	(7,012)	
Adjustment for Implementation of IFRS 9	(1,259)	
Balance at 1 April 2018	(8,271)	(5,244)
Transfer to other NHS Wales body	0	0
Amount written off during the year	63	67
Amount recovered during the year	0	0
(Increase) / decrease in receivables impaired	(874)	(1,835)
Bad debts recovered during year	0	0
Balance at 31 March	(9,082)	(7,012)
<p>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.</p>		
Receivables VAT		
Trade receivables	0	0
Other	1,921	1,494
Total	1,921	1,494

16. Other Financial Assets

	Current		Non-current	
	31 March	31 March	31 March	31 March
	2019	2018	2019	2018
	£000	£000	£000	£000
Financial assets				
Shares and equity type investments				
Held to maturity investments at amortised costs	0	0	0	0
At fair value through SoCNE	0	0	0	0
Available for sale at FV	0	0	0	0
Deposits	0	0	0	0
Loans	0	0	0	0
Derivatives	0	0	0	0
Other (Specify)				
Held to maturity investments at amortised costs	0	0	0	0
At fair value through SoCNE	0	0	0	0
Available for sale at FV	0	0	0	0
Total	0	0	0	0

17. Cash and cash equivalents

	2018-19	2017-18
	£000	£000
Balance at 1 April	1,856	881
Net change in cash and cash equivalent balances	(637)	975
Balance at 31 March	1,219	1,856
Made up of:		
Cash held at GBS	998	1,704
Commercial banks	0	20
Cash in hand	221	132
Current Investments	0	0
Cash and cash equivalents as in Statement of Financial Position	1,219	1,856
Bank overdraft - GBS	0	0
Bank overdraft - Commercial banks	0	0
Cash and cash equivalents as in Statement of Cash Flows	1,219	1,856

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

Lease Liabilities £297k
PFI liabilities £175k

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

18. Trade and other payables

Current	31 March 2019 £000	31 March 2018 £000
Welsh Government	64	36
Welsh Health Specialised Services Committee (WHSSC) / Emergency Ambulance Services Committee (EASC)	1,121	4,030
Welsh Health Boards	5,549	5,670
Welsh NHS Trusts	2,982	3,205
Health Education and Improvement Wales (HEIW)	0	0
Other NHS	15,508	14,013
Taxation and social security payable / refunds	5,663	5,448
Refunds of taxation by HMRC	0	0
VAT payable to HMRC	0	0
Other taxes payable to HMRC	0	0
NI contributions payable to HMRC	7,010	6,794
Non-NHS creditors	24,983	26,941
Local Authorities	20,936	13,944
Capital Creditors	11,744	17,095
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases, HP contracts	299	296
Imputed finance lease element of on SoFP PFI contracts	225	175
Pensions: staff	0	0
Accruals	57,394	57,084
Deferred Income:		
Deferred Income brought forward	1,059	1,011
Deferred Income Additions	829	291
Transfer to / from current/non current deferred income	0	0
Released to SoCNE	(224)	(243)
Other creditors	18,710	23,496
PFI assets –deferred credits	18	104
Payments on account	815	900
Total	174,685	180,290
Non-current		
Welsh Government	0	0
Welsh Health Specialised Services Committee (WHSSC) / Emergency Ambulance Services Committee (EASC)	0	0
Welsh Health Boards	0	0
Welsh NHS Trusts	0	0
Health Education and Improvement Wales (HEIW)	0	0
Other NHS	0	0
Taxation and social security payable / refunds	0	0
Refunds of taxation by HMRC	0	0
VAT payable to HMRC	0	0
Other taxes payable to HMRC	0	0
NI contributions payable to HMRC	0	0
Non-NHS creditors	0	0
Local Authorities	0	0
Capital Creditors	0	0
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases, HP contracts	301	601
Imputed finance lease element of on SoFP PFI contracts	8,708	8,933
Pensions: staff	0	0
Accruals	0	0
Deferred Income :		
Deferred Income brought forward	0	0
Deferred Income Additions	0	0
Transfer to / from current/non current deferred income	0	0
Released to SoCNE	0	0
Other creditors	0	0
PFI assets –deferred credits	86	101
Payments on account	0	0
Total	9,095	9,635
It is intended to pay all invoices within the 30 day period directed by the Welsh Government.		
Amounts falling due more than one year are expected to be settled as follows:	31-Mar-19	31-Mar-18
	£000	£000
Between one and two years	602	542
Between two and five years	1,344	1,413
In five years or more	7,149	7,680
Sub-total	9,095	9,635

CARDIFF & VALE UNIVERSITY HEALTH BOARD ANNUAL ACCOUNTS 2018-19							
19. Other financial liabilities				Current		Non-current	
Financial liabilities				31 March	31 March	31 March	31 March
				2019	2018	2019	2018
				£000	£000	£000	£000
Financial Guarantees:							
	At amortised cost			0	0	0	0
	At fair value through SoCNE			0	0	0	0
Derivatives at fair value through SoCNE				0	0	0	0
Other:							
	At amortised cost			0	0	0	0
	At fair value through SoCNE			0	0	0	0
Total				0	0	0	0

