



# Briefing note

**Reference:**

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## Audit of the transfer of assets and liabilities from ABMU to Cwm Taf Health Boards on 1 April 2019

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## Introduction

### Background

- 1 From 1 April 2019, the responsibility for commissioning healthcare services for the people in the Bridgend County Borough Council (BCBC) area moved from Abertawe Bro Morgannwg University Health Board (ABMUHB) to Cwm Taf University Health Board (CTUHB). From 1 April 2019, the former Abertawe Bro Morgannwg University Health Board was renamed Swansea Bay University Local Health Board (SBUHB).
- 2 In order to account for the transfer of operations correctly, the assets and liabilities need to be removed from ABMU and included within Cwm Taf from 1 April 2019.
- 3 In accordance with usual arrangements, the Welsh Government has required completion of S1 and S2 forms to facilitate this process, which have been provided to us to audit.
- 4 These forms respectively record:
  - S1: the value of Property, Plant and Equipment and Intangible non-current assets transferring; and
  - S2: the value of other non-current assets and current assets and liabilities transferring.

### Audit approach

- 5 We have followed the audit instructions agreed with the Welsh Government for previous transfer of functions within the NHS.
- 6 Our requirement is to undertake sufficient and appropriate audit work to provide assurance that the values of the assets and liabilities recorded within the S1 and S2 forms are not inconsistent with ABMU's accounting records.
- 7 Firstly, we were required to undertake a Risk and Testing Assessment (RaTA). It considers:
  - Overall risk: the level of inherent risk attached due to the value, volume and complexity of the entries on the S1/S2 forms.
  - Control environment: consideration of the adequacy of procedures put in place to identify transferring assets and liabilities, quality of working papers provided in support of the S1/S2 forms, and expertise and knowledge of the preparers.
  - Risk index: summarises outputs from above to produce an overall risk score which determines the minimum level of coverage by population value to be tested through substantive procedures (low risk = 10%, medium risk = 25%, high risk = 40%).

- 8 The concept of materiality by value is not applicable to our audit of the transfer of assets and liabilities.
- 9 Our RaTA concluded a medium risk to be applied to substantive testing.
- 10 We substantively tested the s1 and s2 returns to confirm that:-
- entries on the s1 and s2 returns and supporting working papers agreed to ABMU's accounting records and 2018-19 audited accounts;
  - sample testing of 25% of the entries in each line of the s1 and s2 forms (in line with our medium risk assessment) provided assurance that:
    - only assets and liabilities relating to the services being transferred are included (existence / rights and obligations) and the apportionment method agrees to that agreed between the bodies;
    - assets and liabilities transferred are recorded at the correct value (valuation / allocation);
    - all assets and liabilities relating to the services being transferred are included in the s1 and s2 returns (completeness / rights and obligations).
- 11 The results of our substantive testing are detailed in the Audit Findings section and formal conclusions are detailed in the Audit Reports section below.

## Audit Findings

- 12 We received the draft S1 and S2 forms on 10<sup>th</sup> September 2019.
- 13 Our testing is now complete.
- 14 We identified the following errors which management have agreed to amend:

### S1 Return

Cells / lines to be amended	Reason for amendment	Amount of amendment £
Property, Plant and Equipment: Transport Equipment	PPE: Transport equipment should be reduced by £6,000 due to an error identified by Cwm Taf.	£(6,000)

### S2 Return

Cells / lines to be amended	Reason for amendment	Amount of amendment £
Trade and other payables	An invoice from Fujifilm totalling £270,084.95 has been fully transferred to Cwm Taf on the draft S2 form (within Trade and other payables). However, £160,752 of this relates to Singleton Hospital and so the S2 creditors should be reduced by this amount.	£160,752
Trade and other payables	Trade and other payables should be reduced by £12,000 due to a wrong code being used on an accrual identified by SBUHB.	£12,000

- 15 Based on our audit testing we do not believe that these errors are systemic and are isolated.
- 16 In addition, discussions between ABMU and Cwm Taf have identified the following amendments which management have agreed to amend: -

### S1 Return

Cells / lines to be amended	Reason for amendment	Amount of amendment £
No amendments identified.		

### S2 Return

Cells / lines to be amended	Reason for amendment	Amount of amendment £
Trade and other receivables	Trade and other receivables should be reduced by £8,272 due to a change of cost centres	(£8,272)

	agreed by SBUHB and Cwm Taf.	
Trade and other payables	Trade and other payables should be reduced by £152,722 due to a change of cost centres agreed by SBUHB and Cwm Taf.	£152,722

- 17 It should be noted that for all accruals/prepayments or invoices raised in the new financial year (post 1 April 2019) relating to a service that has transferred across to Cwm Taf are outside of this audit work. We understand that these are being recorded in a holding account within Swansea Bay Health Board and are reviewed as and when they arise to either match them against the s2 return where these were accounted for at year end or if these are a new entry then these will be dealt with on a case by case basis between the Health Boards. This process will run until the cash transfer between the Health Boards is finalised.

## Audit Report

- 18 Our audit work is now complete. Our audit report is detailed as follows:-
- We have examined the entries in forms S1 and S2 and the related accounts and records of ABMU. We conclude that subject to the matters raised in paragraphs 14-17 above, nothing has come to our attention to indicate that the entries in the form do not agree with the accounting records of ABMU.