

Accountable Officer Report on Learning from Accounting Issues 2021/22

REPORT OF THE CHIEF EXECUTIVE INTO THE MATTERS CONNECTED
WITH ACCOUNTING ISSUES OF 2021/22, SUBSEQUENT LEARNING AND
ACTION

CAROL SHILLABEER (CHIEF EXECUTIVE)

ABOUT THIS REPORT

This report is authored by the Chief Executive of Betsi Cadwaladr University Health Board in July 2025. It is based on the events relating to accounting practice in the 2021/22 accounting period, which pre-date the author. This summary report therefore is a collation of several other reports undertaken by different 3rd parties. The report presents a summary assessment of findings relating to the accounting matters, the context, learning points drawn out and the action taken from May 2023 to the current time.

There are differing views and perspectives regarding the accuracy and completeness of some of the work undertaken that has contributed to this report. Nonetheless, the author seeks to draw out the core elements where there is broader evidence that supports the findings.

The key elements of the report focus on the learning that emerged from the core issue itself and importantly the wider issues and elements that resulted, and therefore should be considered as a whole. A summary of action taken to date and ongoing is also a crucial part of this report.

Care has been taken in relation to the parties concerned in the accounting practice issue and associated matters and hence a judgment made on the level of detail provided. This is to ensure a matter in the public interest can be appropriately reported whilst also balancing the organisations responsibility to the parties involved.

INTRODUCTION

1. This report outlines the background, core elements and management of accounting issues in relation to the 2021/22 financial accounts at Betsi Cadwaladr University Health Board. The purpose of the report is to provide an overview of the core issues and wider issues and elements that occurred, a focus on the learning and the action undertaken and ongoing as a result.

2. The report covers the following areas:

- a) Issues that led to the qualification of the accounts in 2021/22
- b) The core issues relating to accounting practice
- c) Related, wider issues including contract procurement and management, HR management, information governance, culture and behaviours
- d) Summary of Key Learning and Action taken and ongoing

3. Whilst the core issue related to accounting practice particularly during 2021/22, it is clear from the range of reviews and other work, that significant, wider issues existed. These should be considered alongside the core accounting matters for a comprehensive understanding to take place.

QUALIFICATION OF THE 2021/22 ACCOUNTS BY AUDIT WALES

4. Issues emerged relating to 2021/22 accounts through the accounts and audit processes undertaken in summer 2022. As part of the audit of the 2021/22 accounts, Audit Wales confirmed that errors in the accounts had occurred as a result of identified expenditure of £9.4m being accounted for in 2021/22, when it

appeared to relate to 2022/23. Additionally, some Finance Department staff raised confidential concerns regarding the recording of transactions.

5. Audit Wales undertake audits on a compliance basis (placing reliance upon systems in place). However, as a result of the accounts audit work, Audit Wales considered that they needed to move to substantive audit, i.e. they could not place reliance on systems and hence needed to test every provision to the source documentation, meaning every transaction within materiality (a key financial threshold) needed to be tested.¹

6. The Health Board took the decision in early July 2022 to stop any further work with Audit Wales to test accounting transactions as there was insufficient capacity to support the further audit work necessary. It was therefore not possible to review all source documentation and gain therefore assurance over the validity of the accounts, noting the delay would impact on the completion of the Welsh Government consolidated health accounts.

7. At that stage there remained expenditure within certain areas of intended audit testing totalling £122m which had not been tested. These areas comprised £73m liabilities (sums owing) and £49m payments. These items could have contained further errors. As a result of the Health Board's decision to stop support for further testing, Audit Wales were unable to quantify the total extent of errors. They were therefore unable to gain sufficient assurance that the accounts were not misstated by a value greater than the Health Board's materiality threshold of £20.3m. Audit Wales had no alternative but to qualify the accounts on a true and fair view basis.

8. The qualification of the 2021/22 financial accounts (adverse opinion on true and fair) with the above testing remaining incomplete, lead to an inability to verify if the opening balances were correct for the following year, and a further qualification in 2022/23. This was due to the fact that it could not be established that the closing balances of one financial year were 'true and fair' in order for the following year to open with a 'true and fair' starting point. To confirm, the closing balances for 2022/23 were stated as being correct and for accounting periods subsequent to this period and the accounts have received an unqualified opinion (true and fair) free from material error and 'a clean bill of health' therefore for the 2023/24 and 2024/25 financial years, assessed by Audit Wales as 'true and fair'.

