

## Audit of Accounts Report – Public Health Wales NHS Trust

Audit year: 2019-20

Date issued: June 2020

Document reference: 1916A2020-21

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

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We intend to issue an unqualified audit report on your Accounts. There are some issues to report to you prior to their approval.

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# Audit of Accounts Report

## Introduction

- 1 We summarise the main findings from our audit of your 2019-20 financial statements in this report.
- 2 We have already discussed these issues with the Deputy Chief Executive and his team.
- 3 Auditors can never give complete assurance that accounts are correctly stated. Instead, we work to a level of 'materiality'. This level of materiality is set to try to identify and correct misstatements that might otherwise cause a user of the accounts into being misled.
- 4 We set this level at £1.53 million for this year's audit.
- 5 There are some areas of the accounts that may be of more importance to the reader and we have set a lower materiality level for these, as follows:
  - Remuneration report / senior pay disclosure - £5,000
  - Related parties - £10,000
- 6 We have now substantially completed this year's audit but at the time of drafting this report, the following areas of work remain outstanding:
  - final stage review;
  - review of the revised financial statements;
  - review of events after the balance sheet date.
- 7 We will update the Audit and Corporate Governance Committee on the above at its meeting scheduled for 23 June 2020.
- 8 In our professional view, we have complied with the ethical standards that apply to our work; remain independent of yourselves; and, our objectivity has not been compromised in any way. There are no relationships between ourselves and yourselves that we believe could undermine our objectivity and independence. We have previously notified you of a potential threat to auditor independence and objectivity arising from a trainee secondment and confirm that the planned safeguards set out in our Audit Plan have operated as intended.

## Impact of Covid-19 on this Year's Audit

- 9 The Covid-19 pandemic has had a significant impact on all aspects of our society and continues to do so. You are required by law to prepare accounts and it is of considerable testament to the commitment of your accounts team that you have succeeded in doing so this year in the face of the challenges posed by this pandemic. We are extremely grateful to the professionalism of the team in supporting us to complete our audit in such difficult circumstances.
- 10 The pandemic has unsurprisingly affected our audit and we summarise in **Exhibit 1** the main impacts. Other than where we specifically make recommendations, the

detail in **Exhibit 1** is provided for information purposes only to help you understand the impact of the Covid-19 pandemic on this year’s audit process.

**Exhibit 1 – impact of Covid-19 on this year’s audit**

|                                     |  |
|-------------------------------------|--|
| <p><b>Timetable</b></p>             | <ul style="list-style-type: none"> <li>• The deadline for completing your accounts was changed by Welsh Government from 28 April 2020 to 22 May 2020.</li> <li>• We received the draft accounts on 15 May 2020.</li> <li>• Our deadline for completing our audit was changed from 29 May 2020 to 30 June 2020.</li> <li>• We expect your audit report to be signed on 2 July 2020.</li> </ul>  |
| <p><b>Electronic signatures</b></p> | <p>If still necessary at the time of approval and signing, we will accept electronic signatures and electronic transfer of files. We anticipate that your audit report will be signed electronically.</p>  |
| <p><b>Audit evidence</b></p>        | <p>As in previous years, we received the majority of audit evidence in electronic format. We have used various techniques to ensure its validity. Where we have been unable to obtain access to paper documents because of Covid-19 restrictions, we have devised alternative audit methodologies to obtain sufficient audit evidence. Specifically:</p> <ul style="list-style-type: none"> <li>• PHW officers provided electronic working papers in accordance with our agreed Audit Deliverables Report;</li> <li>• PHW officers provided audit evidence to the audit team through file sharing via Microsoft Teams; and</li> <li>• Audit Wales also secured remote read only access to the PHW Oracle ledger which enabled the audit team to query the ledger and hence reduce the burden on PHW officers to provide this information.</li> </ul> |
| <p><b>Other</b></p>                 | <ul style="list-style-type: none"> <li>• PHW officers were available by video conferencing for discussions which enabled the audit team to correspond effectively with PHW officers throughout the audit; and</li> <li>• Video conference based PHW Audit and Corporate Governance Committee meetings have enabled us to proficiently discharge our responsibility for reporting to those charged with governance.</li> </ul>  |

11 We will be reviewing what we have learned for our audit process from the Covid-19 pandemic and whether there are innovative practices that we might adopt in the future to enhance that process.

## Proposed audit opinion

- 12 We intend to issue an unqualified audit opinion on this year's accounts once you have provided us with a Letter of Representation based on that set out in **Appendix 1**.
- 13 We issue a 'qualified' audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.
- 14 Our proposed audit report is set out in **Appendix 2**. This includes an emphasis of matter, drawing the reader's attention to Note 24 of the accounts. This note describes the impact of a Ministerial Direction issued on 18 December 2019 to the Permanent Secretary of the Welsh Government, instructing her to fund NHS clinicians' pension tax liabilities incurred by NHS bodies in respect of the 2019-20 financial year.
- 15 The Trust has disclosed the existence of a contingent liability at 31 March 2020, and my opinion is not modified in respect of this matter.
- 16 The Letter of Representation contains certain confirmations we are required to obtain from you under auditing standards along with confirmation of other specific information you have provided to us during our audit.

## Significant Issues arising from the Audit

### Uncorrected misstatements

- 17 There are no misstatements identified in the accounts, which remain uncorrected.

### Corrected misstatements

- 18 There were initially some disclosure misstatements in the draft accounts. These have now been corrected by management and have no impact on the Trust's retained surplus. However, we believe that these should be drawn to your attention and they are set out with explanations in **Appendix 3**.

