



CYFARFOD BWRDD PRIFYSGOL IECHYD UNIVERSITY HEALTH BOARD MEETING

DYDDIAD Y CYFARFOD: DATE OF MEETING:	27 January 2022
TEITL YR ADRODDIAD: TITLE OF REPORT:	Auditor General for Wales – Annual Audit Report 2021 and Structured Assessment 2021
CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:	Steve Moore, Chief Executive Officer
SWYDDOG ADRODD: REPORTING OFFICER:	Joanne Wilson, Board Secretary

Pwrpas yr Adroddiad (dewiswch fel yn addas)

Purpose of the Report (select as appropriate)

Er Sicrwydd/For Assurance

ADRODDIAD SCAA SBAR REPORT

Sefyllfa / Situation

The Annual Audit Report 2021, at Appendix 1, sets out the key findings from the audit work undertaken at Hywel Dda University Health Board (UHB) by Audit Wales (AW) during 2021. The work undertaken allows the Auditor General for Wales to discharge his responsibilities under the Public Audit (Wales) Act 2004 in respect of the audit of the accounts and the UHB's arrangements to secure efficiency, effectiveness and economy in its use of resources.

In 2021, AW Structured Assessment work was split into 2 phases of work, the first phase examined the operational planning arrangements within the UHB. This was presented to the Audit and Risk Assurance Committee (ARAC) in June 2021. The full report is available here: [Hywel Dda University Health Board – Structured Assessment 2021: Phase1 Operational Planning Arrangements \(audit.wales\)](#).

The Structured Assessment 2021 (Phase 2 – Corporate Governance and Financial Management Arrangements Report: Hywel Dda University Health Board), at Appendix 2, considered how corporate governance and financial management arrangements have adapted over the last 12 months. The key focus of the work was on the corporate arrangements for ensuring that resources were being used efficiently, effectively, and economically. AW also considered how business deferred in 2020 was reinstated and how learning from the pandemic shaped future arrangements for ensuring good governance and delivering value for money. AW also sought to gain an overview of the Board's scrutiny of the development and delivery of the Health Board's 2021-22 Annual Recovery Plan.

Cefndir / Background

This year's audit work took place at a time when public bodies continued responding to the unprecedented challenges presented by the COVID-19 pandemic, whilst at the same time recovering services. The AW work programme was designed to best assure the people of Wales that public funds are well managed and considered the impact of the current crisis on both resilience and the future shape of public services. Whilst AW aimed not to hamper public bodies in tackling the crisis, it continued to support both scrutiny and learning. On-site audit

work remained restricted, and AW continued to work and engage remotely where possible through the use of technology. This inevitably had an impact on the delivery of audit work during 2021; however, has also helped to embed positive changes to ways of working.

Phase 1 of the 2021 Structured Assessment was reported to the ARAC in June 2021. A management response was developed and progress is regularly reported to the Committee.

Phase 2 of the 2021 Structured Assessment has been considered and discussed in depth at the feedback session with the Chair, Chief Executive Officer, Chair of the Audit and Risk Assurance Committee, Director of Finance and the Board Secretary held on 14th December 2021. The Annual Audit Report now being presented to the Board is, therefore, reflective of any amendments that were agreed to the Phase 2 Structured Assessment report, and it is concurred that the report presents a fair and balanced view of the organisation, recognising both the positive aspects identified and those areas where further progress is required.

Asesiad / Assessment

ANNUAL AUDIT REPORT 2021 (APPENDIX 1)

The overall conclusions from the Annual Audit Report are as follows:

Audit of accountability report and financial statements

- An unqualified opinion on the accuracy and proper preparation of the 2020-21 financial statements of the Health Board;
- No material weaknesses were identified in the Health Board's internal controls relevant to the audit of the accounts;
- An Emphasis of Matter paragraph to draw attention to disclosures in the accounts in note 21 relating to the impact of a Ministerial Direction issued on 18 December 2019 to the Permanent Secretary of the Welsh Government;
- One other issue to the attention of officers and the Audit Committee relating to the Health Board's system to collect year-end annual leave balances and calculate the year end provision is not robust and should be improved;
- A qualified audit opinion on the regularity of the financial transactions within the financial statements of the Health Board with a substantive report alongside this opinion to highlight its failure to achieve financial balance and to have an approved three-year plan in place and to set out further detail on the Emphasis of Matter paragraph.

Arrangements for securing efficiency, effectiveness and economy in the use of resources

- The Test, Trace, Protect programme is making an important contribution to the management of COVID-19 in Wales. Whilst the programme struggled to cope with earlier peaks in virus transmission, it has demonstrated an ability to rapidly learn and evolve in response to the challenges it has faced.
- Governance, management and planning arrangements have improved in the Welsh Health Specialised Services Committee since the previous reviews in 2015, however the impact of COVID-19 will now require a clear strategy to recover services and there would still be benefits in reviewing the wider governance arrangements for specialised services in line with the commitments within 'A Healthier Wales'.
- The COVID-19 vaccination programme in Wales has been delivered at significant pace with local, national and UK partners working together to vaccinate a significant proportion of the Welsh population. A clear plan is now needed for the challenges which lie ahead.

- All NHS bodies have maintained a clear focus on staff wellbeing throughout the pandemic and implemented a wide range of measures to support the physical health and mental wellbeing of their staff during the crisis. It is vital that these activities are built upon, and that staff wellbeing remains a central priority for NHS bodies as they deal with the combined challenges of recovering services, continuing to respond to the COVID-19 pandemic, and also managing seasonal pressures.
- The Health Board's arrangements for developing operational plans are generally effective, although for the plan for quarters three and four of 2020- 2021, it did not have the processes necessary to monitor and review progress in delivering its priorities.
- The Health Board has effective Board and committee arrangements, is committed to high quality services and staff wellbeing, and since my earlier work, has well-developed plans which are now routinely monitored. A number of innovative approaches have been adopted to aid scrutiny and assurance, and although operational arrangements for risk and quality governance have posed challenges, improvement action is now underway.
- The Health Board continues to face significant financial challenges, however it has maintained effective financial controls and monitoring and reporting is robust. The Health Board is working hard to achieve financial recovery but is managing a number of risks and delivery is being hindered by operational capacity to develop recurring saving schemes.
- The Health Board is committed to providing safe, high quality services and has aligned its strategy and plans with risk and quality improvement. While corporate structures and resources provide effective support for quality governance and improvement, inconsistencies in operational arrangements and weaknesses in operational risk management limit the provision of assurance. Monitoring and scrutiny of the quality and safety of services are being strengthened through increased use of quality outcome measures.

STRUCTURED ASSESSMENT 2021

In 2021, AW Structured Assessment work was split into 2 phases of work. The first phase of work examined the operational planning arrangements of each NHS body, and was undertaken in the first half of 2021, with the report finalised in June 2021. The second phase of work considered the governance and financial management arrangements and was undertaken in the second part of the year.

Phase 1, Operational Planning Arrangements

The overall conclusion from Phase 1 was:

'the Health Board's arrangements for developing operational plans are generally effective, although it does not have the processes necessary to monitor and review progress in delivering its priorities'.

The report was presented to ARAC in June 2021 and progress is regularly reported to the Committee. Three out of the four recommendations remain on track. The full report is available here: [Hywel Dda University Health Board – Structured Assessment 2021: Phase1 Operational Planning Arrangements \(audit.wales\)](https://www.audit.wales.gov.uk/~/media/1234567890/Structured%20Assessment%202021%20Phase%201%20Operational%20Planning%20Arrangements.pdf).

Phase 2, Corporate Governance and Financial Management Arrangements (Appendix 2)

The overall conclusion from Phase 2, Corporate Governance and Financial Management Arrangements, was:

'the Health Board has effective Board and committee arrangements, is committed to high quality services and staff wellbeing, and has well-developed plans which are now routinely monitored. A number of innovative approaches have been adopted to aid

scrutiny and assurance, and although operational arrangements for risk and quality governance have posed some risks, improvement action is now underway.'

The reasons for reaching this conclusion are summarised below:

Governance Arrangements

Conducting business effectively

AW found that the Board continues to conduct business in an open and transparent way and has maintained good governance arrangements which have been appropriately adapted when needed. The Health Board is committed to reviewing its Board effectiveness and has made a number of positive changes to its committee structures. A relatively stable and cohesive Board and executive team has been maintained and the learning from the pandemic has been incorporated into organisational design.

Planning for recovery

AW found that the Health Board has well developed plans for continuing its response to COVID-19 and to reset and recover services, whilst also laying the foundations to deliver its longer-term strategic intent. Partnerships are working well and there has been good engagement with the public. Availability of additional capacity is presenting risks to the Health Board, but there are now good mechanisms in place to monitor and scrutinise delivery of its plans.

Systems of assurance

AW found that the Health Board is committed to delivering high quality services and supporting staff wellbeing. An innovative approach to enable effective scrutiny of strategic risks and outcomes is in place through the interactive Board Assurance Framework and performance dashboard. The Health Board has a well-managed approach to monitoring the implementation of audit and review recommendations. Operational risk and quality governance arrangements have posed a risk to receiving the required levels of assurance, but work is now underway to address these.

Managing Financial Resources

Achieving key financial objectives

AW found that the Health Board was unable to meet its financial duties for 2020-21, ending the year with a deficit of £24.9 million. The Health Board is on track to deliver its financial plan for 2021-22 but is managing a number of risks which could have consequences for future years, and it will continue to fail to meet its financial duties due to a planned year-end deficit.

Financial controls

AW found that the Health Board continues to maintain appropriate financial controls and is working hard to strengthen financial management to support longer term sustainability but capacity within operational teams to develop recurring saving schemes is hindering delivery.

Monitoring and reporting

AW found that the Health Board has robust arrangements in place for monitoring and scrutinising its financial position, supported by comprehensive and transparent reporting.

Recommendations

As part of the structured assessment process, AW reviews progress against recommendations made in previous reports. As no recommendations were made in 2020, AW reviewed previous

recommendations made in 2017, 2018 and 2019. All of these have been reported closed or completed (see Appendix 1 of Phase 2 Structured Assessment Report).

No new recommendations based on the 2021 Phase 2 work have been made; however, a number of minor improvement opportunities have been identified throughout the report, which will be reviewed as part of the AW 2022 Structured Assessment.

Argymhelliad / Recommendation

The Board is requested to:

- Support the content of the Annual Audit Report 2021 and Phase 2 Structured Assessment 2021 Report; and
- Take an assurance that the Structured Assessment report presents a fair and balanced view of the organisation, recognising both the positive aspects identified and those areas where further progress is required.

Amcanion: (rhaid cwblhau)

Objectives: (must be completed)

Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol: Datix Risk Register Reference and Score:	Not applicable
Safon(au) Gofal ac Iechyd: Health and Care Standard(s):	Governance, Leadership and Accountability
Amcanion Strategol y BIP: UHB Strategic Objectives:	All Strategic Objectives are applicable
Amcanion Llesiant BIP: UHB Well-being Objectives: Hyperlink to HDdUHB Well-being Objectives Annual Report 2018-2019	9. All HDdUHB Well-being Objectives apply

Gwybodaeth Ychwanegol:

Further Information:

Ar sail tystiolaeth: Evidence Base:	<p>The Annual Audit Report is informed by individual reports issued during the year by AW and the Structured Assessment process.</p> <p>AW based structured assessment work on interviews, observations at Board, Committee and Management Groups, together with reviews of relevant documents and performance and finance data.</p>
Rhestr Termiau: Glossary of Terms:	Contained within the body of the report.