THE CORE ISSUES RELATING TO ACCOUNTING PRACTICE

9. The health board Executive Director of Finance at the time (2022) took initial steps to commission a 'lessons learned' review into the issues of concern relating to the accounts in order to identify learning from the year end process which had led to the qualification of the accounts and implement changes.

10. The commissioning process for the review (subsequently termed Investigation) was then undertaken by the Audit Committee, with the (then) Board Secretary, as the primary governance advisor to the Committee. Ernst and Young (EY) were secured to undertake the work. The resulting final brief of the work was:

To provide forensic accounting support to investigate the facts and circumstances which led to accounting entries being posted incorrectly into the prior financial year (2021-2022) and to Welsh Government approval not being obtained on certain contracts, together with the explanations provided.

¹ This paragraph has been updated following comments received from Audit Wales after the publication of the Board Papers. "Audit Wales conducts its audits using a risk-based approach. Following the identification of initial findings, the audit scope was extended to address areas where adverse findings had been noted. The purpose of this additional work was to obtain sufficient audit evidence to support the conclusion that the financial statements were free from material misstatement, with materiality set at £20.3 million".

The work also addressed the following points as they arose from the investigation:

- System and processes to address slippage against projected outturn position
- System and processes around year end, in comparison to the last financial year
- Contract approval and putting forward recommendations for BCUHB to implement a robust process of vesting certificates
- Financial control and assurance procedures
- Learning and recommendations for implementing best practice, taking into account financial controls report
- Financial oversight and scrutiny effectiveness from operational to Board level - to address these points in as much as they arise from the investigation work.

11. The context at the time related to the Health Board projecting at November 2021 a £10.2m year-end revenue account underspend in 2021/22 and the actions taken to avoid this. In particular Welsh Government had been monitoring the level and deployment of funding, with the Health Board indicating it would spend the fund. However, as the year end approached a significant underspend existed and hence a potential surplus against allocated budget.

12. A summary of the key elements and hence core issues relating to the accounting practice are outlined below:

a. A 'managed' process was established that focused on a list of potential expenditure totalling millions to be expended before the year end. This included a range of contracts intended to lead to expenditure in the 'current year', however the goods and services were not received within that year and should not have been accounted for during that period. This means that there was accounting for expenditure in the 'incorrect' year.

b. External work indicated that some of these items of revenue expenditure to utilise the surplus in 2021/22 were either 2022/23 revenue expenditure items (which *were not* adjusted for in the final accounts), or represented expenditure on contracts not yet committed to by the Health Board or 2021/22 items which should have been designated as capital expenditure.

c. In the case of one item of expenditure (a contract for services) issues were identified that services had not been received or a legal agreement to incur costs entered into, and a lack of Welsh Government approval, the accuracy and completeness of information provided to the Board and the amendment of documents prior to scrutiny by Audit Wales.

d. The risk identified in relation to this practice is potential significant financial loss, i.e. public expenditure made for goods/services not received and cash loss should the goods or services then not be delivered (for example, if the supplier went out of business). In addition, concerns over deliberate misrepresentation (misrepresentation of transactions) and actions to hide these practices where more than one officer of the Health Board seeks to work together to misrepresent the true nature of the financial transaction (collusion).

e. No evidence was discovered as part of any of investigations or reviews undertaken that monies were lost to the Health Board. The key issue consistently reported by Audit Wales and further reviews centred upon incorrectly accounting for expenditure for which there was no contractual commitment to incur that related to 2022/23, in the 2021/22 financial year.

13. There was a referral to NHS Wales Counter Fraud Service for their examination in 2022. The confidential nature of the work of the service meant that the Investigation was tightly restricted as it became finalised.

The outcome of the NHS Wales Counter Fraud Service consideration was to refer back to the organisation for management through professional and internal Disciplinary Policy where appropriate.

14. The matter was also considered by North Wales Police. Following their work, the health board was notified that no further action would be taken by the Police.

RELATED, WIDER ISSUES

15. There are a number of wider issues relating to the accounting practice issue. This section of the report provides an overview of these.

Contract Procurement and Management

16. In early May 2023, the new Interim Chief Executive started in post. Concerns were raised by staff that included the procurement and contract management arrangements undertaken by the health board relating to the investigation. The Interim Chief Executive (Accountable Officer) commissioned NHS Wales Shared Services Partnership Audit and Assurance Services (Internal Audit) to undertake a review of the procurement process and contract management from decision point to delivery of the report. The scope of the review was limited to the procurement and contract management undertaken by the health board.