20. Provisions

	At 1 April 2018	Structured settlement cases transferred to Risk Pool	Transfer of provisions to creditors	Transfer between current and non-current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2019
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Current									
Clinical negligence	106,881	(27,171)	(2,110)	46,939	29,331	(19,457)	(19,319)	0	115,094
Personal injury	814	0	0	215	437	(758)	(169)	41	580
All other losses and special payments	0	0	0	0	440	(440)	0	0	0
Defence legal fees and other administration	2,383	0	0	544	912	(1,098)	(885)		1,856
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	189			71	115	(190)	0	1	186
Restructuring	0			0	0	0	0	0	0
Other	10,245		(444)	221	6,231	(2,840)	(2,042)		11,371
Total	120,512	(27,171)	(2,554)	47,990	37,466	(24,783)	(22,415)	42	129,087
Non Current									
Clinical negligence	53,717	0	0	(46,939)	12,410	(262)	(32)	0	18,894
Personal injury	3,884	0	0	(215)	8	0	0	0	3,677
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	764	0	0	(544)	347	(88)	(2)		477
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	1,172			(71)	0	0	0	0	1,101
Restructuring	0			0	0	0	0	0	0
Other	934		0	(221)	0	0	0		713
Total	60,471	0	0	(47,990)	12,765	(350)	(34)	0	24,862
TOTAL									
Clinical negligence	160,598	(27,171)	(2,110)	0	41,741	(19,719)	(19,351)	0	133,988
Personal injury	4,698	0	0	0	445	(758)	(169)	41	4,257
All other losses and special payments	0	0	0	0	440	(440)	0	0	0
Defence legal fees and other administration	3,147	0	0	0	1,259	(1,186)	(887)		2,333
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	1,361			0	115	(190)	0	1	1,287
Restructuring	0			0	0	0	0	0	0
Other	11,179		(444)	0	6,231	(2,840)	(2,042)		12,084
Total	180,983	(27,171)	(2,554)	0	50,231	(25,133)	(22,449)	42	153,949
Expected timing of cash flows:									
					In year	Between	Thereafter		Total
					to 31 March 2020	1 April 2020			
						31 March 2024			£000
Clinical negligence					115,094	18,894	0		133,988
Personal injury					580	891	2,786		4,257
All other losses and special payments					0	0	0		0
Defence legal fees and other administration					1,856	477	0		2,333
Pensions relating to former directors					0	0	0		0
Pensions relating to other staff					186	755	346		1,287
Restructuring					0	0	0		0
Other					11,371	250	463		12,084
Total					129,087	21,267	3,595		153,949

The Clinical Negligence provision includes £0.078m in respect of 13 potential claims under The Welsh Government "Putting Things Right" Redress Scheme. In addition 36 claims were settled during the year under this scheme to the value of £0.335m.

Note 20. 2018/2019 (continued)

The expected timing of cashflows in respect of provisions arising from clinical negligence or personal injury claims (together with the associated defence costs) are based on legal opinion obtained by the LHB. The nature of litigation however means that these could be subject to change.

Amounts due in respect of pensions are profiled based on the regime which the NHS Pensions agency currently uses to recover payments in respect of such amounts. This could be subject to change in the future.

The LHB is able to recover amounts paid out in respect of clinical negligence or personal injury claims (subject to an excess per case of £25k) from the Welsh Risk Pool. An amount of £153.103m has been shown within note 15 (Trade and Other receivables) in respect of such expected reimbursements.

Other Provisions include:

Continuing Healthcare IRP & Ombudsman claims £2.503m
 Potential Payments to staff in respect of time off in lieu £0.350m
 Employment Tribunal Litigation Cases £1.050m
 Carbon Reduction Commitments £0.190m
 Holiday Pay on Voluntary Overtime £0.910m
 Other provisions considered commercially sensitive £7.081m

Continuing Healthcare Cost uncertainties

Liabilities for continuing healthcare costs continue to be a significant financial issue for the LHB. Following various annual deadlines for the submission of new claims, effected since 31st July 2014, which increased the number of claims registered each financial year, a rolling deadline now applies which allows new claims to go back one year from date of application.

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

Note [20] sets out the £2.503m provision made for probable continuing care costs relating to 97 claims received;

Note [21.1] sets out the £7.869m contingent liability for possible continuing care costs relating to 97 claims received;

The UHB is providing £0.037m in respect of 2 Phase 2 claims received between 16th August 2010 and 30th April 2014.

The UHB is providing £1.500m in respect of 75 Phase 3 claims received between 1st May 2014 and 31st July 2014.

The UHB is providing £0.225m in respect of 6 Phase 5 claims received between 1st November 2015 and 31st October 2016.

The UHB is providing £0.741m in respect of 14 Phase 6 claims received between 1st November 2016 and 31st October 2017.

For Phase 7 (2018/19) claims received between 1st April 2018 and 31st March 2019, due to the low number of claims completed the LHB does not currently have sufficient information available regarding the likelihood of claim success to calculate a provision for this Phase.

20. Provisions (continued)

	At 1 April 2017	Structured settlement cases transferred to Risk Pool	Transfer of provisions to creditors	Transfer between current and non-current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2018
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Current									
Clinical negligence	95,442	(535)	(3,427)	12,105	52,198	(20,971)	(25,458)	(2,473)	106,881
Personal injury	1,054	0	(127)	(10)	3,484	(1,137)	(2,512)	62	814
All other losses and special payments	0	0	0	0	180	(180)	0	0	0
Defence legal fees and other administration	2,492	0	0	229	2,468	(1,014)	(1,792)		2,383
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	200			134	28	(194)	0	21	189
Restructuring	0			0	0	0	0	0	0
Other	3,089		(126)	(391)	9,408	(889)	(846)		10,245
Total	102,277	(535)	(3,680)	12,067	67,766	(24,385)	(30,608)	(2,390)	120,512
Non Current									
Clinical negligence	38,848	0	0	(12,105)	48,434	(370)	(20,368)	(722)	53,717
Personal injury	3,184	0	0	10	690	0	0	0	3,884
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	734	0	0	(229)	384	(73)	(52)		764
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	1,306			(134)	0	0	0	0	1,172
Restructuring	0			0	0	0	0	0	0
Other	543		0	391	0	0	0		934
Total	44,615	0	0	(12,067)	49,508	(443)	(20,420)	(722)	60,471
TOTAL									
Clinical negligence	134,290	(535)	(3,427)	0	100,632	(21,341)	(45,826)	(3,195)	160,598
Personal injury	4,238	0	(127)	0	4,174	(1,137)	(2,512)	62	4,698
All other losses and special payments	0	0	0	0	180	(180)	0	0	0
Defence legal fees and other administration	3,226	0	0	0	2,852	(1,087)	(1,844)		3,147
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	1,506			0	28	(194)	0	21	1,361
Restructuring	0			0	0	0	0	0	0
Other	3,632		(126)	0	9,408	(889)	(846)		11,179
Total	146,892	(535)	(3,680)	0	117,274	(24,828)	(51,028)	(3,112)	180,983

The Clinical Negligence provision includes £0.226m in respect of 26 potential claims under The Welsh Government "Putting Things Right" Redress Scheme. In addition 37 claims were settled during the year under this scheme to the value of £0.383m.