Partïon / Pwyllgorau â ymgynhorwyd ymlaen llaw y Cyfarfod Bwrdd Iechyd Prifysgol: Parties / Committees consulted prior to University Health Board:	Chair Chief Executive Officer Director of Finance Board Secretary
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Effaith: (rhaid cwblhau) Impact: (must be completed)	
Ariannol / Gwerth am Arian: Financial / Service:	No direct impacts; however, the Annual Audit Report issued a qualified opinion on the regularity of the financial transactions within the Health Board's financial statements and place a substantive report alongside this opinion to highlight its failure to meet its statutory financial duties. The Phase 2 Structured Assessment report does highlight that the Health Board is on track to deliver its financial plan for 2021-22 but is managing a number of risks which could have consequences for future years. The Health Board does maintains appropriate financial controls and is working hard to strengthen financial management to support longer term sustainability however capacity within operational teams to develop recurring saving schemes is hindering delivery. The Health Board has robust arrangements in place for monitoring and scrutinising its financial position
Ansawdd / Gofal Claf: Quality / Patient Care:	No direct impacts.
Gweithlu: Workforce:	No direct impacts; however, the Phase 2 Structured Assessment Report does highlight that delivery is being hindered by operational capacity to develop recurring saving schemes
Risg: Risk:	The Phase 2 Structured Assessment report identified that operational arrangements for risk and quality governance have posed some risks; improvement action is now underway.
Cyfreithiol: Legal:	No direct impacts.
Enw Da: Reputational:	The Health Board could suffer reputational damage if it fails to respond appropriately and implement the recommendations within the report.
Gyfrinachedd: Privacy:	No direct impacts.
Cydraddoldeb: Equality:	<ul style="list-style-type: none"> • Has EqIA screening been undertaken? No • Has a full EqIA been undertaken? No

Annual Audit Report 2021 – Hywel Dda University Health Board

Audit year: 2020-21

Date issued: January 2022

Document reference: 2777A2021-22

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Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

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Summary report

About this report

- 1 This report summarises the findings from my 2021 audit work at Hywel Dda University Health Board (the Health Board) undertaken to fulfil my responsibilities under the Public Audit (Wales) Act 2004. That Act requires me to:
 - examine and certify the accounts submitted to me by the Health Board, and to lay them before the Senedd;
 - satisfy myself that expenditure and income have been applied to the purposes intended and are in accordance with authorities; and
 - satisfy myself that the Health Board has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 2 I report my overall findings under the following headings:
 - Audit of accounts
 - Arrangements for securing economy, efficiency, and effectiveness in the use of resources
- 3 This year's audit work took place at a time when public bodies continued responding to the unprecedented challenges presented by the COVID-19 pandemic, whilst at the same time recovering services. My work programme was designed to best assure the people of Wales that public funds are well managed. I have considered the impact of the current crisis on both resilience and the future shape of public services. I aimed to ensure my work did not hamper public bodies in tackling the crisis, whilst ensuring it continued to support both scrutiny and learning. On-site audit work continues to be restricted, and we continued to work and engage remotely where possible through the use of technology. This inevitably had an impact on how we deliver audit work but has also helped to embed positive changes in our ways of working.
- 4 As was the case in 2020, the delivery of my audit of accounts work was not without its challenges, not only in how and where we undertook the work, but also in taking account of considerations for financial statements arising directly from the pandemic. The success in delivering it reflects a great collective effort by both my staff and the Health Board's officers to embrace and enable new ways of working and remain flexible to and considerate of the many issues arising.
- 5 I have adjusted the focus and approach of my performance audit work to ensure its relevance in the context of the crisis and to enable remote working. My programme of work has provided focus on themes, lessons and opportunities relating to NHS governance and NHS staff wellbeing. I have reviewed the Test, Trace, Protect programme and the rollout of the COVID-19 vaccine. My local audit teams have commented on how governance arrangements have adapted to respond to the pandemic, and the impact the crisis has had on service delivery. I have also reviewed the governance arrangements of the Welsh Health Specialised Services Committee.

- 6 This report is a summary of the issues presented in more detailed reports to the Health Board this year (see **Appendix 1**). I also include a summary of the status of planned work currently being re-scoped.
- 7 **Appendix 2** presents the latest estimate of the audit fee that I will need to charge to cover the costs of undertaking my work, compared to the original fee set out in the 2021 Audit Plan.
- 8 **Appendix 3** sets out the financial audit risks set out in my 2021 Audit Plan and how they were addressed through the audit.
- 9 The Chief Executive, the Director of Finance and Board Secretary have agreed the factual accuracy of this report. We presented it to the Board on 27 January 2022. We strongly encourage the Health Board to arrange its wider publication. We will make the report available to the public on the [Audit Wales website](#) after the Board have considered it.
- 10 I would like to thank the Health Board's staff and members for their help and co-operation throughout my audit.

Key messages

Audit of accounts

- 11 I concluded that the Health Board's accounts were properly prepared and materially accurate and issued an unqualified audit opinion on them. My work did not identify any material weaknesses in the Health Board's internal controls (as relevant to my audit). However, I placed an Emphasis of Matter paragraph in my report to draw attention to disclosures in the accounts in note 21 relating to the impact of a Ministerial Direction issued on 18 December 2019 to the Permanent Secretary of the Welsh Government. I brought one other issue to the attention of officers and the Audit Committee. The Health Board's system to collect year-end annual leave balances and calculate the year end provision is not robust and should be improved.
- 12 The Health Board did not achieve financial balance for the three-year period ending 31 March 2021 or have an approved three-year integrated medium-term plan in place for the period 2019-22. Although it had no other material financial transactions that were not in accordance with authorities nor used for the purposes intended, I have issued a qualified opinion on the regularity of the financial transactions within the Health Board's 2020-21 accounts.
- 13 Alongside my audit opinion, I placed a substantive report on the Health Board's financial statements to highlight the failure to achieve financial balance and to have an approved three-year plan in place and to set out further detail on the Emphasis of Matter paragraph that I included in my audit opinion.

Arrangements for securing efficiency, effectiveness, and economy in the use of resources

14 My programme of Performance Audit work has led me to draw the following conclusions:

- the Test, Trace, Protect programme is making an important contribution to the management of COVID-19 in Wales. Whilst the programme struggled to cope with earlier peaks in virus transmission, it has demonstrated an ability to rapidly learn and evolve in response to the challenges it has faced.
- in relation to the Welsh Health Specialised Services Committee Governance Arrangements: since the previous reviews in 2015, governance, management and planning arrangements have improved, but the impact of COVID-19 will now require a clear strategy to recover services and there would still be benefits in reviewing the wider governance arrangements for specialised services in line with the commitments within 'A Healthier Wales'.
- the COVID-19 vaccination programme in Wales has been delivered at significant pace with local, national and UK partners working together to vaccinate a significant proportion of the Welsh population. A clear national plan is now needed for the challenges which lie ahead.
- all NHS bodies have maintained a clear focus on staff wellbeing throughout the pandemic and implemented a wide range of measures to support the physical health and mental wellbeing of their staff during the crisis. It is vital that these activities are built upon, and that staff wellbeing remains a central priority for NHS bodies as they deal with the combined challenges of recovering services, continuing to respond to the COVID-19 pandemic, and also managing seasonal pressures.
- the Health Board's arrangements for developing operational plans are generally effective, although for the plan for quarters three and four of 2020-2021, it did not have the processes necessary to monitor and review progress in delivering its priorities.
- the Health Board has effective Board and committee arrangements, is committed to high quality services and staff wellbeing, and since my earlier work, has well-developed plans which are now routinely monitored. A number of innovative approaches have been adopted to aid scrutiny and assurance, and although operational arrangements for risk and quality governance have posed challenges, improvement action is now underway.
- while the Health Board continues to face significant financial challenges, it has maintained effective financial controls and monitoring and reporting is robust. The Health Board is working hard to achieve financial recovery but is managing a number of risks and delivery is being hindered by operational capacity to develop recurring saving schemes.
- the Health Board is committed to providing safe, high quality services and has aligned its strategy and plans with risk and quality improvement. While

corporate structures and resources provide effective support for quality governance and improvement, inconsistencies in operational arrangements and weaknesses in operational risk management limit the provision of assurance. Monitoring and scrutiny of the quality and safety of services are being strengthened through increased use of quality outcome measures.

- 15 These findings are considered further in the following sections.

Detailed report

Audit of accounts

- 16 This section of the report summarises the findings from my audit of the Health Board's financial statements for 2020-21. These statements are how the organisation shows its financial performance and sets out its net assets, net operating costs, recognised gains and losses, and cash flows. Preparing the statements is an essential element in demonstrating the appropriate stewardship of public money.
- 17 My 2021 Audit Plan set out the financial audit risks for the audit of the Health Board's 2020-21 financial statements. **Exhibit 4** in **Appendix 3** lists these risks and sets out how they were addressed as part of the audit.
- 18 My responsibilities in auditing the Health Board's financial statements are described in my [Statement of Responsibilities](#) publications, which are available on the [Audit Wales website](#).

Accuracy and preparation of the 2020-21 financial statements

- 19 I concluded that the Health Board's accounts were properly prepared and materially accurate and issued an unqualified audit opinion on them. My work did not identify any material weaknesses in the Health Board's internal controls (as relevant to my audit). However, I placed an Emphasis of Matter paragraph in my report to draw attention to disclosures in the accounts relating to note 21 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 2020-21 financial year. I also brought one other issue to the attention of officers and the Audit Committee about the need to improve the system to collect year end annual leave balances and calculate the year-end provision.
- 20 Draft accounts were submitted for audit on time and the quality of working papers was good. No other material weaknesses were identified in internal controls.
- 21 I must report issues arising from my work to those charged with governance before I issue my audit opinion on the accounts. My Financial Audit Engagement Lead reported these issues to the Health Board's Audit and Risk Assurance Committee on 10 June 2021. **Exhibit 1** summarises the key issues set out in that report.

Exhibit 1: issues identified in the Audit of Financial Statements Report

Issue	Auditors' comments
Uncorrected misstatements	None
Corrected misstatements	There were initial misstatements in the accounts that were corrected by management.
Other significant issues	<ul style="list-style-type: none">• Emphasis of Matter paragraph to draw attention to disclosures in the accounts relating to note 21 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 2020-21 financial year.• The need to improve the Health Board's system to collect year end annual leave balances to be able to calculate the year-end provision.• Regularity opinion qualified because the Health Board did not achieve financial balance for the three-year period ending 31 March 2021. No approved three-year integrated medium-term plan in place for the period 2019-22.

- 22 As a result of delays in instruction from the National Audit Office we have been unable to review the Whole of Government Accounts return to date. We will complete this audit work as soon as audit requirements are clear.
- 23 My separate audit of the charitable funds financial statements is complete and reported to trustees. An unqualified audit opinion was given and there were no significant matters arising.