17. The scope focused on:

- a. Procurement – reviewing compliance with the Health Board Standing Orders; Standing Financial Instructions and procurement processes.
- b. Contract management – reviewing the contract arrangements in place

18. Issues of concerns were identified and the Interim Chief Executive reported these to the Director General of Health and Social Services Group Welsh Government/NHS Wales Chief Executive in line with requirements under 'Managing Welsh Public Money'. The key findings included:

a. The commissioning of the Investigation was undertaken by the Audit Committee, with the (then) Board Secretary acting as primary adviser to the Committee Chair. No Executive officers were involved.

b. The appropriate procurement processes were not followed by the health board. The approval of a contract for external consultancy above the delegated limit of the Chief Executive as set out in the Scheme of Delegation (£500,000) is a matter reserved for the full Board (Standing Order Reservation of Power 40). No record of a Board decision or Chairs Action was evidenced for the contract award and the purchase order value was above the delegated threshold. The Standing Financial Instruction (SFI) 11.19 No Purchase Order No Pay, requires that a purchase order is raised at the beginning of a purchase (September 2022) however requisitions were completed and approved 'retrospectively' in February 2023.

c. In terms of contract management, the engagement letter and statement of work did not include a total fee payable. Although 311 hours were budgeted, 671 hours were utilised to October 2022. The hours utilised were the result of requests by the Audit Committee to carry out more work.

d. The draft report was requested by the health board and sent to key parties (Audit Wales, the (then) interim Board Secretary and the Audit Committee). The draft report set out that not all parties had provided factual accuracy comments.

e. External Legal advice was procured to respond to concerns raised by a senior Health Board Officer regarding the approach of the health board to the Investigation. The procurement of that advice did not

comply with Standing Financial Instructions (SFI) 11.19 No Purchase Order No Pay, in that it was completed retrospectively.

HR related matters

19. A number of HR related processes have been underway affecting staff including Respect and Resolution Policy (where staff raise concerns about how they have been treated by the organisation) and Disciplinary Policy (where allegations of wrongdoing are made and staff have the right and opportunity to respond to those allegations).

20. In June 2023, the (then Interim) Chief Executive commissioned an assessment of the HR management relating to the concerns regarding accounting practice, noting that the HR advice relating to this matter was secured externally. The key findings of the assessment included:

a. There were issues regarding transparency from the health board with those involved as to the nature of the work being undertaken by EY. Concerns were raised by very senior managers requesting that the Terms of Reference of the Review be shared in advance, however it is reported that the Audit Committee did not agree this request. Staff had been told that the approach would be a 'Lesson Learned' however subsequently this became an investigation. Staff reported that they had been told that they did not need to prepare ahead of the review, however the investigation required detailed information and responses which staff indicate they were unprepared for.

b. Concerns were raised regarding the timely sharing of transcripts of meetings for factual accuracy relating to the investigation. The coordination and 'wrap around' support from the health board for staff involved in the investigation seemed to be lacking.

c. The process of suspending staff from the workplace was reviewed and indicated that although practice was viewed as meeting the 'letter' of the policy, the process could have been improved. Recognising that this is always a difficult situation, the contact and ongoing suspension review arrangements in the early months particularly could have been more sensitive. It is important to note the context of the organisation at this time (significant change of leadership at the Board and Executive level). In addition, there were some specific elements relating to the suspension of a very senior staff member that were not followed.

d. The processes of Respect and Resolution and Disciplinary are often undertaken sequentially, with the Respect and Resolution taking place first. There was therefore a delay in progressing matters within the Disciplinary Policy whilst a suitable individual was identified to undertake the Respect and Resolution process. Once the (then Interim) Chief Executive came into post, it was determined that both processes would run simultaneously given they were inextricably linked. Both processes were highly complex and inter-related and took significantly longer than anticipated.

21. The processes relating to Respect and Resolution (concerns raised by staff) were fully implemented and tested in line with the Policy.

22. The outcomes of the disciplinary process include independent Disciplinary Investigations undertaken and the findings tested through the application of the Disciplinary Policy process. The policy was followed.

Information Governance

23. The health board was made aware of an unauthorised disclosure of the EY report in mid-May 2023. The report was restricted in terms of circulation and was received by a small group of people within the health board, Audit Wales and NHS Wales Counter Fraud Service.