During the course of the 2018/19 audit, it was identified that the figures shown above for "arising during the year" and "reversed unused" are misstated by a compensatory amount of £42.3million. The misstatement mainly affects the "clinical negligence" provision. The affected figures have not been restated as they do not impact upon the financial performance of the Health Board either in 2017/18 or 2018/19.

Note 20. 2017/2018 (continued)

The expected timing of cashflows in respect of provisions arising from clinical negligence or personal injury claims (together with the associated defence costs) are based on legal opinion obtained by the LHB. The nature of litigation however means that these could be subject to change.

Amounts due in respect of pensions are profiled based on the regime which the NHS Pensions agency currently uses to recover payments in respect of such amounts. This could be subject to change in the future.

The LHB is able to recover amounts paid out in respect of clinical negligence or personal injury claims (subject to an excess per case of £25k) from the Welsh Risk Pool. An amount of £187.006m has been shown within note 15 (Trade and Other receivables) in respect of such expected reimbursements.

On Monday 27th February 2017 the Lord Chancellor announced a change in the Personal Injury discount rate from +2.5% to minus 0.75%. The new rate came into effect on 20th March 2017. The discount rate adjusts personal injury compensation payouts to take into account how much an individual can expect if they invest a lump sum over their lifetime. Given the proximity of this announcement to the end of the financial year 2016-17, it was not been possible for Legal & Risk Services to assess the effect of this change on a case by case basis. Instead they developed a model in conjunction with Welsh Government which was used to estimate the effect of the discount rate change for all NHS Wales bodies in the 2016-17 Annual Accounts.

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

Other Provisions include:

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

Continuing Healthcare Cost uncertainties

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

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

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

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

The UHB is providing £0.401m in respect of 20 Phase 2 claims received between 16th August 2010 and 30th April 2014.
 The UHB is providing £2.607m in respect of 159 Phase 3 claims received between 1st May 2014 and 31st July 2014.
 The UHB is providing £0.177m in respect of 6 Phase 4 claims received between 1st August 2014 and 31st October 2015.
 The UHB is providing £0.041m in respect of 19 Phase 5 claims received between 1st November 2015 and 31st October 2016.

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

21. Contingencies**21.1 Contingent liabilities**

	2018-19	2017-18
	£'000	£'000
Provisions have not been made in these accounts for the following amounts :		
Legal claims for alleged medical or employer negligence	152,590	71,533
Doubtful debts	0	0
Equal Pay costs	0	0
Defence costs	1,075	897
Continuing Health Care costs	7,869	14,189
Other	0	0
Total value of disputed claims	161,534	86,619
Amounts (recovered) in the event of claims being successful	(150,989)	(69,411)
Net contingent liability	10,545	17,208

Other litigation claims could arise in the future due to known incidents. The expenditure which may arise from such claims cannot be determined and no provision has been made for them. Liability for Permanent Injury Benefit under the NHS Injury Benefit Scheme lies with the employer. Individual claims to the NHS Pensions Agency could arise due to known incidents. The amounts disclosed as contingent liabilities in relation to potential clinical negligence or personal injury claims against the LHB arise where legal opinion as to the possibility of the claims success has deemed this to be possible, rather than remote, and no provision has already been made for such items within note 20. The LHB is assuming that all such costs would be reimbursed by the Welsh Risk Pool (subject to a £25k excess per claim). The net contingent liability contains £1.759m re clinical negligence and £0.917m re personal injury.

Continuing Healthcare Cost uncertainties

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

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

Note [20] sets out the £2.503m provision made for probable continuing care costs relating to 97 claims received;

Note [21.1] sets out the £7.869m contingent liability for possible continuing care costs relating to 97 claims received;

The UHB is providing £0.037m in respect of 2 Phase 2 claims received between 16th August 2010 and 30th April 2014.

The UHB is providing £1.500m in respect of 75 Phase 3 claims received between 1st May 2014 and 31st July 2014.

The UHB is providing £0.225m in respect of 6 Phase 5 claims received between 1st November 2015 and 31st October 2016.

The UHB is providing £0.741m in respect of 14 Phase 6 claims received between 1st November 2016 and 31st October 2017.

For Phase 7 (2018/19) claims received between 1st April 2018 and 31st March 2019, due to the low number of claims completed the LHB does not currently have sufficient information available regarding the likelihood of claim success to calculate a provision for this Phase.

21.2 Remote Contingent liabilities**2018-19**

2017-18

£'000**£'000**

Please disclose the values of the following categories of remote contingent liabilities :

Guarantees	0	0
Indemnities	0	50
Letters of Comfort	0	0
Total	0	50

The figure shown above under Indemnities for 2017-18 relates to Clinical Negligence claims against the LHB, where our legal advisors informed us that the claimants chance of success is remote. There were no such cases in 2018-19.

21.3 Contingent assets**2018-19**

2017-18

£'000**£'000**

	0	0
	0	0
	0	0
Total	0	0

22. Capital commitments**Contracted capital commitments at 31 March****2018-19**

2017-18

£'000**£'000**

Property, plant and equipment	30,479	7,591
Intangible assets	0	158
Total	30,479	7,749

The in year increase in commitments disclosed is largely due to the contract for the replacement of Rookwood Hospital which gained Welsh Government approval to proceed in 2018/19.