Regularity of financial transactions

- 24 The Health Board did not achieve financial balance for the three-year period ending 31 March 2021 or have an approved three-year integrated medium-term plan in place for the period 2019-22, and although it had no other material financial transactions that were not in accordance with authorities nor used for the purposes

intended, I have issued a qualified opinion on the regularity of the financial transactions within the Health Board's 2020-21 accounts.

- 25 The Health Board's financial transactions must be in accordance with authorities that govern them. The Health Board must have the powers to receive the income and incur the expenditure. Our work reviews these powers and tests that there are no material elements of income or expenditure which the Health Board does not have the powers to receive or incur.
- 26 For 2020-21 the Health Board failed to meet both the first and the second financial duty. The first financial duty gives additional flexibility to NHS bodies by allowing them to balance their income with their expenditure over a three-year rolling period. The three-year period being measured under this duty this year is 2019-20 to 2021-22.
- 27 The Health Board did not manage its revenue expenditure within its resource allocation over this three-year period, exceeding its cumulative revenue resource limit of £2.755 billion by £95.3 million. Where an NHS body does not balance its books over a rolling three-year period, any expenditure over the resource allocation for those three years exceeds the NHS body's authority to spend and is therefore classed as 'irregular'.
- 28 The second financial duty requires NHS bodies to prepare and have approved by the Welsh Ministers a rolling three-year integrated medium-term plan. This duty is an essential foundation to the delivery of sustainable quality health services. An NHS body will be deemed to have met this duty for 2020-21 if it submitted a 2019-22 plan approved by its Board to the Welsh Ministers who then approved it by the 30 June 2019. This duty is unchanged from last year because due to the pandemic, the duty to prepare a new three-year plan for the period 2020-23 was paused, leaving the previous year's duty in place. The Health Board did not meet its second financial duty to have an approved three-year integrated medium-term plan in place for the period 2019-22.
- 29 Alongside my audit opinion, I placed a substantive report on the Health Board's financial statements to highlight the failure to achieve financial balance and to have an approved three-year plan in place, and to set out further detail on the Emphasis of Matter paragraph that I included in my audit opinion.
- 30 I have the power to place a substantive report on the Health Board's accounts alongside my opinions where I want to highlight issues. Due to the Health Board's failure to meet financial duties I issued a substantive report setting out the factual details: it failed its duty to achieve financial balance and it does not have an approved three-year plan in place (as set out above). The report also sets out more detail on the Emphasis of Matter paragraph in my audit opinion.

Arrangements for securing efficiency, effectiveness, and economy in the use of resources

- 31 I have a statutory requirement to satisfy myself that the Health Board has proper arrangements in place to secure efficiency, effectiveness, and economy in the use of resources. I have undertaken a range of performance audit work at the Health Board over the last 12 months to help me discharge that responsibility. This work has involved:
- examining how NHS bodies have responded to the challenges of delivering the Test, Trace, Protect programme.
 - reviewing the governance arrangements of the Welsh Health Specialised Services Committee.
 - reviewing how well the rollout of the COVID-19 vaccination programme was progressing.
 - reviewing how NHS bodies supported staff wellbeing during the COVID-19 pandemic.
 - undertaking a phased structured assessment of the Health Board's corporate arrangements for ensuring that resources are used efficiently, effectively, and economically.
 - reviewing the effectiveness of the Health Board's quality governance arrangements.
- 32 My conclusions based on this work are set out below.

Test, Trace, Protect programme

- 33 My work examined how public services responded to the challenges of delivering the Welsh Government's Test, Trace, Protect Programme (TTP). As well as commenting on the delivery of TTP up to and including December 2020, my report set out some key challenges and opportunities that will present themselves as part of the ongoing battle to control COVID-19.
- 34 I found that the different parts of the Welsh public and third sector had worked well together to rapidly build the TTP programme. The configuration of the system blended national oversight and technical expertise with local and regional ownership of the programme, and the ability to use local intelligence and knowledge to shape responses.
- 35 Arrangements for testing and contact tracing have evolved as the pandemic has progressed. But maintaining the required performance in these arrangements proved challenging in the face of increasing demand.
- 36 Despite increased testing and tracing activity, the virus continued to spread, and as in other parts of the UK and internationally, testing and tracing have needed to be

supplemented with local and national lockdown restrictions in an attempt to reduce transmission rates.

- 37 While a range of support mechanisms exist, it remains difficult to know how well the 'protect' element of TTP has been working in supporting people to self-isolate.

Welsh Health Specialised Services Committee governance arrangements

- 38 In May 2021, I published my review on the governance arrangements of the Welsh Health Specialised Services Committee (WHSSC). WHSSC is a joint committee made up of, and funded by, the seven local health boards in Wales. On a day-to-day basis, the Joint Committee delegates operational responsibility for commissioning to Welsh Health Specialised Services officers, through the management team. WHSSC, which is hosted by Cwm Taf Morgannwg University Health Board, has an annual budget of £680 million and makes collective decisions on the review, planning, procurement, and performance monitoring of specialised services for the population of Wales on behalf of health boards.
- 39 In 2015, two separate reviews highlighted issues with WHSSC's governance arrangements. Considering the time passed since the two reviews, together with increasing service and financial pressures and the changing landscape of collaborative commissioning, I felt it was timely to review WHSSC's governance arrangements.
- 40 My review found a number of improvements have been made to the overall governance arrangements in WHSCC since 2015. Good progress has been made to strengthen arrangements for quality assurance of specialised services, although scope still exists to increase the attention given to finance, performance, and quality reporting at Joint Committee. There is also a need to review the arrangements for recruiting and remunerating independent members that sit on the Joint Committee given some of the challenges in filling these roles. Current Joint Committee members have a healthy working relationship and operate well together. However, the current model creates potential conflicts of interest due to the fact some Joint Committee members are also the Chief Officers of the health bodies commissioned to provide specialised services.
- 41 My review found that arrangements for planning commissioned services are generally good and there is an improving focus on value. However, some key new services such as new service models for major trauma and thoracic surgery have taken a long time to agree and implement. My review also found that the COVID-19 pandemic has significantly affected the delivery of specialised services, and that the development of a plan for the recovery of specialised services should now be a priority. The Welsh Government's long-term plan for health and social care, A Healthier Wales, signals the intention to review a number of hosted national functions, including WHSSC, with the aim of 'consolidating national activity and clarifying governance and accountability'.

- 42 Whilst the governance arrangements for WHSSC have continued to improve, my report shows that there are still a number of facets of the WHSSC model that merit further attention.

Vaccination programme

- 43 My audit focused on the rollout of the COVID-19 programme in Wales up to June 2021, the factors that affected the rollout and future challenges and opportunities.
- 44 The vaccine programme has delivered at significant pace. At the time of reporting, vaccination rates in Wales were the highest of the four UK nations, and some of the highest in the world. The milestones in the Welsh Government's vaccination strategy provided a strong impetus to drive the programme and up to the time of reporting, the key milestones had been met.
- 45 The UK's Joint Committee on Vaccination and Immunisation (JCVI) guidance on priority groups was adopted but the process of identifying people within some of those groups has been challenging.
- 46 The organisations involved in the rollout have worked well to set up a range of vaccination models which make the best use of the vaccines available, while also providing opportunities to deliver vaccines close to the communities they serve.
- 47 Overall vaccine uptake to the time of reporting was high, but there was a lower uptake for some ethnic groups and in the most deprived communities. At the time of the audit, vaccine wastage was minimal, but concerns were emerging about non-attendance at booked appointments.
- 48 The international supply chain is the most significant factor affecting the rollout, with limited vaccine stock held in Wales. However, increasing awareness of future supply levels was allowing health boards to manage the vaccine rollout effectively.
- 49 As the programme moved into the second half of 2021, challenges presented themselves around encouraging take-up amongst some groups, vaccine workforce resilience and venue availability. A longer-term plan is needed to address these and other elements of the ongoing vaccination programme.

How NHS bodies supported staff wellbeing during the COVID-19 pandemic

- 50 My review considered how NHS bodies have supported the wellbeing of their staff during the pandemic, with a particular focus on their arrangements for safeguarding staff at higher risk from COVID-19.
- 51 NHS staff have shown tremendous resilience and dedication throughout the pandemic, despite facing huge strains to their mental and physical health. The NHS in Wales was already facing a number of challenges relating to staff wellbeing prior to the pandemic, and the crisis has highlighted the importance of supporting the mental and physical health of the NHS workforce.

- 52 Through my structured assessment work, I found that NHS bodies moved quickly at the beginning of the pandemic to enhance wellbeing initiatives to support staff through unprecedented times. As the pandemic unfolded, I found that NHS bodies in Wales implemented a range of measures to improve staff wellbeing, such as creating dedicated rest spaces, increasing mental health and psychological wellbeing provision, enhancing infection and prevention control measures, and enabling remote working.
- 53 My work also looked at how NHS bodies in Wales protected staff at higher risk from COVID-19. Amongst other safeguarding initiatives, I found that all bodies rolled out the All-Wales COVID-19 Workforce Risk Assessment Tool which identifies those at a higher risk and encourages a conversation about additional measures to be put in place to ensure staff are adequately protected. Although NHS bodies promoted and encouraged staff to complete the assessment tool, completion rates varied between NHS bodies.
- 54 While the crisis has undoubtedly had a considerable impact on the wellbeing of staff in the short term, the longer-term impacts cannot be underestimated. With a more emotionally and physically exhausted workforce than ever, NHS bodies in Wales must maintain a focus on staff wellbeing and staff engagement to navigate through the longer-term impacts of the crisis. My report, therefore, is accompanied by a checklist which sets out some of the questions NHS Board members should be asking to ensure their health bodies have good arrangements in place to support staff wellbeing.
- 55 At a local level, my structured assessment found that the Health Board continues to make a strong commitment to staff wellbeing and is leading the way with its discovery work to understand and learn from staff experiences during the pandemic.

Structured assessment

- 56 My structured assessment work was designed in the context of the ongoing response to the pandemic. I ensured a suitably pragmatic and relevant approach to help me discharge my statutory responsibilities, whilst minimising the impact on NHS bodies as they continue to respond to the pandemic. My team undertook the work into two phases this year:
- phase 1 considered the planning arrangements underpinning the development and delivery of the operational plan for quarters three and four of 2020-21.
 - phase 2 considered how corporate governance and financial management arrangements adapted over the year. Auditors also paid attention to progress made to address previous recommendations.

Operational planning arrangements

- 57 My work considered the Health Board's arrangements underpinning the operational plan for quarters three and four of 2020-21. The planning framework covered the maintenance of effective and efficient operational planning arrangements in health bodies to guide their response to the pandemic as well as responding to winter pressures and laying the foundations for effective recovery of services.
- 58 My work found that the Health Board's plan for quarters three and four was submitted to the Welsh Government within the required timeframe, covers the necessary areas within the planning framework guidance and received the required Board scrutiny, through the use of Board Seminars and the previous People, Planning and Performance Assurance Committee.
- 59 The Health Board's approach has increasingly enabled operational teams to drive the planning process, but further improvements were needed. The plan for quarters three and four lacked clear information about progress over the previous quarters, linkage with the development of supporting plans was not always evident, and planning capacity to support the process was stretched. There was reporting to Board on key areas within the plan for quarters three and four, but at the time of my review the Health Board did not have the necessary processes to monitor and review progress with its operational plans.

