



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

Wales Audit Office / Swyddfa Archwilio Cymru

Date: 16<sup>th</sup> April 2009  
Our ref: JC/0837/fgb  
Your ref:  
Pages: 1 of 3

24 Cathedral Road / Heol y Gadeirlan  
Cardiff / Caerdydd  
CF11 9LJ  
Tel / Ffôn: 029 20 320510  
Fax / Ffacs: 029 20 320555  
www.wao.gov.uk

Email / Eboost: [jeremy.colman@wao.gov.uk](mailto:jeremy.colman@wao.gov.uk)  
PA / CP Fiona Bashford, [fiona.bashford@wao.gov.uk](mailto:fiona.bashford@wao.gov.uk)

Mr Jonathan Morgan AM  
Chair of the Audit Committee  
National Assembly for Wales  
Cardiff Bay  
Cardiff CF99 1NA

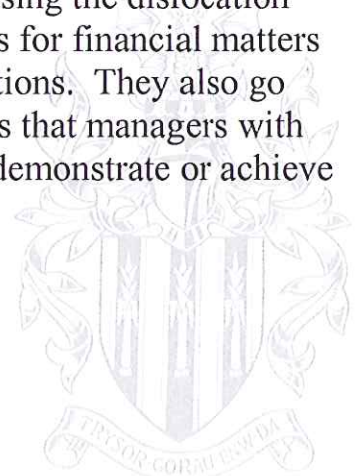
*Dear Chair,*

## **AUDIT COMMITTEE REPORT - "ARE THE DEVOLVED FINANCIAL MANAGEMENT ARRANGEMENTS IN NHS WALES EFFECTIVE?"**

The Clerk's letter of 19<sup>th</sup> March 2009 requested my advice on the Welsh Assembly Government's response to the recommendations made by the Audit Committee in its report "Are the devolved financial management arrangements in NHS Wales effective?"

The Audit Committee's report makes eight recommendations and all have been accepted. The Assembly Government's response generally recognises that the forthcoming reorganisation of the NHS in Wales presents an opportunity to ensure the new NHS is equipped to improve its historic financial management arrangements whilst reflecting that risks to short term financial stability also exist.

The first three recommendations are addressed at ensuring that there are improved levels of financial competence throughout the management of local NHS bodies from Boards down to managers and go some way to addressing the dislocation noted by the Committee between high level accountabilities for financial matters and how these are disaggregated throughout NHS organisations. They also go some way to addressing the significant Committee concerns that managers with financial responsibilities were not consistently required to demonstrate or achieve financial competence.



Recommendation (i) a refers to the need to ensure that Non Executives of Boards have support in developing and maintaining their financial competencies. Whilst noting that there is reference to existing programmes, the Assembly Government's response is understandably linked with the imminent creation of new Local Health Boards. It will be equally as important that the availability of such support is routinely continued into the future.

Recommendation (i) b requires Chief Executives of local NHS bodies to be able to demonstrate that their managers have appropriate financial competencies including those for securing value for money. Given the current uncertainty as to medium term levels of public expenditure, it will be vital that all those responsible for using public resources obtain the best possible value from them. I am pleased to see that an on line financial training programme will be available for managers once the new Health Boards have been established and that details of those completing such training will be sent to their employers. In order to fully address the recommendation, it will be important that Chief Executives effectively identify those staff that may have such development needs and then are able to formally confirm that they have been addressed through internal performance management arrangements.

Other parts of the Assembly Government's response to the Committee's recommendations refer to areas such as improvements in planning frameworks. During the evidence session on 25<sup>th</sup> September the Committee were informed by officials of various initiatives and actions that had recently been put in place to address some of the issues in the Committee's report. Some have been referred to in the Assembly Government's response.

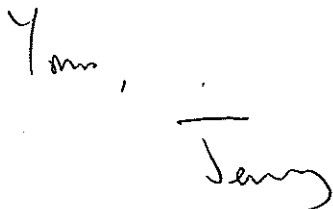
I am therefore please to see that in response to recommendation (iii) c, the Assembly Government intends to review these initiatives to establish whether, or not, they have achieved their expected aims.

The Committee may find it useful to have some indication as to when such a review is likely to be undertaken and may then wish to scrutinise the results of this review in due course.

Recommendation (iv)a reflected the Committee's unease that, whilst the required drive to return finances to balance in some parts of Wales was understood and supported, there needed to be recognition that achieving this may take more than one year if the impact on patient services is to be minimised. To some extent this flowed from the challenges facing Swansea and Powys LHBs where achievement of financial balance is required in the same year as repaying significant sums from their annual allocations

Whilst the Assembly Government notes that the recommendation is accepted, its response refers to the requirement to achieve an in year balanced position following the year in which a deficit is recorded. This does not look entirely consistent with the Committee's recommendation. The Committee may wish to ask for clarification of this point.

The 2008/09 financial year has recently ended. Local NHS bodies are currently preparing their annual accounts for the year which I will audit by the middle of June. I will review the outcome of my forthcoming audits in the light of my recent report and that of the Committee in considering whether there are any further areas I should bring to the Committee's attention.



**JEREMY COLMAN**  
**AUDITOR GENERAL FOR WALES**