23. Losses and special payments

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

Gross loss to the Exchequer

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

	Amounts paid out during period to 31 March 2019		Approved to write-off to 31 March 2019	
	Number	£	Number	£
Clinical negligence	169	24,382,400	122	31,627,997
Personal injury	72	757,663	43	613,124
All other losses and special payments	767	1,023,662	767	1,023,662
Total	1,008	26,163,725	932	33,264,783

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

Cases exceeding £300,000	Case type	Amounts	Cumulative	Approved to
		paid out in year £	amount £	write-off in year £
00RWMMN0008	Clinical Negligence	190,000	325,000	
09RWMMN0026	Clinical Negligence	100,000	1,370,000	
10RWMMN0013	Clinical Negligence	2,550,000	4,466,250	
12RWMMN0025	Clinical Negligence	1,473,000	2,485,000	2,485,000
13RWMMN0023	Clinical Negligence	229,434	1,919,434	1,919,434
13RWMMN0046	Clinical Negligence	(75,000)	1,705,787	1,705,787
13RWMMN0047	Clinical Negligence	0	488,971	
14RWMMN0001	Clinical Negligence	1,080,000	1,130,000	
14RWMMN0009	Clinical Negligence	93,010	6,378,010	6,378,010
14RWMMN0016	Clinical Negligence	1,480,000	1,550,000	
14RWMMN0019	Clinical Negligence	3,990,987	4,540,987	
14RWMMN0021	Clinical Negligence	3,645,000	3,890,000	3,890,000
14RWMMN0072	Clinical Negligence	225,000	1,140,000	1,140,000
14RWMMN0141	Clinical Negligence	165,000	1,490,000	1,490,000
15RWMMN0118	Clinical Negligence	23,750	630,902	630,902
15RWMMN0119	Clinical Negligence	0	1,176,994	1,176,994
16RWMMN0014	Clinical Negligence	68,000	353,000	353,000
16RWMMN0037	Clinical Negligence	298,861	358,861	358,861
16RWMMN0050	Clinical Negligence	464,654	464,654	
16RWMMN0062	Clinical Negligence	45,000	375,000	375,000
16RWMMN0072	Clinical Negligence	68,800	1,338,800	1,338,800
16RWMMN0074	Clinical Negligence	120,000	545,000	545,000
16RWMMN0084	Clinical Negligence	0	1,400,000	
16RWMMN0136	Clinical Negligence	120,000	810,000	810,000
17RWMMN0019	Clinical Negligence	86,250	760,731	760,731
17RWMMN0030	Clinical Negligence	612,500	612,500	
17RWMMN0060	Clinical Negligence	725,160	725,160	725,160
17RWMMN0118	Clinical Negligence	270,000	540,000	
17RWMMN0183	Clinical Negligence	941,814	941,814	941,814
Sub-total		18,991,220	43,912,855	27,024,493
All other cases		7,172,505	14,793,284	6,240,290
Total cases		26,163,725	58,706,139	33,264,783

24. Finance leases**24.1 Finance leases obligations (as lessee)**

As at 31st March 2019 the LHB currently has one finance lease agreement in place for the lease of a building. This lease agreement is due to expire in 2020/21. The LHB also had one finance lease agreement in place for the lease of equipment which is due to expire in 2020/21. The present value of the minimum lease payments have been arrived at by applying the treasury discount rate (3.5%) as it has not been possible to determine the discount rate implicit in the lease agreement.

Amounts payable under finance leases:

Land	31 March 2019 £000	31 March 2018 £000
Minimum lease payments		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Less finance charges allocated to future periods	0	0
Minimum lease payments	0	0
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	0	0
Present value of minimum lease payments		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Present value of minimum lease payments	0	0
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	0	0

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

	31 March	31 March
Buildings	2019	2018
Minimum lease payments	£000	£000
Within one year	210	210
Between one and five years	210	420
After five years	0	0
Less finance charges allocated to future periods	(5)	(11)
Minimum lease payments	415	619
Included in:		
Current borrowings	207	205
Non-current borrowings	208	414
	415	619
Present value of minimum lease payments		
Within one year	200	198
Between one and five years	194	381
After five years	0	0
Present value of minimum lease payments	394	579
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	0	0
Other	31 March	31 March
	2019	2018
Minimum lease payments	£000	£000
Within one year	94	94
Between one and five years	94	188
After five years	0	0
Less finance charges allocated to future periods	(2)	(5)
Minimum lease payments	186	277
Included in:		
Current borrowings	93	91
Non-current borrowings	93	186
	186	277
Present value of minimum lease payments		
Within one year	89	89
Between one and five years	87	171
After five years	0	0
Present value of minimum lease payments	176	260
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	0	0

24.2 Finance leases obligations (as lessor) continued

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

Amounts receivable under finance leases:

	31 March	31 March
	2019	2018
	£000	£000
Gross Investment in leases		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Less finance charges allocated to future periods	0	0
Minimum lease payments	0	0
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	0	0
Present value of minimum lease payments		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Present value of minimum lease payments	0	0
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	0	0

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

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

Commitments under off-SoFP PFI contracts	Off-SoFP PFI contracts	Off-SoFP PFI contracts
	31 March 2019 £000	31 March 2018 £000
Total payments due within one year	0	0
Total payments due between 1 and 5 years	0	0
Total payments due thereafter	0	0
Total future payments in relation to PFI contracts	0	0
Total estimated capital value of off-SoFP PFI contracts	0	0

25.2 PFI schemes on-Statement of Financial Position

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

The estimated capital value of the scheme at the time of construction was £13.847m and the annual payments to be made for the provision of the site and for a range of facilities management services is £3.658m.

Total obligations for on-Statement of Financial Position PFI contracts due:

	On SoFP PFI	On SoFP PFI	On SoFP PFI
	Capital element	Imputed interest	Service charges
	31 March 2019	31 March 2019	31 March 2019
	£000	£000	£000
Total payments due within one year	225	1,256	2,207
Total payments due between 1 and 5 years	1,570	4,594	8,588
Total payments due thereafter	7,138	4,307	14,805
Total future payments in relation to PFI contracts	8,933	10,157	25,600
	On SoFP PFI	On SoFP PFI	On SoFP PFI
	Capital element	Imputed interest	Service charges
	31 March 2018	31 March 2018	31 March 2018
	£000	£000	£000
Total payments due within one year	175	1,282	2,293
Total payments due between 1 and 5 years	1,282	4,786	8,932
Total payments due thereafter	7,651	5,371	16,978
Total future payments in relation to PFI contracts	9,108	11,439	28,203
Total present value of obligations for on-SoFP PFI contracts	£20.730m		

The capital value of the scheme included in property, plant and equipment (note 11) is £17.814m.