24. Data protection legislation and regulation is a complex and technical area. It is clear however that the consent to release data relating to EY, the health board and the subjects named in the report was not sought and this constitutes a data breach. The health board referred the breach to the Information Commissioner in line with practice standards and an examination was undertaken.

25. An external review was commissioned into Information Governance and Corporate Records Management. The findings indicated that in general the approach to information governance was sound. There were however a series of recommendations made for improvement. The overview of these is included in the Learning and Action section.

Leadership, Culture and Governance

26. The health board during this period became subject of a Board Effectiveness Assessment by Audit Wales. This reported in February 2023, and shortly afterward the Welsh Government escalated the organisation to Level 5/Special Measures intervention. The report indicated ‘deeply worrying degree of dysfunctionality within the board and senior leadership’ demonstrating significant challenge, including confidence in the leadership to be able to take forward the work needed to improve. The culture and behaviours within the organisation at the senior level had reportedly led to concerns being raised including under the Protected Disclosure route (Whistleblowing). This report described the context of the organisation at the time during which the accounting issues first emerged.

27. The Audit Wales report commented (emphasis drawn from report) on several key elements including:

a. Working relationships within the Executive Team and wider board: *We found clear and deep-seated fractures within the Executive Team that are preventing that team from working effectively. Concerns about the pace of improvement and quality of assurance from executives have also led some Independent Members, on occasion, to resort to very challenging scrutiny of some executives in public meetings. This has adversely affected working relationships between some Independent Members and some of the Executive Team and is compromising the board’s ability to work in a cohesive and collective manner to effectively tackle the considerable challenges the organisation faces.*

b. Conduct of business at board and committee meetings, quality of assurances and support for governance arrangements: *While there is reasonable ongoing administration of meetings, there is an urgent need to address some long-standing concerns around assurance arrangements at board and committee meetings, including ensuring an agreed position on the level of risk the board is prepared to tolerate within the services it delivers. There is also a need to strengthen and stabilise arrangements around the Office of the Board Secretary.*

c. The use of board development activities to support a positive and cohesive board culture: *The board has not been able to fully use the most recent programme of board development work to develop the more integrated and effective approach to board working that is urgently needed.*

d. Executive Team and senior management capacity: *Churn within the Executive Team has been a constant feature in recent years and the Health Board continues to have an over-reliance on interim roles for key posts in the senior management structure. Urgent action is needed to move to a more stable and sustainable senior staffing model, which must include expediting plans to recruit a new substantive Chief Executive and ensuring the necessary backfill arrangements are in place to support the current interim arrangements.*

e. Performance accountability arrangements: *On-going action is needed to ensure accountability arrangements are resulting in the necessary improvements to services and corporate arrangements*

SUMMARY LEARNING AND ACTION TAKEN

28. There has been a wide range of learning and action resulting from both the context of the organisation in significant escalation.

Leadership, Culture and Governance

29. There are a significant number of areas in relation to learning and action taken to improve leadership, culture and governance in the organisation.

30. In relation to leadership particularly at the Board level, successful recruitment has taken place of a new Chair, Vice-Chair and Independent Board Members; a substantive Chief Executive and a significant number of Executive Team member roles.

31. A key strategic objective set as part of the Special Measures Response Plan (2023/24) and then Annual Plan and Integrated Medium-Term Plan (2024 and 2025) has been to 'Build an Effective Board' and more latterly 'Building an Effective Organisation'. This has included a series of key actions guided primarily by the new Director of Corporate Governance.

32. The Board committed to strategic intent statements in September 2023 relating to compassionate culture, leadership and engagement. This work has progressed significantly with new Board-led Values and Behaviours Framework, a Culture Change Programme, a Leadership Development Framework and a focus on employee engagement. The Board also established a specific People and Culture Committee to take forward the support and oversight of this and wider-related work.

33. The Board has invested time and effort in a Board (Team) Development Programme. Initially this focused on compassionate leadership, supported by expert Michael West, and has been followed by a structured series of development programme sessions. Board effectiveness self-assessment using a structured approach has been undertaken and a summary published.