Governance arrangements

- 60 My work considered the Health Board's ability to maintain sound governance arrangements while having to respond to the unprecedented challenges presented by the pandemic. The key focus of the work has been the corporate arrangements for ensuring that resources are used efficiently, effectively, and economically. We also considered how business deferred in 2020 was reinstated and how learning from the pandemic is shaping future arrangements for ensuring continued good governance and recovery.
- 61 My work found that the Board continues to conduct business in an open and transparent way. The Health Board has maintained good governance arrangements, with committees working well and adapting accordingly to reduce the burden on staff. Information to support scrutiny and assurance is comprehensive and good use has been made of opportunities to keep independent members briefed. The Board is committed to reviewing its effectiveness and has made a number of positive changes to its committee structures to align scrutiny and assurance with its strategic and planning objectives.
- 62 A stable and cohesive board has largely been maintained during the pandemic and new independent members have been supported well into their roles. The Health Board has adapted its organisational design accordingly to maintain the rapid decision making and whole system working seen during the peaks in the pandemic. Transformation and building organisational capabilities are embedded within the structure and the appointment of the new Director of Strategic

Development and Operational Planning, and alignment of the new planning objectives across the executive director portfolio, have both enhanced an already cohesive executive team.

- 63 My work also found that the Health Board has well developed plans for continuing its response to COVID-19 and to reset and recover services, whilst looking to deliver its longer-term strategic intent. Partnerships appear to be working well and there has been good engagement with the public. Availability of additional capacity is presenting risks to the Health Board, but there are now good mechanisms in place to monitor and scrutinise delivery of its plan. The Health Board has reinvigorated its Board Assurance Framework which we have identified as good practice. Corporate risk management arrangements work well although issues with operational risk management have posed a risk to levels of assurance. Work is underway to address this.
- 64 The quality and safety of services (see **paragraph 65**) is a priority and the Health Board's Improving Together work is promoting a collegiate approach to improvement supported by an interactive performance dashboard. The Health Board continues to have robust arrangements for tracking audit and review recommendations.

Managing financial resources

- 65 I considered the Health Board's financial performance, financial controls and arrangements for monitoring and reporting financial performance.
- 66 I found that the Health Board was unable to meet its financial duties for 2020-21, ending the year with a deficit of £24.9 million. The Health Board is on track to deliver its financial plan for 2021-22 but is managing a number of risks which could have consequences for future years, and it will continue to fail to meet its financial duties due to a planned year-end deficit of £25 million.
- 67 The Health Board continues to maintain appropriate financial controls and is working hard to strengthen financial management to support longer term sustainability but capacity within operational teams to develop recurring saving schemes is hindering delivery. The Health Board has robust arrangements in place for monitoring and scrutinising its financial position, supported by comprehensive and transparent reporting.

Quality governance arrangements

- 68 My audit examined whether the organisation's governance arrangements support delivery of high quality, safe and effective services. The review focused on both the operational and corporate approach to quality governance, organisational culture and behaviours, strategy, structures and processes, information flows and reporting.
- 69 I found that the Health Board's recent work to align its strategic objectives, planning priorities and quality improvement priorities has strengthened its ability to

ensure that quality improvement is at the 'heart' of its governance arrangements. The Health Board has an established values and behaviours framework, and staff are generally confident to report concerns. The Health Board is committed to listening and learning and ensuring that best practice is shared and communicated, including through the Listening and Learning Sub-Committee of the Quality, Safety and Experience Sub-Committee.

- 70 Corporate responsibility for quality and safety is well established, and there is good support from corporate teams for operational staff. The Health Board has also developed innovative approaches to strengthen resources and capacity for patient experience. There is growing use of quality and safety outcome indicators to help guidance planning and monitoring arrangements including the implementation of the four quadrants of harm.
- 71 However, my work found that assurances to the Board are limited by inconsistencies in operational risk management, failure to update some risk entries in the operational risk register in line with corporate policy, and shortcomings in the content of registers. While corporate responsibility and structures for quality and patient safety are clearly established, at an operational level leadership, resources, and arrangements to support quality governance remain inconsistent. The way in which risks and issues are reported up through sub-committees and committees to the Board sometimes leads to a dilution of the message being communicated.

Appendix 1

Reports issued since my last annual audit report

Exhibit 2: reports issued since my last annual audit report

The following table lists the reports issued to the Health Board in 2021.

Report	Date
Financial audit reports	
Audit of Financial Statements Report	June 2021
Opinion on the Financial Statements	June 2021
Audit of Charitable Funds Report	December 2021
Performance audit reports	
Doing it Differently, Doing it Right? (Structured Assessment 2020 All-Wales themes, lessons and opportunities relating to NHS governance during COVID-19)	January 2021
Test, Trace, Protect in Wales: An Overview of Progress to Date	March 2021
Welsh Health Specialised Services Committee Governance Arrangements	May 2021
Rollout of the COVID-19 vaccination programme in Wales	June 2021
Structured Assessment 2021: Phase 1 Operational Planning Arrangements	June 2021

Report	Date
Taking care of the carers? (Structured Assessment 2020 All-Wales themes, lessons and opportunities relating to NHS staff wellbeing during COVID-19)	October 2021
Quality Governance Review	October 2021
Structured Assessment 2021: Phase 2 Corporate Governance and Financial Management Arrangements	December 2021
Other	
2021 Audit Plan	February 2021

My wider programme of national value for money studies in 2021 included reviews that focused on the NHS and pan-public-sector topics. These studies are typically funded through the Welsh Consolidated Fund and are presented to the Public Accounts Committee to support its scrutiny of public expenditure. Reports are available on the [Audit Wales website](#).

Exhibit 3: performance audit work still underway

There are a number of performance audits that are still underway at the Health Board. These are shown in the following table, with the estimated dates for completion of the work.

Report	Estimated completion date
Unscheduled care	Phase 1 – February 2022 Timing of further work included as part of the 2022 plan still to be confirmed.
Orthopaedics	March 2022
Review of the sustainable use of RTT monies	March 2022

Appendix 2

Audit fee

The 2021 Audit Plan set out the proposed audit fee of £371,355 (excluding VAT). My latest estimate of the actual fee, on the basis that some work remains in progress, is in keeping with the fee set out in the outline.

Appendix 3

Financial audit risks

Exhibit 4: financial audit risks

My 2021 Audit Plan set out the financial audit risks for the audit of the Health Board's 2020-21 financial statements. The table below lists these risks and sets out how they were addressed as part of the audit.

Audit risk	Proposed audit response	Work done and outcome
The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].	The audit team will: <ul style="list-style-type: none">• test the appropriateness of journal entries and other adjustments made in preparing the financial statements;• review accounting estimates for biases; and• evaluate the rationale for any significant transactions outside the normal course of business.	Work undertaken as proposed and no matters arising in respect of management override.
There is a significant risk that you will fail to meet your first financial duty to break even over a three-year period. The position at month 9 shows a forecast year-end deficit of £25 million. This combined with the outturns for 2018-19 and 2019-20, predicts a three-year deficit of £95.4 million.	The audit team will focus its testing on areas of the financial statements which could contain reporting bias.	Work undertaken as proposed and no matters arising in respect of reporting bias, but our regularity opinion qualified in respect of failure to meet this financial duty.

Audit risk	Proposed audit response	Work done and outcome
<p>Where you fail this financial duty, we will place a substantive report on the financial statements highlighting the failure and qualify your regularity opinion. Your current financial pressures increase the risk that management judgements and estimates could be biased in an effort to achieve the financial duty.</p>		
<p>The COVID-19 national emergency continues and the pressures on staff resource and of remote working may impact on the preparation and audit of accounts. There is a risk that the quality of the accounts and supporting working papers may be compromised leading to an increased incidence of errors. Quality monitoring arrangements may be compromised due to timing issues and/or resource availability.</p>	<p>We will discuss your closedown process and quality monitoring arrangements with the accounts preparation team and monitor the accounts preparation process. We will help to identify areas where there may be gaps in arrangements.</p>	<p>Work undertaken as proposed. No matters arising in respect of closedown processes, quality monitoring arrangements or the accounts preparation process.</p>
<p>The increased funding streams and expenditure in 2020-21 to deal with the COVID-19 pandemic will have a significant</p>	<p>We will identify the key issues and associated risks and plan our work to obtain the assurance needed for our audit.</p>	<p>Work undertaken as proposed and one matter arising in respect of the lack of a robust system to collect annual leave balances that contribute</p>

Audit risk	Proposed audit response	Work done and outcome
<p>impact on the risks of material misstatement and the shape and approach to our audit. Examples of issues include accounting for field hospitals and their associated costs; fraud, error and regularity risks of additional spend; valuation of year-end inventory including PPE; and estimation of annual leave balances.</p>		<p>to the year-end annual leave provision.</p>
<p>The implementation of the 'scheme pays' initiative in respect of the NHS pension tax arrangements for clinical staff is ongoing. Last year we included an Emphasis of matter paragraph in the audit opinion drawing attention to your disclosure of the contingent liability. However, if any expenditure is made in year, we would consider it to be irregular as it contravenes the requirements of Managing Public Monies.</p>	<p>We will review the evidence one year on around the take up of the scheme and the need for a provision, and the consequential impact on the regularity opinion.</p>	<p>Work undertaken as proposed. No such expenditure incurred, but I placed an Emphasis of Matter paragraph in my report to draw attention to disclosures in the accounts in note 21 relating to the impact of a Ministerial Direction issued on 18 December 2019 to the Permanent Secretary of the Welsh Government.</p>
<p>Introduction of IFRS 16 Leases has been deferred until 1 April 2022 and may pose</p>	<p>The audit team will undertake some early work to review preparedness for the</p>	<p>Work ongoing</p>

Audit risk	Proposed audit response	Work done and outcome
implementation risks. There is considerable work required to identify leases and the COVID-19 national emergency may pose implementation risks.	introduction of IFRS 16 Leases.	



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

Structured Assessment 2021 (Phase Two) – Corporate Governance and Financial Management Arrangements: Hywel Dda University Health Board

Audit year: 2021

Date issued: January 2022

Document reference: 2776A2021-22

This document has been prepared for the internal use of Hywel Dda University Health Board as part of work performed in accordance with statutory functions.

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Summary report

About this report

- 1 This report sets out the findings from phase two of the Auditor General's 2021 structured assessment work at Hywel Dda University Health Board (the Health Board). Our structured assessment work is designed to help discharge the Auditor General's statutory requirement to be satisfied that NHS bodies have made proper arrangements to secure economy, efficiency, and effectiveness in their use of resources under section 61 of the Public Audit (Wales) Act 2004. Our 2021 structured assessment phase one report considered the Health Board's operational planning arrangements and how these are helping to lay the foundations for effective recovery.
- 2 The COVID-19 pandemic required NHS bodies to quickly adapt their corporate governance and decision-making arrangements to ensure timely action was taken to respond to the surge in emergency COVID-19 demand and to ensure the safety of staff and patients. Our 2020 structured assessment report considered the Health Board's revised governance arrangements and was published in September 2020.
- 3 NHS bodies have continued to respond to the ongoing challenges presented by COVID-19, whilst also starting to take forward plans for resetting and recovering services affected by the pandemic. Our 2021 structured assessment work, therefore, was designed in the context of the ongoing response to the pandemic thus ensuring a suitably pragmatic approach to help the Auditor General discharge his statutory responsibilities whilst minimising the impact on NHS bodies as they continued to respond to COVID-19.
- 4 Phase two of our 2021 structured assessment has considered how corporate governance and financial management arrangements have adapted over the last 12 months. The key focus of the work has been on the corporate arrangements for ensuring that resources are used efficiently, effectively, and economically. We have also considered how business deferred in 2020 has been reinstated and how learning from the pandemic is shaping future arrangements for ensuring good governance and delivering value for money. We have also sought to gain an overview of the Board's scrutiny of the development and delivery of the Health Board's 2021-22 Annual Recovery Plan.