CARDIFF & VALE UNIVERSITY HEALTH BOARD ANNUAL ACCOUNTS 2018-19					
25.3 Charges to expenditure					
				2018-19	2017-18
				£000	£000
Service charges for On Statement of Financial Position PFI contracts (excl interest costs)				2,201	2,195
Total expense for Off Statement of Financial Position PFI contracts				0	0
The total charged in the year to expenditure in respect of PFI contracts				2,201	2,195
The LHB is committed to the following annual charges					
				31 March 2019	31 March 2018
				£000	£000
PFI scheme expiry date:					
Not later than one year				2,207	2,293
Later than one year, not later than five years				8,588	8,932
Later than five years				14,805	16,978
Total				25,600	28,203
The estimated annual payments in future years will vary from those which the LHB is committed to make during the next year by the impact of movement in the Retail Prices Index.					
25.4 Number of PFI contracts					
				Number of on SoFP PFI contracts	Number of off SoFP PFI contracts
Number of PFI contracts				1	0
Number of PFI contracts which individually have a total commitment > £500m				0	0
				On / Off-statement of financial position	
PFI Contract					
Number of PFI contracts which individually have a total commitment > £500m				0	
PFI Contract					
St. David's Hospital				On	
25.5 The LHB had 3 Public Private Partnerships during the year					
In addition to the St. David's PFI Scheme set out previously in Note 27.2, the LHB had three other Public Private Partnerships (PPP) Schemes during 2018/19 as set out below:					
UHW Car Park					
In 1996/7 the former UHW Trust granted a 20 year leasehold interest in land owned by the Trust with the exclusive rights for the Private Partner (Impregilo UK Ltd) to collect all car park income, (at rates set out in the contract), in exchange for the building of a multi storey car park and infrastructure works with a capital cost of £6.7m. Impregilo UK Ltd later sold their interests to Vinci Park Ltd (now trading as Indigo) in 2001.					
This contract ended on June 4th and the LHB received the residual interest in the multi storey car parks and the reversionary interest in the land for nil consideration. As the scheme has been assessed as being "on-statement of financial position" under IFRIC 12, these assets were already included in the LHB's statement of financial position (note 11). At the date the contract ended their carrying values were £14.348m for the buildings and £6.273m for the land.					

25.5 The LHB had 3 Public Private Partnerships during the year (Continued)**Concourse**

In 1998/99 the former UHW Trust granted a 20 year leasehold interest in land owned by the Trust, together with the rights for a Private Partner (Gentian Ltd) to collect rent from shop outlets, in exchange for the building of a Concourse entrance to the hospital, with a capital cost of £1.982m.

This contract ended on June 4th and the LHB received the residual interest in the concourse and the reversionary interest in the land for nil consideration. As the scheme has been assessed as being "on-statement of financial position" under IFRIC 12, these assets were already included in the LHB's statement of financial position (note 11). At the date the contract ended their carrying values were £4.110m for the buildings and £0.816m for the land.

On initial recognition of the asset a deferred income creditor balance was recognised in the LHB's accounts at a value of £1.730m. In line with Department of Health Guidance this creditor is being released to the SoCNE annually over the 20 year life of the contract. The amount that has been credited to operating expenses in 2018/19 was £0.083m.

Llandough Hospital Staff Accommodation

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

In return for the provision of the new serviced accommodation, the Trust transferred a parcel of surplus land to Charter on which seven of its existing properties resided. These properties were subsequently demolished and the land sold off by Charter. The accommodation is located on the remaining land, which had previously housed three additional properties. This is granted to Charter under a 99 year head lease for a peppercorn rent. Charter then leases the properties back to the LHB in return for an annual unitary payment of £0.047m. The LHB then leases the property back to Charter under a 27 year sub-underlease. The value of the property transferred to Charter in 1999/2000 was £0.763m.

The scheme has been assessed as being "on-statement of financial position" under IFRIC 12 and therefore the building is currently valued at £1.038m and the land at £0.592m on the LHB's statement of financial position (note 11).

On initial recognition of the asset a deferred income creditor balance was recognised in the LHB's accounts at a value of £0.454m. In line with Department of Health Guidance this creditor is being released to the SoCNE annually over the 25 year life of the contract. The amount that has been credited to operating expenses in 2018/19 was £0.018m.

26. Financial risk management

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. The LHB is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which these standards mainly apply. The LHB has limited powers to invest and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the LHB in undertaking its activities.

Currency risk

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

Interest rate risk

LHBs are not permitted to borrow. The LHB therefore has low exposure to interest rate fluctuations

Credit risk

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

Liquidity risk

The LHB is required to operate within cash limits set by the Welsh Government for the financial year and draws down funds from the Welsh Government as the requirement arises. The LHB is not, therefore, exposed to significant liquidity risks.

