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Bwrdd Iechyd Prifysgol
Bae Abertawe
Swansea Bay University
Health Board

Cadeirydd/Chairman: **Emma Woollett**
Prif Weithredwr/Chief Executive: Mark Hackett

gofalu am ein gilydd, cydweithio, gwella bob amser
caring for each other, working together, always improving

Pencadlys Bwrdd Iechyd Prifysgol Bae Abertawe

Un Porthfa Talbot, Parc Ynni, Baglan, Port Talbot, SA12 7BR Ffôn 01639 683334

Swansea Bay University Health Board Headquarters

One Talbot Gateway, Baglan Energy Park, Port Talbot, SA12 7BR Phone 01639 683334

Rydym yn croesawu gohebiaeth yn y Gymraeg ac yn y Saesneg. We welcome correspondence in Welsh or English.



01639 683302



mark.hackett@wales.nhs.uk

Dyddiad / Date: 13th July 2023

Auditor General for Wales
Wales Audit Office
1 Capital Quarter
Tyndall Street
Cardiff
CF10 4BZ

Representations regarding the 2022-23 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 Swansea Bay University Local Health Board (the Health Board) for the year ended 31 March 2023 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/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.



- 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 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.

The methods, the data, and the significant assumptions used in making accounting estimates, and their related disclosures, are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

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, accounted for, and disclosed in accordance with the applicable financial reporting framework.

There are two uncorrected misstatements in the financial statements. 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.

A summary of these items is set out below:



- **Medical Leave Accrual** – the year-end accrual was overstated by £9.47 million due to (i) errors identified in the underlying HEIW data for £2.53m and (ii) an element of the accrual for £6.94 million which Audit Wales does not believe is supported by a robust system and for which trend data doesn't support that these amounts will have to be paid out. Audit Wales' view is that this should be included as a Contingent Liability in the accounts rather than an accrual (£6.94 million). The Health Board has chosen not to amend these as the starting point for the calculation of the accrual contained within the accounts for Medical Study Leave is based on the core data provided by HEIW and extracted from the Intrepid system. As this is provided by an independent source, the Health Board did not use any judgements to adjust the core data provided.

However, on receipt of the core data it was clear that there were significant gaps in the data provided. For example, for Consultant staff, of the 527.38 WTE recorded in the Health Board's Financial Ledger at the end of February 2023, the HEIW core data only provided information for 62.7 WTE.

Given the material level of information missing, the methodology adopted by the Health Board was to use the core data as a sample, without any judgements or changes, to extrapolate the liability for the full 527.38 WTE consultants. This methodology was also used to calculate the liability for the non-consultant medical posts.

The approach of 'extrapolating up' based on a reasonable sample size has been adopted in previous years for the calculation of the Annual Leave accrual for Medical Staffing and signed off by Audit Wales.

Adopting a prudent approach ensured that a liability was included for the 471.68 WTE Consultant posts and 238.77 WTE non-consultant posts not recorded in the core data provided by HEIW. This reflects the £6.94 million under item (ii) on the Medical Leave Accrual.

Both the Health Board and Audit Wales would conclude that the quality of the data provided by HEIW via the Intrepid Systems has been extremely poor. However, as noted above, given this data was provided by an independent source, the Health Board did not use judgements to adjust the core data in calculating the accrual, but used the data to extrapolate the missing WTE. Additionally, no other data source is available to support the construction of an accrual to allow the reporting of an appropriate liability in the accounts.

As part of the discussion with Audit Wales in early June it was agreed that a review of the HEIW data would be undertaken, with the aim of this exercise being to provide a reasonableness check to the value provided for within the draft accounts. The overarching approach of the exercise was to cleanse the data using an alternative set of judgments, without impacting on the integrity of the independent data provided from the Intrepid System.

The judgments adopted in this alternative exercise resulted in a change to the value of the remaining study leave days at 31 March 2023. Overall, when combining the revised assessment of Consultant and Non-Consultant and comparing to the value included within the draft accounts, the difference was £2.5 million (item i). This change was primarily a result of the revised judgments on the entitlement dates built into the data set, as opposed to taking the carry forward leave value in the core data provided by HEIW.

It is recognised by the Health Board that, given the quality of the core data provided, there is work required during 2023-24. This work will build on the lessons learnt throughout this audit



and this exercise will explore options on the calculation of the accrual for the 2023-24 Annual Accounts and assess possible options via the Technical Accounting Group for Wales. The final proposed methodology will be presented to Audit Committee as part of the standard Annual Accounts update paper in March 2024. Support from Audit Wales would be welcomed as the Health Board seeks to incorporate learning from this year's fieldwork into the proposed revised methodology for 2023-24 accounts.

- **Leases** - The draft financial statements include a balance of £16,802k in respect of Right of Use Assets (Note 11.3). This has been included for the first time this year as a result of the newly implemented IFRS16 standard. Audit testing identified errors in five of the 23 tested with a total error of £141,000. Audit testing covered a population of £11.4m, but hasn't tested £5.4m of the balance, which although isn't material, given the errors identified, Audit Wales are uncertain whether there are further errors in the remaining population that would take the value of errors above trivial level.

The Health Board has chosen not to amend given the £141,000 identified is 1.2% of the £11.4 million. If the same percentage of errors was identified in the remaining £5.4 million not tested, then this could result in a total error of £208,000. This combined value is below the trivial level and so no adjustment has been made within the final accounts.

Representations by those charged with governance

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

We acknowledge our responsibility for ensuring that the company maintains adequate accounting records.

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 Health Board on 13 July 2023.

We confirm that we have taken all necessary steps 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:

Signed by:

Chief Executive as Accountable Officer

Chair of Board

Date: 13th July 2023

Date: 13th July 2023