34. The Board has taken a specific approach to openness and transparency. A regular Citizens Experience Report is presented to the Board, identifying and addressing the key elements of feedback from the people the Board serves. Furthermore, Board meetings are held in-person and in public, and a rolling programme of community engagement events enables greater access to feedback directly from communities. Audit Wales in their Structured Assessment report indicated: *The Board's arrangements for hearing directly from patients is improving, and it is planning to increase opportunities to hear directly from staff through service visits and hearing staff stories at People and Culture Committee meetings.*

35. The Board has also approved a range of frameworks setting out its ambition and expectations for effective leadership and governance. These include a Risk Management Framework, an Integrated Performance Framework and an Integrated Planning Framework. These have underpinned improvement actions and organisational capability. These will continue to be refined as the organisational improvement approach develops further. Audit Wales in its Structured Assessment report (2023/24) found that the Health Board has: *revised its risk and performance frameworks and is developing a new quality management system. However, more work is needed to properly embed these new arrangements, to further develop the Board Assurance Framework, strengthen the management of complaints and incidents and strengthen processes for tracking audit recommendations.* This further work has been taken forward with a significantly improved position being evidenced.

36. The Board has prioritised the review and revision of the organisational Operating Model and has established the 'Foundations for the Future' Major Change Programme. This will improve the effectiveness of the organisation in meeting the health needs of the population of North Wales.

37. Audit Wales have undertaken a Board Effectiveness Follow-up assessment and reported the findings in February 2024. In summary:

Overall, we found that following a period of significant disruption and churn during 2023, the board is now in a more stable position. There is a new substantive Chief Executive in post, the dysfunctionality within the board described in our previous report is no longer evident and working relationships amongst senior leaders are more positive in overall terms. However, some fundamental challenges still remain in the context of an organisation that is in special measures. Substantive appointments to the board need to be completed as quickly as possible to bring the board up to full capacity. Work must continue to build a united and effective Executive Team, to resolve the on-going personnel issues in the Finance Department, and to strengthen corporate governance leadership arrangements within the organisation. These activities need to be supported by continued progress with a board development programme that builds a cohesive and unified board that supports a positive organisational culture by setting the right "tone from the top".

Audit Wales Board Effectiveness Follow-up February 2024

38. Audit Wales undertook a 'Structured Assessment 2023' to review corporate arrangements for ensuring that resources are used efficiently, effectively, and economically. The overall assessment concluded that:

'following significant challenges in 2023, the Health Board is more stable and in the process of strengthening key corporate assurance arrangements, however it needs a clear strategy to enable it to develop financially sustainable service models that provide good quality services to meet current and future healthcare demand. The Health Board also needs to ensure there is a sufficient assurance on the impact of actions taken to deliver its plans, to mitigate risk, improve service performance and address audit recommendations'.

Audit Wales Structured Assessment 2023 (published May 2024)

Financial Governance

39. A Finance Action Plan was developed in June 2023 in response to the escalation to Level 5/Special Measures and including the areas of learning that emerged at the time. The plan was updated on a rolling basis and subject to scrutiny and review mechanisms with Welsh Government officials. The progress of the plan was reported through the appropriate Committee, through to the Board as part of Special Measures reporting.

40. The Plan itself focused a number of key deliverables including:

a. Financial Savings: the actions included the delivery of an agreed efficiency savings plan to minimise the financial deficit.

b. Future Financial and Value Opportunities: the actions included an assessment of the potential financial opportunities for 2024/2025 and 2025/2026 and develop the contribution of value-based healthcare. The health board has further developed its approach to the best use of resources through a focus on value-based healthcare and for 2025/26 established a Value and Sustainability Major Change Programme.

c. Contract Procurement and Management Review: A Review was commissioned in agreement with the Welsh Government with this being undertaken during 2023/24 by the NHS Wales Shared Services Partnership Internal Audit Service. The details of the findings and key action is set out further in this report.

d. Finance Team and Capacity: A focus of the action plan during 2023 was to stabilise the finance team and develop capacity. Whilst this resulted in additional, temporary support the finance team has now been established on a more sustainable footing. This has enabled significant progress to be made in building a team that is able to take forward the medium- and longer-term approaches to financial strategy and management the organisation needs. A further review will take place as part of the Foundations for the Future Programme.

e. Financial Governance: A core focus for improvement was on the implementation of a specific and targeted Financial Control Environment Action Plan. This included the review and revision of the Scheme of Reservation and Delegation (SORD), its component parts (local and health board wide) and its implementation including training for managers. The performance oversight and accountability mechanisms were strengthened and thereafter included as part of the Integrated Performance Framework. The development of a monitoring and reporting system for conformance was developed and now features as regular reporting through to the Audit Committee.