CARDIFF & VALE UNIVERSITY HEALTH BOARD ANNUAL ACCOUNTS 2018-19		
27. Movements in working capital		
	2018-19	2017-18
	£000	£000
(Increase)/decrease in inventories	(1,229)	(568)
(Increase)/decrease in trade and other receivables - non-current	36,037	(15,032)
(Increase)/decrease in trade and other receivables - current	(10,798)	(28,696)
Increase/(decrease) in trade and other payables - non-current	(540)	(572)
Increase/(decrease) in trade and other payables - current	(5,504)	22,879
Total	17,966	(21,989)
Adjustment for accrual movements in fixed assets - creditors	5,351	(1,925)
Adjustment for accrual movements in fixed assets - debtors	0	0
Other adjustments	(780)	419
	22,537	(23,495)
28. Other cash flow adjustments		
	2018-19	2017-18
	£000	£000
Depreciation	31,574	25,686
Amortisation	717	658
(Gains)/Loss on Disposal	9	(7,840)
Impairments and reversals	(123)	(7,089)
Release of PFI deferred credits	(101)	(105)
Donated assets received credited to revenue but non-cash	(631)	(6,606)
Government Grant assets received credited to revenue but non-cash	0	0
Non-cash movements in provisions	(1,901)	58,919
Total	29,544	63,623

CARDIFF & VALE UNIVERSITY HEALTH BOARD ANNUAL ACCOUNTS 2018-19									
29. Third Party assets									
<p>The LHB held £202,070 cash at bank and in hand at 31 March 2019 (31 March 2018, £209,568) which relates to monies held by the LHB on behalf of patients. This has been excluded from the cash and cash equivalents figure reported in the Accounts. None of this cash was held in Patients' Investment Accounts in either 2018-19 or 2017-18. In addition the LHB had located on its premises a significant quantity of consignment stock. This stock remains the property of the supplier until it is used. The value of consignment stock at 31st March 2019 was £11,779,421 (£11,847,383 31st March 2018).</p>									

CARDIFF & VALE UNIVERSITY HEALTH BOARD ANNUAL ACCOUNTS 2018-19									
30. Events after the Reporting Period									
<p>The LHB <u>has not</u> 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.</p>									

31. Related Party Transactions

The Welsh Government is regarded as a related party. During the accounting period the Cardiff and Vale University Health Board has had a significant number of material transactions with the Welsh Government and with other entities for which the Welsh Government is regarded as the parent body:

	Debtor @ 31-Mar-19	Creditor @ 31-Mar-19	Income @ 31-Mar-19	Expenditure @ 31-Mar-19
	£'000s	£'000s	£'000s	£'000s
Welsh Government	3,390	64	1,024,801	179
Abertawe Bro Morgannwg University Health Board	1,469	2,034	11,292	16,821
Aneurin Bevan Health Board	592	1,646	31,830	3,524
Betsi Cadwaladr Health Board	46	241	605	689
Cwm Taf University Health Board	752	1,145	23,914	8,771
Hywel Dda Local Health Board	165	187	6,359	553
Powys Local Health Board	440	296	2,032	373
Public Health Wales NHS Trust	546	798	4,515	6,591
Velindre NHS Trust	1,248	1,970	6,392	32,602
Welsh Ambulance Services Trust	3	215	38	4,231
Welsh Health Specialised Services Committee	5,964	1,121	221,723	121,693
Health Education and Improvement Wales (HEIW)	653		9,978	3
Total £'000s	15,268	9,717	1,343,479	196,030

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

Mrs Maria Battle is Chair of the Cardiff and Vale University Health Board.

Mrs Eileen Brandeth is an independent member of Cardiff and Vale University Health Board. She is also Director of Information and Technology at **Cardiff University**.

Ms Ruth Walker is Executive Nurse Director. She is also a member of **Cardiff and Vale Health Charity**.

Dr Sharon Hopkins was Deputy Chief Executive Officer for 2018/19. She was Executive Director of Public Health until 30th September 2018. She was Director of Transformation and Informatics from 1st October 2018. In 2015 she was appointed Chair of the Public Health Advisory Committee **NICE**.

Peter Welsh Director of Corporate Governance until 30/09/18. His wife is an optician at **RN Roberts and GL Rees Opticians**.

Charles Janczewski is Vice Chair of Cardiff and Vale University Health Board and is also Chair of **WHSCC** subcommittee. He is also Chair of Governance Board for Health & Wellbeing Academy at **Swansea University**.

Sara Moseley is Director of **Mind Cymru** and an Executive Director of **Mind**.

Len Richards is Chief Executive of the Cardiff and Vale University Health Board. He is advisor to the Life Sciences Hub Wales Board (**Welsh Government**). He is also an Independent Member of **Cardiff University**.

Prof Gary Baxter is an independent member of Cardiff and Vale University Health Board. He is also Pro Vice-Chancellor, College of Biomedical Life Sciences, **Cardiff University**.

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

Fiona Kinghorn Interim Director of Public Health from 1st October 2018 - 31st March 2019. Her Husband is a Director of Public Protection in **Rhondda Cynon Taf County Borough Council**.

John Union is an Independent Member of Cardiff and Vale University Health Board and an ambassador for **Blake Morgan Solicitors**.

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

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

Hanuk Akmal is an Independent Member and a member of **Glas Cymru Holdings (Welsh Water)**.

31. Related Party Transactions (Continued)

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

	Payments to related party £'000	Receipts from related party £'000	Amounts owed to related party £'000	Amounts due from related party £'000
Cardiff & Vale Health Charity	368			
Cardiff University	8,089	7,559	2,049	1,843
City of Cardiff Council	40,390	24,741	16,310	9,434
Vale of Glamorgan Council	7,591	1,175	4,624	130
National Institute for Health and Care Excellence (NICE)		529		5
RN Roberts and GL Rees Opticians	413			
MIND (Mental Health Charity)	304		-22	
Cardiff Mind	587			
Teenage Cancer Trust		88		16
Swansea University	177	100	129	-58
RCT Borough Council	116	1		
Blake Morgan Solicitors	397	1	-7	1
Social Care Wales		7		
Welsh Water	1,767		163	
Total £'000s	60,199	34,201	23,246	11,371

The LHB has close links with Cardiff University which includes the sharing of staff as well as sharing accommodation of the University Hospital of Wales Site.

The LHB is a member of the Welsh Risk Pool for Clinical Negligence and Personal Injury Claims. The LHB has received settlements of £28.188m in respect of claims made. In addition as at March 31st the LHB had a debtor balance of £153.103m in respect of amounts due from the Welsh Risk Pool.

The corporate body is a registered charity and as a Corporate Trustee, the LHB Board were responsible for the management of charitable fund expenditure in the period connected with Cardiff and Vale University Health Board.