### Other Significant Issues arising from the Audit

- 19 In the course of the audit, we consider a number of matters relating to the accounts and report any significant issues arising to you. There was an issue arising in these areas this year as shown in **Exhibit 2**:

## Exhibit 2 – significant issues arising from the audit

|   |  |   |
|---|--|---|
| <b>Contingent liability arising from the ministerial direction relating to NHS clinicians pension tax liabilities</b> | I have requested that the Trust sets out in Note 24 - Contingent liabilities – additional narrative to disclose the potential liability resulting from the ministerial direction to the Welsh Government to fund pensions tax liabilities above the pension savings annual allowance threshold in 2019-20. | The Trust has included the additional contingent liability. I have also drawn the reader's attention to this disclosure in an emphasis of matter paragraph in my audit report.<br>My opinion is not modified in respect of this matter. |
|---|--|---|

## Recommendations

- 20 We intend to report a number of recommendations in a separate report to the Trust which will be presented to the Audit and Corporate Governance Committee scheduled for the Autumn 2020.

# Appendix 1

## Final Letter of Representation

### Public Health Wales NHS Trust Letterhead

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

25 June 2020

### Representations regarding the 2019-20 financial statements

This letter is provided in connection with your audit of the financial statements (including that part of the Remuneration Report that is subject to audit) of Public Health Wales NHS Trust for the year ended 31 March 2020 for the purpose of expressing an opinion on their truth and fairness, their proper preparation and the regularity of income and expenditure.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

### Management representations

#### Responsibilities

As Chief Executive and Accountable Officer I have fulfilled my responsibility for:

- preparing the financial statements in accordance with legislative requirements and the Treasury's Financial Reporting Manual. In preparing the financial statements, I am required to:
  - observe the accounts directions issued by Welsh Ministers, 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 Public Health Wales NHS Trust will continue in operation.
- ensuring the regularity of any expenditure and other transactions incurred.
- the design, implementation and maintenance of internal control to prevent and detect error.



## Information provided

We have provided you with:

- full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
  - additional information that you have requested from us for the purpose of the audit; and
  - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- our knowledge of fraud or suspected fraud that we are aware of and that affects Public Health NHS Trust 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.

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 Public Health Wales NHS Trust**

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 Public Health Wales NHS Trust on 25 June 2020.

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

Signed by:

Chief Executive:

Date:

Signed by:

Trust Chair:

Date:

# Appendix 2

## Proposed Audit Report

### The Certificate and independent auditor's report of the Auditor General for Wales to the Senedd

#### Report on the audit of the financial statements

##### Opinion

I certify that I have audited the financial statements of Public Health Wales NHS Trust for the year ended 31 March 2020 under Section 61 of the Public Audit (Wales) Act 2004. These comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Cash Flow Statement and the Statement of Changes in Taxpayers 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 Public Health Wales NHS Trust as at 31 March 2020 and of its surplus 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 opinion

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

##### Emphasis of matter

I draw attention to Note 24 of the financial statements, which describes the impact of a Ministerial Direction issued on 18 December 2019 to the Permanent Secretary of the Welsh Government, instructing her to fund NHS Clinicians' pension tax liabilities incurred by NHS Wales bodies in respect of the 2019-20 financial year. The Trust has disclosed the existence of a contingent liability at 31 March 2020, and my opinion is not modified in respect of this matter.

## 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 trust'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.

## Opinion on regularity

In my opinion, in all material respects, the expenditure and income in the financial statements have been applied to the purposes intended by the Senedd and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## Report on other requirements

### Opinion on other matters

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

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

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

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

In the light of the knowledge and understanding of the trust and its environment obtained in the course of the audit, I have not identified material misstatements in the Accountability Report or the Annual Governance Statement.

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

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

## **Report**

I have no observations to make on these financial statements.

## **Responsibilities**

### **Responsibilities of Directors and the Chief Executive**

As explained more fully in the Statements of Directors' and Chief Executive's Responsibilities set out on pages ... and ... of the Accountability Report, 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 trust's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

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

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

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

## **Responsibilities for regularity**

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

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

Adrian Crompton  
Auditor General for Wales  
2 July 2020

24 Cathedral Road  
Cardiff  
CF11 9LJ

# Appendix 3

## Summary of corrections made

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

### Exhibit 3: summary of corrections made

| Value of correction   | Nature of correction  | Reason for correction  |
|---|---|--|
| £4.59 million<br>£Nil impact on the overall financial position  | <b>Note 20 Payables</b><br>Payables for which invoices had not been received had been classified as non-nhs trade payables rather than accruals.  | To correctly disclose payables in line with MFA classification requirements. |
| £91,000<br>£Nil impact on the overall financial position        | <b>Note 20 Payables</b><br>2020-21 payables transactions had been eliminated from the accounts by setting up a contra entry in pre-payments (within <b>Note 17 Trade and other receivables</b> )  | To correctly disclose payables and receivables.                              |
| £107,000<br>£Nil impact on the overall financial position       | <b>Note 23 Provisions</b><br>Short term provisions included voluntary exit payments due to be made in 2020-21. As the amounts payable were known, this should properly have been classified as a creditor (within <b>Note 20 Payables</b> ) | To correctly disclose amounts payable as creditors rather than provisions.   |
| Not applicable<br>£Nil impact on the overall financial position | <b>Note 24 Contingent Liabilities</b><br>Additional narrative in Note 24 to describe the potential impact of a decision to fund NHS Clinicians' pension tax liabilities.  | To disclose a contingent liability which could be material by nature.        |

| Value of correction  | Nature of correction   | Reason for correction  |
|--|--|--|
| £5,000 band<br>£Nil impact on the overall financial position | <b>Remuneration Report</b><br>Minor amendment to one senior manager's salary and pension banding in the remuneration report. | To ensure senior manager's remuneration is correctly disclosed |







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Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.