Key messages

- 5 Overall, we found that the Health Board has effective Board and committee arrangements, is committed to high quality services and staff wellbeing, and has well-developed plans which are now routinely monitored. A number of innovative approaches have been adopted to aid scrutiny and assurance, and although operational arrangements for risk and quality governance have posed some risks, improvement action is now underway. While the Health Board continues to face significant financial challenges, it has maintained effective financial controls and monitoring and reporting is robust. The Health Board is working hard to achieve

financial recovery but is managing a number of risks and delivery is being hindered by operational capacity to develop recurring saving schemes.

- 6 The Board continues to conduct business in an open and transparent way. The Health Board has maintained good governance arrangements, with committees working well and adapting accordingly to reduce the burden on staff. Information to support scrutiny and assurance is comprehensive and good use has been made of opportunities to keep independent members briefed. The Board is committed to reviewing its effectiveness and has made a number of positive changes to its committee structures to align scrutiny and assurance with its strategic and planning objectives. A stable and cohesive board has largely been maintained during the pandemic and new independent members have been supported well into their roles. The Health Board has adapted its organisational design accordingly to maintain the rapid decision making and whole system working seen during the peaks in the pandemic. Transformation and building organisational capabilities are embedded within the structure and the appointment of the new Director of Strategic Development and Operational Planning, and alignment of the new planning objectives across the executive director portfolio, have both enhanced an already cohesive executive team.
- 7 The Health Board has well developed plans for continuing its response to COVID-19 and to reset and recover services, whilst looking to deliver its longer-term strategic intent. Partnerships appear to be working well and there has been good engagement with the public. Availability of additional capacity is presenting risks to the Health Board, but there are now good mechanisms in place to monitor and scrutinise delivery of its plan. The Health Board has reinvigorated its Board Assurance Framework which we have identified as good practice. Corporate risk management arrangements work well although issues with operational risk management have posed a risk to levels of assurance. Work is underway to address this. The Health Board continues to make a strong commitment to staff wellbeing and is leading the way with its discovery work to understand and learn from staff experiences during the pandemic. The quality and safety of services is a priority and the Health Board's Improving Together work is promoting a collegiate approach to improvement supported by an interactive performance dashboard. Operational quality governance arrangements have also posed a risk, but steps are being taken to strengthen these. The Health Board continues to have robust arrangements for tracking audit and review recommendations.
- 8 The Health Board was unable to meet its financial duties for 2020-21, ending the year with a deficit of £24.9 million. The Health Board is on track to deliver its financial plan for 2021-22 but is managing a number of risks which could have consequences for future years, and it will continue to fail to meet its financial duties due to a planned year-end deficit of £25 million. The Health Board continues to maintain appropriate financial controls and is working hard to strengthen financial management to support longer term sustainability but capacity within operational teams is hindering its ability to achieve financial recovery. The Health Board has

robust arrangements in place for monitoring and scrutinising its financial position, supported by comprehensive and transparent reporting

Recommendations

- 9 We have not made any new recommendations based on our 2021 phase two work but have noted a number of minor improvement opportunities throughout this report. We will review progress against these as part of our 2022 work.

Detailed report

Governance arrangements

- 10 Our structured assessment work considered the Health Board's governance arrangements while continuing to respond to the challenges presented by the pandemic.
- 11 We found that **the Health Board has effective Board and committee arrangements, is committed to high quality services and staff wellbeing, and has well-developed plans which are now routinely monitored. A number of innovative approaches have been adopted to aid scrutiny and assurance, and although operational arrangements for risk and quality governance have posed some risks, improvement action is now underway.**

Conducting business effectively

- 12 We found that **the Board continues to conduct business in an open and transparent way and has maintained good governance arrangements which have been appropriately adapted when needed. The Health Board is committed to reviewing its Board effectiveness and has made a number of positive changes to its committee structures. A relatively stable and cohesive Board and executive team has been maintained and the learning from the pandemic has been incorporated into organisational design.**

Public transparency of Board business

- 13 The Health Board has continued to hold Board and committee meetings virtually. Attendance levels have been good. Virtual meeting etiquette is now well established, with Board and committee meetings making good use of the technology available. There have been no major IT connectivity issues except for a connection problem which occurred during the July 2021 Board meeting, however this was dealt with effectively and swiftly. The Health Board plans to continue with the virtual arrangements but is looking to bring back face to face Board meetings as soon as it is safe to do so.
- 14 Board and committee papers are available on the Health Board's website ahead of meetings. Members of the public are invited to observe, and the Health Board makes good use of its media channels to promote upcoming Board meetings. Additional Board meetings have been held during the year to enable decisions to be made ahead of Welsh Government deadlines. All Board meetings have continued to be livestreamed, reflecting the Board's ongoing commitment to public transparency. Recordings are available to view on the Health Board's website immediately after the event. The Community Health Council continue to be regular attenders at the Board meeting.
- 15 The extent to which Board and committee business is discussed in private is kept to a minimum. The Health Board includes a summary of the discussions in its

committee update report to the public board meeting. A number of other NHS bodies in Wales include a redacted set of minutes of its private meetings in the public board papers. The Health Board may want to consider reviewing the approaches of other NHS bodies to see if there are other ways of increasing its public transparency further.

Board and committee arrangements

- 16 To respond to the immediate challenges of the COVID-19 pandemic, the Health Board made temporary amendments to the frequency of meetings, the streamlining of agendas and the standing down of some committees. These amendments were facilitated by temporary variation from parts of the Health Board's standing orders which were agreed by the Board in April 2020. These arrangements worked well and were constantly kept under review by the Board.
- 17 In July 2020, the Board and Quality, Safety & Experience Committee reverted to bi-monthly meetings, with the frequency of all other committees running as normal. The Board and committees were able to be maintained during the second peak of COVID-19, and when required the Quality, Safety & Experience Committee increased its frequency to maintain oversight of the pandemic's impact on patient care. The Finance Committee continued to meet monthly, as it was doing prior to the pandemic. The temporary variations to the standing orders were formally stood down in May 2021.
- 18 The Health Board has retained its focus on reducing the burden on executive director's time, with attendance only as and when required at committees, and a streamlined approach to agendas supported by a paper light approach. A tight focus on the length of Board and committee meetings has also been maintained. Agenda items deferred during 2020 were kept to a minimum, and these have now all been reinstated.
- 19 Board and committee papers are made available to independent members in line with deadlines set out in standing orders. Board agendas are comprehensive, and papers are generally in the region of 400 pages per meeting. Committee papers are also comprehensive and in the region of between 250 and 350 pages per meeting. The use of presentations, verbal updates and interactive data tools has enabled the paper light approach mentioned in **paragraph 18**.
- 20 Use of the Health Board's SBAR report¹ is well embedded within Board and committee meetings to support independent members understanding of the key issues in each agenda item and what is expected of them. The report is used for all internal papers and also ensures that Board and committee agenda items are linked to the Health Board's strategic objectives, and any impact of decisions is clearly understood.

¹ Situation, background, assessment, and recommendation.

- 21 Our observations of Board and committee meetings has found them to be well chaired, with focused discussions on key items, and contributions made by all attendees. There is good cross referral between committees, supported by the newly established committee chairs meetings. Committee chairs are included in the agenda setting for each committee meeting, and reports of each committee meeting are presented to the Board. Chairs of committees have also retained a touchpoint meeting with the relevant lead executive officer between committee meetings.
- 22 The register of interests for all Board members is kept up to date and presented at the Audit and Risk Assurance Committee annually. Each Board and committee meeting includes a standing agenda item to declare any conflicts of interest in respect of any agenda items.
- 23 A regular programme of Board seminars and development sessions have been held during 2021. These have enabled independent members to be engaged more informally in wider strategic discussions and development activities. The Chair and Chief Executive have also retained briefing sessions with independent members to keep them up to speed on urgent issues. An electronic Resource Centre also allows independent members to have ongoing direct access to information pertaining to the pandemic. As was the case in 2020, there has been limited need to make use of Chair's Actions, but when required, these receive appropriate scrutiny and challenge, and are ratified at the following Board meeting.

Board commitment to continuous improvement

- 24 The Health Board is proactive in reviewing the effectiveness of its Board and committees. The Board undertook a detailed review of its arrangements in May 2021 to support its Annual Governance Statement. The review drew on a wide range of internal and external assessments that are undertaken throughout the year, including self-assessments and annual reports of each of the committees. Using a matrix assessment, the Board agreed a maturity level four defined as 'we have well developed plans and processes and can demonstrate sustainable improvement throughout the service'. This is an improvement on the previous financial year, from level three. The Health Board has previously committed to being one of two NHS bodies in Wales to pilot a new annual assessment approach developed through the NHS Wales Board Secretaries Network. The need to maintain an agile approach in response to the pandemic has however, meant that this new approach has been deferred for the time being.
- 25 One of the areas identified in the Board's effectiveness review was the need to redesign independent member development and tailor local induction. The Health Board has developed a comprehensive induction pack for new independent members. During 2021, there have been three new independent members. Previously we have commended the Health Board for its ability to provide a transition period between outgoing and incoming independent members. However, delays with the national recruitment process have meant that a transition period

was not able to be facilitated for the recent appointments. However, the Health Board has worked hard to ensure that new independent members have had opportunities to be supported by more experienced independent members and have access to executive directors where relevant. Gaps between outgoing and incoming independent members have been minimal, with no implications on attendance or continuity at Board and committee meetings.

- 26 In the latter part of 2020, the Health Board revisited its strategic vision and undertook a comprehensive review of its previous commitments. This work resulted in a refreshed set of strategic objectives and supporting planning objectives which were used to shape the 2021-22 Annual Recovery Plan. To ensure appropriate oversight, each objective was mapped to the Board or an existing committee at that time. This resulted in a number of changes being proposed to the committee structure to better align scrutiny and assurance with the objectives. The outcome of the mapping exercise was shared at a Board seminar in April 2021. A formal paper was subsequently presented and approved by the Board in May 2021 setting out proposed changes to committees. Formal revisions to governance arrangements were approved in July 2021 and the new committees took effect in August 2021. The changes included:
- The establishment of the Strategic Development & Operational Delivery Committee, to replace the 'planning' and 'performance' elements of the previous People, Planning and Performance Assurance Committee.
 - The establishment of the People, Organisational Development & Culture Committee, to replace the 'people' element of the previous People, Planning and Performance Assurance Committee.
 - The establishment of the Sustainable Resources Committee, to replace the previous Finance Committee, and provide a broader focus than finance, also reducing the meeting frequency to bi-monthly.
 - The renaming of the previous Quality, Safety and Experience Assurance Committee to the Quality, Safety and Experience Committee.
- 27 Although still in their infancies, the new committees have embedded well, and as mentioned in **paragraph 21**, we have found all committees to be chaired well. The Board has made a commitment to keep these committees under review and amend as necessary.
- 28 Throughout the pandemic, the Health Board has maintained its Stakeholder Reference Group and Healthcare Professionals Forum. It has also maintained its Staff Partnership Forum and its Ethics Panel established to support ethical decision-making in response to the pandemic. The Health Board has also further developed its mechanism for ensuring it hears and involves views from diverse and minority groups. The Health Board had considered establishing a Diversity and Inclusion Advisory Group to the Board, which incorporates its Black, Asian, and Minority Ethnic (BAME) Advisory Group set up in 2020, and its Enfys LGBTQ+ Network. Further discussion on how this agenda is taken forward is currently being taken through the People, Organisational Development & Culture Committee.