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

32. Pooled budgets

The Health Board has entered into a pooled budget arrangement with Cardiff and Vale of Glamorgan Local Authorities, as permissible under section 33 of the NHS (Wales) Act 2006 for the operation of a Joint Equipment Store (JES). The purpose of the JES is the provision and delivery of common equipment and consumables to patients who are resident in the localities of the partners to the pooled budget. The pooled budget arrangement became operational from 1st January 2012. The pool is hosted by Cardiff Council, who are the lead body and act as principal for this scheme. The financial operation of the pool is governed by a pooled budget agreement between Cardiff Council, Vale of Glamorgan Council and the Health Board. Currently the Health Board will make payments to Cardiff Council on receipt of an invoice in line with the agreed contributions to the pooled budget as set out in the agreement. Expenditure incurred will be subject to regular review by the partners to the agreement. Any expenditure incurred by Cardiff Council above the agreed contributions in respect of NHS equipment and consumables will be invoiced separately. As the funding for the UHB's contribution to the pooled budget has not yet been top-sliced and is being provided via invoicing, then no adjustment in respect of the income and expenditure arising from the activities of the pooled budget is required in these accounts. In addition as the UHB's proportion of the assets and liabilities held by the pool are not material in relation to the UHB, they have therefore not been consolidated within these financial statements. The JES service had an agreed budget for the 2018-19 of £1.715m of which Cardiff & Vale UHB's contribution was £1.196m. In addition Cardiff and Vale made an agreed contribution of £0.041m towards the cost of two drivers/installers. Overall the Pooled Budget was overspent by £0.125m in the year. The Health element of the overspend was £0.012m and Cardiff & Vale has accounted for this in its annual accounts for the year ended 31/3/19.

During the year the UHB received £10.089m of revenue income and a capital allocation of £0.472m from the Welsh Government integrated care fund. The Regional Partnership Board (RPB) leads on the planning and use of the funding to ensure delivery and to maximise outcomes for the use of this resource. The delivery mechanism provides assurance that the objectives for the use of this fund are met as outlined in the Welsh Government guidance. The planning and delivery of the programmes has the involvement of the social services, housing and third independent sector. The RPB has established a programme Board to monitor measurable performance outcomes and financial returns. A results based accountability (outcome) methodology is used for this purpose. The expenditure for the year was £10.089m and the capital expenditure was £0.472m, which is in line with funding allocated.

In addition, the UHB received £0.366m of revenue income from the Welsh Government's Transformation fund during 2018-19. The planning and delivery of the programme is led by the Regional Partnership Board and has the involvement of local authorities and third sector as set out in the submission to Welsh Government. The expenditure for the year was in line with the funding allocated.

Also during 2018-19 Welsh Government passed funding for Integrated Families First Services directly to Cardiff Council. From this allocation, £39,148 was passed to Cardiff & Vale UHB. This allocation has funded 1 Band 7 integrated Support worker with a Nursing background for the period April to September as part of the local delivery mechanism to support families. The team is operationally managed by the Local Authority with the UHB providing professional supervision.

Part 9 of the Social Services and Well-being (SSWWA) (Wales) Act 2014 requires Local Authorities and the Health Board for each region to establish and maintain pooled funds in relation to the exercise of care home accommodation functions. A pooled budget arrangement has been agreed between Cardiff and Vale Local Authorities and Cardiff and Vale University Health Board in relation to the provision of care home accommodation for older people. The arrangement came into effect on 1st April 2018 for a period of 12 months renewable on an ongoing basis. Cardiff Council is acting as host authority during this period. Whilst there is one pooled budget in place, the processes for commissioning and payment for services has remained with the three organisations, with each partner continuing to be responsible for their own budget and expenditure. The accountability for the functions of the statutory bodies remains with each individual organisation, in accordance with the Part 9 Guidance under SSWWA 2014. The transactions into the pool for 2018/19 were £27,408,331

33. Operating segments

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

The LHB has formed the view that the activities of its divisions are sufficiently similar for the results of their operations not to have to be disclosed separately. In reaching this decision we are satisfied that the following criteria are met:

- (1) Aggregation still allows users to evaluate the business and its operating environment.
- (2) Divisions have similar economic characteristics.
- (3) The Divisions are similar re all of the following:
 - (1) The nature of the services provided.
 - (2) The Divisions operate fundamentally similar processes.
 - (3) The end customers to the processes (the patients) fall into broadly similar categories.
 - (4) They share a common regulatory environment.

The LHB did operate as a home to one hosted body during the period, The Wales External Quality Assessment Service (WEQAS). During 2018/19 these accounts contain income of £3.966m and expenditure of £2.555m in respect of WEQAS. The UHB does not consider the amounts involved to be sufficiently material to be reported as a separate segment.

34. Other Information**1) IFRS 15**

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

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

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

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

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

When calculating the income generated from these episodes, it was determined that it was appropriate to use length of stay as the best proxy for the attributable Work In Progress (WIP) value. In theory, as soon as an episode is opened, income is due. Under the terms and conditions of the contract this will only ever be realised on episode closure so the average length of stay would be the accepted normal proxy for the work in progress value.

For Cardiff & Vale University Health Board, the following methodology was applied to assess the value of the unaccounted WIP re Welsh In-patients:

1. For 2016/17 , income for inpatient activity recorded on an FCE basis was £83m (total income from LTAs, including WHSSC and Welsh Health Boards, was £246m).

34. Other Information (continued)

2. This related to circa 19,000 FCEs, with an estimated average unit cost of £4,400.
3. Most contracts still work on 25% marginal rates, however there are some cost per case contract (e.g. Orthopaedics or Thoracic Surgery). Therefore to ensure a prudent assessment of exposure, a 35% marginal rate has been determined for this calculation.
4. As such, £1,500 per FCE is the derived estimate for a WIP calculation.
5. Using available Business Intelligence/ Costing Information, the total open episodes at year-end and the average length of stay (ALoS) were identified.
6. This provided assumptions of a 6 day ALoS (with 50% completed) and circa 300 FCEs attributable to contracts at year-end, which lead to an adjustment calculation to align revenue recognised to the requirements of the standard :

$$£1,500 / 6 \text{ days} \times 3 \text{ days} \times 300 \text{ FCEs} = 225\text{K}$$
7. Because the number of non welsh inpatients which were undischarged at 31/3/17 was much smaller this was looked at on a case by case basis and in doing so it was established that the WIP in relation to these patients equated to 23 patient days and a cost of £20k.