41. Audit Wales undertake the annual review of accounts in order to issue an ISA 260 which document their findings of the audit of the health boards financial statements and for the Auditor General to issue an Audit of Accounts Report. For both years 2023/24 and 2024/25 the Auditor General has issued an unqualified true and fair opinion on the Health Board's accounts. This indicates that the accounting approach has been assessed as a 'clean bill of health'.

42. Further development work has taken place in relation to the health board approach to the accounts and for the year 2024/25 a new 'mapping tool' has been developed that tracks each entry within the financial statements to the source records of expenditure. The health board is the first organisation in Wales to develop and implement this system, giving full transparency from the financial statements to the source ledgers.

43. Audit Wales issued their report for the period 2023/24 summarising their view on progress as:

'We reported in the prior year that the 2022-23 financial statements were not presented to audit to the standard expected. For 2023-24, there was a significant improvement in the quality of the draft financial statement presented for audit. This is illustrated by the relatively small number of misstatements that were identified and amended and the fact that there are no unadjusted misstatements arising from the audit.'

Audit Wales 2023/24 Audit of Accounts Report

44. In relation to the Structured Assessment (2023 – published 2024) elements on resource management, the view of Audit Wales included:

'There is a clear need for a financial strategy to underpin medium to long-term planning that fully considers growth in healthcare demand and supports financially sustainable clinical service models, whilst also removing the underlying deficit. It also needs to be recognised that while the Health Board has managed to reduce its deficit to less than the budgeted amount and close to the Welsh Government's control total, this has been achieved through strict, centralised controls. As financial performance and discipline develops, this will result in a greater level of autonomy, with clear accountability.'

Audit Wales Structured Assessment 2023 (published May 2024)

Information Governance

45. An external review was undertaken in 2023 examining the information governance and corporate records management approach of the organisation following the information governance breach. The report indicated areas of strength and also drew out areas of improvement. The findings and action taken are outlined below:

- a. The Health Board should ensure it is clear where accountability lies, that records management is recognised as a core corporate function and is appropriately resourced. Action has been taken to locate the strategic leadership of records management to the Chief Digital and Information Officer, who is also the Senior Information Risk Owner (SIRO). Two of the three recommendations relating to this area have been completed, the final area is partially complete with a further consideration of resourcing to progress wider action.
- b. The health board should develop a robust and effective Records Management framework, including the regular updating of policies, procedures and guidance. Action has been taken to progress this aspect with only one area reporting a partially complete. This includes introducing a formal records classification system which requires further work.
- c. That the current Information Governance Group arrangements are reviewed to ensure that they are relevant, up to date, but also reflect recent organisational change and good IG practice. Action has taken place to review and revise arrangements and regular reporting of information flows from the Information Governance Group, through Executive Committee to the Performance, Finance and Information Governance Committee.
- d. That the current IG and Information Security training and awareness arrangements are reviewed to ensure that training is provided on a regular basis and is routinely monitored. Action has been taken across this recommendation and all areas have now been completed. Regular information on training is presented as part of the core dataset and action of lower level of compliance taken accordingly.
- e. That a review of induction and starters/leavers processes is undertaken to ensure that adequate arrangements are in place so that all staff are made aware of their IG/Record Management responsibilities and the security and integrity of HB information assets remain as secure as possible. All actions related to this recommendation have been undertaken and completed, including checklists for managers for starters and leavers.
- f. Due to recent organisational changes arrangements for Information Asset Management should be assessed to ensure they are up to date, that IAO's are aware of their responsibilities and staff are aware of who the IAOS are.
- g. That to increase security of information and reduce the risk of unauthorised disclosure of the Health Board consider implementation of additional security measures/controls
- h. That the Incident Management Processes be strengthened to provide for more robust reporting, monitoring and scrutiny of both Information Governance and Information Security Incidents

Procurement and Contract Management

46. The Contract Procurement and Management Review was completed in October 2023, with the following key findings and subsequent actions taken:

- a. A lack of a clear health board policy, procedure or guidance approach for staff in relation to procurement. General finance procedures were out of date and required review. Action has been taken in line with the work on health board policies. A full review of the Model Standing Financial Instructions was undertaken and considered by the Board in November 2023. Further updates have progressed thereafter.
- b. There was scope to enhance the reporting and escalation process within the Health Board to ensure sufficient assurance is received from NWSSP, and the Health Board has early sight of issues relating to procurement. Action has been taken to develop reporting and escalation mechanisms, particularly through to the Audit Committee. Compliance and breach reports, single tender waivers information and other key escalations now feature as a core reporting mechanism.
- c. A detailed review of contracts highlighted some non-compliance with Health Board Standing Financial Instructions in relation to appropriate approval and signing of contracts. There was no definitive list of contracts across the Health Board, with information received from services incomplete and inconsistent. A forward work plan for the contracts managed directly by Health Board staff and not recorded on the eCM register was not in place. Action has been undertaken in partnership with NHS Wales Shared Services Partnership Procurement services in relation to contract registers. Whilst this is an improved area, there is further work to do in this area as contracts are held across the organisation in specific departments. This is an action that will continue to be progressed.
- d. Contract management within the Health Board was inconsistent, with a lack of instruction or guidance provided to staff who are responsible for managing contracts. Action has been taken to ensure managers across the health board have had full training in the standards of procurement practice required. In addition, a Budget Managers Handbook has been further developed and shared widely, providing guidance that details the processes each budget manager should undertake.
- e. The eWaiver system, used to request and approve single tender and quote waivers, did not ensure compliance with the SFIs, as it had no interdependency with the e-Financials system, and did not require the appropriate level of approval for waivers exceeding £25,000. The analysis of the eWaiver data showed that the Health Board was a significant outlier in terms of the number and value of waivers submitted, which raised questions about value for money and market competition. Significant action has been taken to understand the feasibility of linking the systems. As a result, action has been taken to increase the control mechanism regarding single tender waivers. The regular reporting of the nature and volume is now undertaken to understand trends and confirm actions as a result. This focus has resulted in a significant reduction in the number of single tender waivers.
- f. There had been no procurement training for Executives and all staff involved in procurement, to ensure full understanding of responsibilities and requirements. A significant training programme has now been implemented with circa 500 managers having taken part. Further rounds of training will be undertaken on a regular basis to ensure that refresher and updated training occurs. The Budget Managers Handbook also provides helpful information.

HR processes

47. The context of the health board during the time of that the accounting issues emerged was complex. The changes in Executive level leadership and instability in the organisation added to this. Whilst that is the case, it is also the fact that the issues in relation to HR processes were highly unusual and highly complex, with multiple simultaneous processes being undertaken.

48. Although there was clearly significant media and political discourse during parts of this situation it has always been essential to maintain a fairness and objectivity in line with well-known Salmon Principles. This has meant that careful consideration at each stage of HR processes was required. Unfortunately, the length of time that these processes took was extended, significantly beyond that of usual circumstances. This will continue to be a focus moving forward with improved reporting to the Executive Committee and People and Culture Committee on timeframes in practice for these processes.

49. On a wider note, the health board is working in partnership with Trades Union colleagues on preventing employee harm. This is part of a national endeavour to better manage these approaches. There will inevitably be lessons that can be taken from a wide range of examples that will improve practice and staff experience. The organisational values of openness, compassion and respect will drive the approaches to HR matters. With the People and Culture Committee now regularly receiving staff stories and employee engagement and experience reports a stronger focus and transparency on these matters will continue.

CONCLUSION

50. This report has set out an overview of the core and wider issues and elements that occurred relating to the accounting matter in 2021/22. It provides important context relating to an organisation in difficulty that was subsequently escalated into Special Measures level of escalation by the Welsh Government. Important reviews and investigations have taken place both into the core issue and the wider related matters and there has been significant lessons the health board needed to learn. The clear and focused work on improvements has been set out within the report. The openness and transparency with which the Board is undertaking its work is a key factor in that improvement and in building trust and confidence of the people of North Wales and others in the health board. This is the reason for publishing this summary report; providing an opportunity to both report matters that are in the public interest and managing organisational responsibilities to individuals and other key parties.

51. Whilst the health board itself can evidence the change and the tangible improvement that has taken place; it is of significant value to have external, professional bodies assess and report the findings of their assessment of the health board. The work of both the Internal Audit Service and Audit Wales as external auditors therefore provides additional evidence that the health board has indeed taken forward demonstrable action and made significant change as a result of events that happened in 2021/22.

52. On a final note, many people have been affected by the accounting and wider issues relating to this matter. As an organisation whose focus must be on people, it has been important to recognise as much as possible in this report the impact such circumstances has had. It is hoped that the publication of the report assists in moving forward with reassurance.