Ensuring organisational design supports effective governance

- 29 The Health Board formally stood down its command structure in March 2021, whilst retaining the flexibility to stand elements of it back up should there be a resurgence in COVID-19 cases. Weekly Executive Team meetings were reinstated with a focus on reviewing progress and co-ordinating and updating the ongoing response to the pandemic, as well as the wider routine business. Provision for on-request Gold Command meetings was made and a number of these have been held since March 2021 on specific issues. A number of COVID-19 related cells remain in place, such as the public health cell. Each cell reports directly into the Executive Team.
- 30 The Health Board's Silver (tactical) Command is still meeting but the learning from the Silver Command has also been incorporated into the establishment of an Operational Planning & Delivery Programme Group which meets on a weekly basis. The group brings together key leaders from across the organisation and aids whole system discussions and agile working seen during the response to the pandemic. The learning from the Bronze Command has resulted in the establishment of Planning Objective Delivery Groups aligned with planning objectives. This includes delivery groups for Urgent and Emergency Care, and Planned Care. Operational delivery is also supported by the establishment of monthly operational business meetings with the Director of Operations and the clinical directorates.
- 31 The Strategic Enabling Group, first established to support the Health Board's transformation agenda, has been refreshed to focus on building organisational capabilities to aid and accelerate delivery of the planning objectives. This includes aspects such as value-based healthcare, the use of digital and intelligence, and innovative approaches relating to social value not necessarily seen in other NHS bodies. The group is chaired by the Director of Finance.
- 32 The Health Board's Transformation Steering Group, first established in June 2020, has also been refreshed as an advisory group to the Board. The Transformation Steering Group provides a forum for seeking new ways to meet the Health Board's longer-term strategic vision and capturing new and innovative ideas from across the organisation. Outputs from the group translate into potential planning objectives for future years. The Health Board has retained its previous Associate Member for Finance by successfully appointing them as a strategic advisor to provide independent challenge to the Board. A further three strategic advisors have also been appointed, one focused on value-based healthcare, one on transformation and social value, and one on community engagement. The Strategic Advisor for Transformation is a member of the Transformation Steering Group.
- 33 The Health Board has largely maintained continuity within its executive director cohort during the pandemic. The new Director of Strategic Development and Operational Planning commenced in April 2021 and has brought a refreshed and welcomed perspective to the way the Health Board plans its services. All executive directors have been assigned planning objectives and where COVID-19 restrictions

have allowed, the Executive Team have held a number of team development sessions to continue building on its already strong and cohesive team working.

Planning for recovery²

- 34 We found that **the Health Board has well developed plans for continuing its response to COVID-19 and to reset and recover services, whilst also laying the foundations to deliver its longer-term strategic intent. Partnerships are working well and there has been good engagement with the public. Availability of additional capacity is presenting risks to the Health Board, but there are now good mechanisms in place to monitor and scrutinise delivery of its plans.**
- 35 The COVID-19 pandemic has had an unprecedented impact, and the need for the Health Board to respond has come at a huge cost to its ability to deliver routine services. In line with Welsh Government guidance, the Health Board developed its 2021-22 Annual Recovery Plan, which sets out how it plans to manage the ongoing response to the pandemic and implement the reset and recovery of services.
- 36 Independent members were given early sight of the developing plan during Board seminars from December 2020 onwards. The Board formally discussed the draft plan at its March 2021 private meeting and approved it subject to a number of amendments prior to submission to the Welsh Government.
- 37 Feedback from the Welsh Government was broadly positive but reflected that the plan was overly long. The feedback recognised the Health Board's strong strategic intent, with a positive focus on primary and community care, mental health and learning disabilities, and regional solutions. A number of improvements were addressed in the final plan, these included:
- better triangulation between activity, workforce, and financial requirements.
 - clearer alignment with NHS planning priorities.
 - greater clarity on the plans for recovery of planned care, the support for urgent and emergency services, and the ongoing response to COVID-19.
 - better clarity of deliverables and the timescales for delivery.
- 38 The final plan was approved by the Board in June 2021 and submitted to the Welsh Government in line with the required timescales.
- 39 In 2018, the Health Board launched its 20-year strategy 'A Healthier Mid and West Wales - Our Future Generations Living Well'. In light of the pandemic, the Health

² NHS bodies are required to submit a three-year Integrated Medium-Term Plan (IMTP) to the Welsh Government on an annual basis. The Welsh Government paused the IMTP process for 2020-23 in March 2020, to allow NHS bodies to focus on responding to the COVID-19 pandemic. Instead, health bodies were required to submit quarterly plans during 2020-21 as well as prepare an annual plan for 2021-22 by 31 March 2021. Our 2021 structured assessment phase one report considered the Health Board's operational planning arrangements.

Board has reviewed its strategy and confirmed that it is still fit for purpose. The Annual Recovery Plan has been set in the context of the strategy but also builds on its discovery work undertaken in 2020. The discovery work sought to learn from the pandemic response and how that learning can be applied to accelerate delivery of the strategy. The Annual Recovery Plan has also taken account of revised wellbeing objectives which were agreed in 2020.

- 40 The Health Board has seen significant growth in the number of patients waiting for planned care, whilst continuing to respond to the needs of patients with COVID-19. The Annual Recovery Plan sets out how the Health Board intends to increase activity, reduce waiting times, and improve access to services, making use of regional solutions where practical to do so. In June 2021, the Health Board received additional funding of £11.3 million to support the recovery of planned care services. A further £9.5 million was received in October 2021. This funding is being used to provide additional internal and external capacity to respond to the increasing backlog of activity. Challenges associated with available capacity, particularly within the independent sector, are however, presenting risks to the Health Board's ability to spend the funds. At its November in-committee meeting, the Board formally agreed to hand £10.1 million back to the Welsh Government.
- 41 The Annual Recovery Plan recognises the key milestones needed in year to support delivery of the longer-term strategy, particularly in relation to business cases for the new hospital build. Despite the pandemic, extensive work is progressing to develop the new hospital programme business case ahead of the March 2024 deadline. During May and June 2021, the Health Board undertook a public engagement exercise to understand how the pandemic had impacted its local population and the implications for its strategy. The exercise also sought views on potential locations for the new hospital and the factors that the Health Board needs to consider in respect of the location. The exercise attracted a good level of engagement.
- 42 As mentioned in **paragraph 26**, the 2021-22 Annual Recovery Plan consists of a number of strategic and planning objectives. Our 2021 structured assessment phase one report identified the need for the Health Board to develop its processes for monitoring delivery of its plans. All planning priorities in the 2021-22 Annual Recovery Plan have been assigned a responsible lead executive director, and a committee for scrutiny and assurance. Delivery of the planning objectives is overseen by the Executive Team and reported to the Board on a quarterly basis. A new monitoring report, using RAG³ ratings, has been developed. The report sets out progress against each planning objective, and mitigating actions where delivery is behind profile. Progress against delivery of planning objectives is also reflected in the Health Board's Board Assurance Framework (**paragraph 45**).
- 43 The Health Board is working closely with its partners to deliver its Annual Recovery Plan. Regional solutions with Swansea Bay University Health Board are helping to

³ Red, Amber and Green.

respond to pent up demand in ophthalmology as well as a number of other priority areas. Work with the Mid Wales Healthcare Collaborative has also focused attention on improving clinical pathways for Bronglais District General Hospital. The Health Board has continued to work very closely with the three local authorities, with the Vice Chair now chairing the Regional Partnership Board and the Joint Integrated Executive Team continues to meet on a regular basis. Joint solutions have been developed to respond to the shortage in domiciliary care provision, including the development of a domiciliary bridging service.

Systems of assurance

- 44 We found that **the Health Board is committed to delivering high quality services and supporting staff wellbeing. An innovative approach to enable effective scrutiny of strategic risks and outcomes is in place through the interactive Board Assurance Framework and performance dashboard. The Health Board has a well-managed approach to monitoring the implementation of audit and review recommendations. Operational risk and quality governance arrangements have posed a risk to receiving the required levels of assurance, but work is now underway to address these.**

Managing risk

- 45 In our previous structured assessment, we referred to the Health Board planning to undertake a refresh of its Board Assurance Framework in 2020 to reflect its strategic vision. Due to the impact of the pandemic, this work was temporarily delayed. The Health Board has since revisited its Board Assurance Framework to reflect the revised strategic and planning objectives (referred to in **paragraph 26**). A reinvigorated interactive Board Assurance Framework was approved by the Board in September 2021.
- 46 The Health Board should be commended on its Board Assurance Framework, and although still evolving, it is identified as a model of good practice. As well as identifying the principal risks to delivery of the Health Board's objectives, the controls and assurances, the Board Assurance Framework also seeks to align outcomes against strategic objectives, and delivery against its planning objectives. The interactive tool is designed to allow independent members see at a glance, areas of concern, the actions being taken, and assurances are provided through the relevant committees. At the time of writing, areas of concern include slow progress against delivery of planning objectives, slow or no impact on agreed outcome measures, and significant risks to the achievement of strategic objectives, where there is little confidence in the assurances provided. The Board Assurance Framework is currently being reported to the Board at every meeting with the Audit, Risk & Assurance Committee maintaining oversight of the strength of controls and assurances. The principal risks within the Board Assurance Framework are assigned to the most appropriate committee.

- 47 The Health Board's corporate risk register is also reported to every other Board meeting, with risks assigned to, and monitored through the relevant committee. The Health Board has revisited its corporate risks through discussions with independent members and consideration of specific risks in committees. Principal risks have also been discussed and agreed through executive team workshops. During 2021, the Health Board also updated guidance to the Board in relation to its tolerance and appetite for risk. A further review of the Health Board's appetite for risk has been deferred until 2022-23. The Executive Team maintain regular oversight of the corporate risk register. As per our 2020 structured assessment, COVID-19 specific risks are incorporated within the corporate risk register.
- 48 Internal Audit plans to review the Health Board's Board Assurance Framework and risk management arrangements in early 2022. A number of Internal Audit reviews undertaken 2021 focused on governance arrangements within individual directorates. These reviews identified operational risks not being updated and actions to mitigate risks being overdue. Our quality governance review (referred to later in this report) which focused specifically on quality risks, also found inconsistencies in operational risk management, failures to update risk registers and confusion over responsibilities for risk.
- 49 As part of its revised governance arrangements to respond to the pandemic, the Health Board set out a streamlined approach to risk management. This involved standing down the monitoring and scrutiny of operational risks but maintained a requirement for operational teams to manage existing risks and any new risks to prevent harm, minimise loss and reduce damage. Prior to the pandemic, operational risks were scrutinised through monthly executive performance reviews with directorates. Although the revised governance arrangements have since been stood down, the Health Board has ceased its pre-pandemic performance arrangements. The existing arrangements were replaced by the Improving Together approach, which adopts a much more collegiate approach to improvement. This approach is currently being rolled out (discussed further in **paragraph 57**). In the meantime, work has been undertaken to strengthen operational risk arrangements in response to our quality governance work. This has included an executive led review of each directorate's risk registers and included the Head of Assurance and Risk. The Health Board plans to include these reviews as part of an ongoing programme.