A summary of the Impact Assessment carried out by Cardiff & Vale University Health Board is shown below:

Total Income Recorded in 2016/17 Annual Accounts	£366.303m
Total Income looked at during the IFRS 15 Impact Assessment	£303.229m
Total Income Looked at Considered to be outside the Scope of IFRS 15	£42.794m
Total Income Looked at Considered to be inside the Scope of IFRS 15	£260.435m
Total Income Looked at Considered to be inside the Scope of IFRS 15 and potentially requiring adjustment for incomplete service provision episodes	£252.186m
Total Estimated Adjustment Required Under IFRS 15	£0.245m

2) IFRS 9

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

- Receivables were segregated into appropriate groups
- Each group, was analysed:
 - a) age-bands
 - 1-30 days (including current)
 - 31-60 days
 - 61-90 days
 - 91-180 days
 - 181- 365 days
 - > 1 year
 - b) at historical back-testing dates (data points)
- For each age-band, at each back-testing date the following were determined:
 - a) the gross receivables
 - b) the amounts ultimately collected/written-off. If material, adjustments should be made to exclude the effect of non-collections for reasons other than credit loss (e.g. credit notes issued for returns, short-deliveries or as a commercial price concession).

34. Other Information (continued)

- The average historical loss rate by age-band was calculated, and adjusted where necessary e.g. to take account of changes in:
 - a) economic conditions
 - b) types of customer
 - c) credit management practices
- Consideration was given as to whether ECLs should be estimated individually for any period-end receivables, e.g. because information was available specific debtors.
- Loss rate estimates were applied to each age-band for the other receivables.
- The percentages calculated have been applied to those invoices outstanding as at 31st March 2018 (which don't already have a specific provision against them) to recalculate the value of the HB/Trust non-specific provision under IFRS 9.

A summary of the Impact of restating its opening balances after adopting IFRS 9 for Cardiff & Vale University Health Board is shown below:

Bad Debt Provision per 2017/18 Accounts	£0.580m
NHS Credit Note Provision per 2017/18 Accounts	£0.088m
Bad Debt Provision restated under IFRS 9	£1.608m
NHS Credit Note restated under IFRS 9	£0.319m
Overall Increase in Provisions held under IFRS 9	£1.259m

3) Cardiff Medicentre

On its formation on 1st October 2009 the UHB inherited an interest in a joint venture which had been entered into by one of its predecessor organisations (South Glamorgan Health Authority) in 1992.

Our original partners in this venture are Cardiff Council, Cardiff University and the Welsh Government. The purpose of the venture was to provide dedicated business incubation facilities for start-up and spin-out companies operating in the medical healthcare and life sciences. On 1st April 2016 Welsh Government and Cardiff Council withdrew from the joint venture and sold their shares in it to Cardiff University.

The UHB does not make any direct financial contribution into the venture and ordinarily does not ordinarily directly benefit financially from its operations. Given the immaterial amount involved, no adjustment has been made to these accounts to reflect the UHB's share of the joint venture. For illustrative purposes, had the UHB fully applied IFRS 11 "Joint Arrangements", then based on the last available published accounts of the Medicentre and applying the UHB's 11% share would mean that the UHB would show an investment in a joint venture (as defined by IAS 28 Investments in Associates and Joint Ventures) of £0.392m.

34. Other Information (continued)

4) 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.

In 2018-19 the NHS Estate has been valued using indices provided by the District Valuer and disclosed in the Manual For Accounts.”

THE NATIONAL HEALTH SERVICE IN WALES ACCOUNTS DIRECTION GIVEN BY WELSH MINISTERS IN ACCORDANCE WITH SCHEDULE 9 SECTION 178 PARA 3(1) OF THE NATIONAL HEALTH SERVICE (WALES) ACT 2006 (C.42) AND WITH THE APPROVAL OF TREASURY

LOCAL HEALTH BOARDS

1. Welsh Ministers direct that an account shall be prepared for the financial year ended 31 March 2011 and subsequent financial years in respect of the Local Health Boards (LHB)¹, in the form specified in paragraphs [2] to [7] below.

BASIS OF PREPARATION

2. The account of the LHB shall comply with:

(a) the accounting guidance of the Government Financial Reporting Manual (FRoM), which is in force for the financial year in which the accounts are being prepared, and has been applied by the Welsh Government and detailed in the NHS Wales LHB Manual for Accounts;

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

FORM AND CONTENT

3. The account of the LHB for the year ended 31 March 2011 and subsequent years shall comprise a statement of comprehensive net expenditure, a statement of financial position, a statement of cash flows and a statement of changes in taxpayers' equity as long as these statements are required by the FRoM and applied by the Welsh Assembly Government, including such notes as are necessary to ensure a proper understanding of the accounts.

4. For the financial year ended 31 March 2011 and subsequent years, the account of the LHB shall give a true and fair view of the state of affairs as at the end of the financial year and the operating costs, changes in taxpayers' equity and cash flows during the year.

5. The account shall be signed and dated by the Chief Executive of the LHB.

MISCELLANEOUS

6. The direction shall be reproduced as an appendix to the published accounts.

7. The notes to the accounts shall, inter alia, include details of the accounting policies adopted.

Signed by the authority of Welsh Ministers

Signed : Chris Hurst

Dated :

1. Please see regulation 3 of the 2009 No.1559 (W.154); NATIONAL HEALTH SERVICE, WALES; The Local Health Boards (Transfer of Staff, Property, Rights and Liabilities) (Wales) Order 2009.