Quality and safety assurance⁴

Staff wellbeing arrangements

- 50 The Health Board places staff wellbeing as a significant priority. In 2019, the Health Board developed its ten-year Workforce, Organisational Development and Education Strategy for the period 2020-2030. Staff wellbeing features prominently within the strategy. The impact of the pandemic led to the need to accelerate some of the key aspects of the strategy. Supported by a Bronze Workforce Group, the Health Board undertook a number of actions to ensure that staff were supported. This included the establishment of the Rest, Recovery and Recuperation Reference Group during the peak of the pandemic, and the BAME Advisory Group with a direct reporting line to Board. This also included the rollout of the risk assessment tool to identify staff at risk from the COVID-19 virus, additional investment in the Staff Psychological Wellbeing Service, and the creation of local resources such as 'listening spaces' through the use of charitable funds.
- 51 Rest, recovery, and recuperation of staff underpins three of the Health Board's strategic objectives⁵ in its Annual Recovery Plan 2021-22. These are supported by a number of planning objectives which includes conducting a second discovery review to understand the experiences of staff during the pandemic and what is needed to help them recover. The findings of the discovery review⁶ were presented to the Board in July 2021 and is the first such review to be undertaken across Wales. Working with the West Wales Research, Innovation and Improvement Hub, the comprehensive review sought views from a wide range of staff.
- 52 The findings of the discovery review will be used to help shape the approaches to rest, recovery and recuperation over the next two years including a 'thank you offering' to staff. The report includes a number of recommendations which includes legitimising time for pause and reflect within the working day. Actions have been developed in conjunction with staff, with the People, Organisational Development and Culture Committee maintaining oversight of the action plan, along with the delivery of the other workforce related planning objectives and the workforce strategy.

⁴ We have limited the work we have undertaken on quality governance arrangements as part of our 2021 structured assessment as we have undertaken a separate review of quality governance arrangements at the Health Board. The review has considered whether the organisation's governance arrangements support delivery of high quality, safe and effective services. Our findings were reported in October 2021.

⁵ The three strategic objectives are 'putting people at the heart of everything we do, working together to be the best we can be, and striving to deliver and develop excellent services'.

⁶ [Discovery Report: Understanding the staff experience in Hywel Dda University Health Board during the 2020-21 pandemic](#)

- 53 The People, Organisational Development and Culture Committee also receives assurance on a wide range of other workforce aspects including a regular update on the workforce dashboard which includes aspects such as sickness absence, performance and development review compliance and the use of annual leave.
- 54 Throughout the pandemic, the Health Board has maintained its programme of appreciation and recognition of staff to support staff wellbeing. In April 2021, the Health Board also introduced a reverse mentoring scheme for Board members to learn from a selection of staff across the organisation about what it is like to be an employee. A mid-term session to share the learning was held in October 2021, with a final session due to be held in March 2022.

Quality and safety of services

- 55 The quality and safety of services is an integral part of the Health Board's strategic vision and 2021-22 Annual Recovery Plan. The Health Board has a number of quality improvement priorities and supported by its Quality Improvement Strategic Framework 2018-2021, is working to develop its Quality Management System although progress with this has been delayed due to the pandemic.
- 56 The Health Board's Integrated Performance Assurance Report is the main vehicle for providing assurance to the Board and committees on how the Health Board is performing against national and local performance and quality measures. The report provides a clear update on declining measures and those requiring significant improvement, and also sets out very clearly the actions that are being taken. The report is supported by an interactive tool which has evolved throughout 2021. The tool should also be commended as good practice. Following the NHS Wales Planning Framework, the Health Board has adopted a performance framework to reflect the four quadrants of harm⁷. The Integrated Performance Assurance Report uses a rating system to provide independent members with an overview of areas of concern in relation to the four quadrants.
- 57 The Health Board has adapted its performance management framework to focus on Improving Together, in recognition of the collective sense of action seen during the pandemic. Improving Together brings together a range of improvement activities, including quality initiatives, supported by improved visualisation of key data. As a result, the Health Board has moved to using statistical process charts to report on its improvement measures. This way of presenting makes it easier to identify when significant changes are needed to improve performance. These areas are highlighted in the Integrated Performance Assurance Report to the Board and committees. Improving Together is currently being rolled out across the Health Board.

⁷ Harm from COVID-19 itself, an overwhelmed NHS and social care system, a reduction in non-COVID-19 activity and from wider societal actions/ lockdown.

- 58 The Board also receives a regular Improving Patient Experience Report which draws on a range of intelligence including concerns, feedback from the Health Board's Patient Advice and Liaison Service (PALS), and the Public Sector Ombudsman for Wales. The Board and its committees also receive more detailed reports on specific areas of concern, for example, the fragility of the GP out of hours services, and access to mental health services.
- 59 Our quality governance work found that the Health Board is committed to providing safe, high quality services and has aligned its strategy and plans with risk and quality improvement. Corporate structures and resources provide effective support for quality governance and improvement. However, we found inconsistencies in operational arrangements were limiting assurances. We also identified that monitoring and scrutiny of the quality and safety of services were being strengthened through increased use of quality outcome measures. In response to our work, the Health Board has already started to standardise quality governance arrangements, with work planned to review capacity opportunities to enhance these arrangements further.

Tracking progress against audit and review recommendations

- 60 The Health Board has a well-established process for tracking audit and review recommendations. As well as internal and external audit, the process also includes recommendations from a wide range of other external regulatory and review bodies.
- 61 As part of its revised governance arrangements to respond to the pandemic, the Health Board set out an approach which highlighted a series of high priority recommendations which would need to be addressed and tracked. The Audit and Risk Assurance Committee has maintained oversight of these recommendations during the pandemic but has now also started to increase its focus on lower priority recommendations which are starting to reach reprioritised deadlines.
- 62 During the pandemic, services and directorates have remained accountable for all recommendations relating to the areas of responsibility. A bi-monthly report to all services and directorates setting out outstanding recommendations and requesting an update has been maintained during the pandemic. Outstanding recommendations and gaps in updates are monitored by the Executive Team. A summary of the status of all outstanding recommendations is presented to the Audit and Risk Assurance Committee each meeting, and where progress is not being made, an escalation process is in place to bring executive directors into the committee to provide an update.
- 63 At the October Audit and Risk Assurance Committee, a total of 244 recommendations⁸ were reported, of which 86 were identified as being behind

⁸ These recommendations related to Audit Wales, Internal Audit, Healthcare Inspectorate Wales, Delivery Unit, Mid & West Wales Fire & Rescue Authority, Health & Safety

schedule. Relating to Audit Wales specifically, only two recommendations were reported as outstanding. The Board Secretary has routinely provided an update to the Audit and Risk Assurance Committee on previous structured assessments. All previous structured assessment recommendations relating to 2019 and before have either been completed or closed. We have provided updates on previous structured assessment recommendations which remained open in 2020 in **Appendix 1**.

Managing financial resources

- 64 Our work considered the Health Board's financial performance, financial controls and arrangements for monitoring and reporting financial performance.
- 65 We found that **while the Health Board continues to face significant financial challenges, it has maintained appropriate financial controls and monitoring and reporting is robust. The Health Board is working hard to achieve financial recovery but is managing a number of risks and delivery is being hindered by operational capacity to develop recurring saving schemes.**

Achieving key financial objectives

- 66 We found that **the Health Board was unable to meet its financial duties for 2020-21, ending the year with a deficit of £24.9 million. The Health Board is on track to deliver its financial plan for 2021-22 but is managing a number of risks which could have consequences for future years, and it will continue to fail to meet its financial duties due to a planned year-end deficit.**

Financial performance 2020-21

- 67 At the end of 2020-21, the Health Board failed to meet its financial duty to break-even against its Revenue Resource Limit over a rolling three-year period. The Health Board reported a deficit of £24.9 million for the financial year 2020-21, and a rolling three-year deficit of £95.3 million for the period 2018-21. The Health Board's year-end financial deficit for 2020-21, however fell within the deficit control total agreed with the Welsh Government of £25.0 million. The Health Board met its Capital Resource Limit of £34.5 million, with a reported underspend of £0.1 million at the year-end
- 68 COVID-19 had a considerable impact on the revenue costs the Health Board set out in its financial plan 2020-21. During the financial year, the Health Board received an additional £133 million of Welsh Government funding, including £12.3 million of capital funding. This was to support the Health Board's response to the

Executive, Stratia Consulting, Public Service Ombudsman Wales, Community Health Council, Royal Colleges and Peer Reviews.

pandemic, including the ongoing use of field hospitals, and the establishment of the Test, Track, Protect and Mass Vaccination programmes.

- 69 The pandemic also impacted on the Health Board's ability to deliver its planned savings target of £34.2 million. At month 1, £5.6 million of savings schemes had been identified. At month 12, the Health Board had delivered just £3.4 million savings. The savings achieved were largely through a reduction in staffing costs, cost containment on non-pay activity, and a reduction in costs associated with continuing health care. The non-delivery of the remaining savings target was offset by reductions in non-expenditure as a direct result of the pandemic.
- 70 Whilst under 'targeted intervention' as part of the NHS Wales Escalation and Intervention Arrangements since September 2016, the Health Board has operated annual planning arrangements in agreement with the Welsh Government. However, the Health Board has been working to develop an approvable three-year Integrated Medium-Term Plan (IMTP). Due to COVID-19, the requirement for an IMTP for the period 2020-23 was paused, however as the Health Board did not have an approved IMTP for the previous period 2019-22, it failed its duty to have an approvable plan up to 31 March 2021. In October 2020, the Health Board was de-escalated to 'enhanced monitoring' status.

Financial performance 2021-22

- 71 The Health Board's draft financial plan 2021-22 was shared with the Board in March 2021 and approved in June 2021 prior to submission to the Welsh Government. It sets out a forecast overspend of £25.0 million. At month 7, the Health Board reported a deficit of £14.4 million which was broadly in line with its financial profile, although there was recognition that there had been overspends in some areas which require close monitoring, particularly in relation to unscheduled care.
- 72 The 2021-22 financial plan includes a financial savings target of £16.1 million. At the start of the year, plans to identify the required level of savings were in place for £8.1 million, but all plans were identified as amber, with a number of the plans profiled to be delivered over the last six months of the financial year. At month 7, the Health Board had delivered £6.2 million of savings, and was ahead of its profile by £3.0 million largely due to the delivery of unprofiled medicines management and continuing health care savings. Green savings plans are now in place for £11.9 million through to the end of March 2022, with an additional £4.3 million of savings identified through COVID-19 related cost reductions. The vast majority of savings however are non-recurring, and the ability to deliver savings plans over the next few months whilst the service is under considerable pressure is recognised as a risk by the Board.
- 73 The financial plan also assumes additional funding of £96.8 million, from Welsh Government, to cover costs associated with the ongoing response to the pandemic. At month 7, the Health Board had received £52.9 million. However, forecast costs have now risen due to increased costs associated with the COVID-

19 response, and the Health Board has now assumed funding from the Welsh Government of £104.9 million. The financial plan also includes additional funding from the Welsh Government of £21.5 million to support the recovery of planned care services, although the Board recognises it has a significant risk associated with an inability to spend the additional funds by the end of March 2022 (referred to in **paragraph 40**).

- 74 The Health Board started the financial year with an underlying deficit of £57.4 million. It recognises the financial challenges that it will have over the coming years and the need to be financially sustainable. It also recognises that the impact of non-recurring savings in 2021-22 is likely to result in an increased underlying deficit of £68.9 million at year-end if additional recurring savings are not identified in this financial year.
- 75 As part of its 2021-22 Annual Recovery Plan, the Health Board has set out a number of ambitious planning objectives, two of which focus on medium- to longer-term financial planning. The first is focused on the development of a three-year financial plan based on value improvements and opportunities, and other focused on the development of a five-year financial plan that achieves financial balance based on the implementation of the Health Board's 20-year strategy. The draft three-year financial plan is expected to be presented to Board in January 2022 to align with the development of the three-year plan for 2022-25, with the five-year plan due to be presented in March 2022.

Financial controls

- 76 We found that **the Health Board continues to maintain appropriate financial controls and is working hard to strengthen financial management to support longer term sustainability but capacity within operational teams to develop recurring saving schemes is hindering delivery.**
- 77 The Health Board has continued to maintain appropriate financial controls. During the first quarter of 2021-22, a review of financial controls along with a wider review of the adapted governance arrangements in response to the pandemic was undertaken to ensure that they remained fit for purpose. We had reported in 2020 that no changes had needed to be made to the standing financial instructions, scheme of delegation and standing orders. This has remained the case and the financial controls have continued to work as normal.
- 78 The Audit and Risk Assurance Committee continues to regularly receive a detailed financial assurance report which provides updates on procurement, losses, and special payments. The report provides detailed analysis of the number of Single Tender Actions (STAs), values and reasons why standard procurement procedures have not been followed. The report also includes detailed analysis of competitive tenders and consultancy contracts awarded. Other than a peak in the number of STA's during December 2020 – March 2021 due to a range of needs across a number of clinical and corporate areas, the number and value of STAs has been broadly consistent with the previous financial year. The report also provides

detailed analysis of losses which includes overpayment of salaries and more recently, COVID-19 vaccine write offs. The report is an example of good practice, which other NHS bodies are looking to replicate, and continues to receive regular scrutiny.

- 79 During the financial year 2020-21, Internal Audit undertook an advisory review of governance during the pandemic which highlighted that financial governance was maintained. Audits of the finance team transformation, charitable funds, accounts receivable and a follow up audit of contracting all received positive assurance. Audits of the payment systems provided by NHS Wales Shared Services, including the primary care contractor payment systems, payroll, and accounts payable also all received positive assurance.
- 80 All financial decisions relating to the ongoing COVID-19 response are considered by the executive team. Separate cost centres are in place for specific response programmes. Operational response costs are reported through directorate cost centres, with a challenge process in place through finance business partners who are aligned with the directorates. Our audit of financial statements did not identify any significant issues in respect of financial controls.
- 81 The development of the Health Board's medium- to longer-term financial plans are supported by the continued evolution of an improvement opportunities framework which was first developed in early 2020. The framework builds on previous work undertaken by KPMG and the Financial Delivery Unit efficiency framework. It now also draws on benchmarking data from CHKS⁹ and the NHS benchmarking network, and intelligence coming from the Health Board's recently established work with Lightfoot with the aim of identifying opportunities to change the way services are delivered. The Health Board has identified a significant number of potential improvement opportunities to deliver better value.
- 82 The Health Board has also developed a route map to sustainability which has both informed the 2021-22 Annual Recovery Plan as well as the development of the three- and five-year financial plans. The route map draws on a number of agreed priority improvement opportunities, as well as broader work undertaken by the Health Board in relation to value-based healthcare.
- 83 The Health Board recognises that its financial deficit is largely as a result of the way in which it allocates and consumes resources. The Costing and Value Team has recently undertaken work to establish how resources are consumed across the three counties. This work has identified that services within Carmarthenshire are the main driver of the Health Board's underlying deficit, although services within Pembrokeshire drive more deficit on a per capita basis. The work has been supported by the development of a costing tool, which enables operational teams at a cluster level to understand how resources are used locally. The Health Board is developing a new planning objective which will see financial resources be allocated on a locality basis, supported by the tool, as a way of driving through

⁹ CHKS is a provider of healthcare intelligence and quality improvement services.

efficiencies in secondary care. Work to engage clinical and operational teams is ongoing before this can be fully implemented.

- 84 Capacity within the operational teams to engage in the transactional and transformational change needed to deliver on the improvement opportunities, whilst also responding to the ongoing pandemic, is however presenting a challenge. Recurring savings plans for 2021-22 are still not forthcoming and as mentioned in **paragraph 70**, costs are escalating in some service areas. System engagement meetings, as part of the Health Board's Improving Together approach, are held with high-risk directorates and the Directors of Finance and Operations where greater 'grip and control' is needed.
- 85 The Health Board's Counter-Fraud Service provide regular reports to the Audit and Risk Assurance Committee, and delivery of the counter-fraud workplan is on track. In October 2020¹⁰, we reported that the Health Board demonstrates a strong commitment to counter-fraud, has suitable arrangements to support the prevention and detection of fraud and is able to respond appropriately where fraud occurs.

Monitoring and reporting

- 86 We found that **the Health Board has robust arrangements in place for monitoring and scrutinising its financial position, supported by comprehensive and transparent reporting.**
- 87 The Health Board's financial position continues to be closely scrutinised, until June 2020 by the Finance Committee, and after then by the new Sustainable Resources Committee. A touchpoint meeting with the Chair of the committee is also held in the intervening months. An update from the Committee is also reported to every Board meeting along with a detailed financial report for consideration as part of the main Board agenda. Detailed papers have also been provided to the Board on particular financial risk issues, such as the inability to deliver the additional funding to support the recovery of planned care services.
- 88 The financial position is also closely monitored through the regular Executive Team meetings. Discussions are informed by the System Engagement Meetings, and through the intelligence gathered by the finance business partners. Financial sustainability meetings have also been established to develop the medium- and longer-term financial plans and to monitor progress.
- 89 Financial reporting continues to be very comprehensive with information consistent with that submitted to the Welsh Government through the monthly monitoring returns. Reports provide a clear picture of the financial position, challenges and risks, and the mitigating actions being taken. They also include clear explanations of the different elements of funding the Health Board is receiving and the progress and associated risks with expenditure. Reports are regularly supported by a slide

¹⁰ Audit Wales, [Effectiveness of Counter-Fraud Arrangements at Hywel Dda University Health Board](#), October 2020

pack which enable independent members to focus on specific issues. Reports are also regularly supported by detailed data analysis, with some key financial data now available through the use of interactive data tools.

Appendix 1

Progress against previous recommendations

Exhibit 1: progress made on previous year recommendations

Recommendation	Description of progress
Monitoring delivery of plans R1 We found scope to reduce potential duplication of assurance between the Business Planning and Performance Assurance Committee (BPPAC) with the Health and Care Strategy Delivery Group (HCSDG). The Health Board should clarify the reporting lines of the Health and Care Strategy Delivery Group to ensure that the risk of duplication of assurance is mitigated (2019).	Closed Prior to the pandemic, monitoring of the Health and Care Strategy was aligned to the BPPAC and the Health and Care Strategy Delivery Group was stood down, with oversight of the delivery of the strategy a responsibility of the executive team. The BPPAC was subsequently amended to form the People, Planning and Performance Assurance Committee. Subsequent amendments to the Health Board's governance arrangements have now resulted in responsibility for scrutiny and monitoring of the delivery of the Health Board's strategy moving to a new Strategic Development and Operational Delivery Committee which met for the first time in August 2021.

Recommendation	Description of progress
<p>Performance management reviews</p> <p>R2 We found that the Executive Performance Reviews (EPRs) do not apply to corporate directorates, with the exception of Estates. The Health Board should apply EPRs to corporate directorates not already covered within the process (2019).</p>	<p>Closed</p> <p>Formal performance management review meetings with the Executive Team were stood down during the first wave of the pandemic. Work has continued to ensure directorates still receive performance information, with a steering group in place to develop performance dashboard. The Board has also approved the implementation of its Improving Together approach which strives to deliver a collegiate approach to improvement.</p>
<p>Staff engagement</p> <p>R3 We found that there is scope to empower the wider workforce to contribute to the transformational change agenda. The Health Board should implement practical solutions to engage the wider workforce in the change programme, for example by identifying change champions within individual services (2019).</p>	<p>Closed</p> <p>Prior to the pandemic, the Health Board had developed a Transformation Programme to drive through the changes needed to aid delivery of its 20-year strategic vision. Due to the impact of the COVID-19 pandemic, the Transformation Programme was stood down. Throughout the COVID-19 pandemic, staff have been at the forefront of the Health Board's response and management of the pandemic. The Health Board's approach to transformation has subsequently changed with the Transformation Steering Group established, for example, which includes fluid engagement with staff. Staff have also been engaged in the Health Board's discovery work.</p>
<p>Operational meetings</p>	<p>Closed</p>

Recommendation	Description of progress
<p>R3 To free up capacity for both executive and operational teams, and to enable a more joined up focus on the use of resources, the Health Board should streamline the number of holding to account or performance review meetings with operational teams by:</p> <ul style="list-style-type: none"> a) reviewing the frequency and timing of these meetings; b) reviewing the location of these meetings, to improve visibility of the executive team; and c) aligning these meetings with management sessions contained within job plans for clinical directors to enable them to participate fully. (2018) 	<p>The Health Board's Turnaround Programme and Holding to Account meetings ceased in March 2020. Formal performance management review meetings with the executive team were also stood down during the first wave of the pandemic (see R2 2019). Prior to the pandemic, significant work had been undertaken to develop clinical leaders across the operational teams and ensure capacity within job plans to enable attendance at key meetings. Clinical leaders have been pivotal to the Health Board's response to the pandemic and now form part of the Operational Business Meeting.</p>
<p>Strategic planning</p> <p>R4 To ensure the delivery of its strategy, the Health Board should seek to resolve the outstanding request for funding from the Welsh Government to support the capacity needed to implement the strategy within the intended timescales (2018).</p>	<p>Closed</p> <p>Prior to the pandemic, the Health Board had sought additional funding from the Welsh Government to support its Transformation Programme. Due to the impact of the pandemic, the Transformation Programme was stood down. The Health Board's</p>

Recommendation	Description of progress
	<p>approach to transformation and its wider delivery of its strategy has subsequently changed.</p>
<p>Operational structure</p> <p>R8 To show leadership, visibility of the executive directors across the Health Board needs to extend to all directors and consideration needs to be made to holding meetings with operational teams away from the headquarters wherever possible (2017).</p>	<p>Complete</p> <p>Prior to the pandemic, executive directors had become much more visible through the executive performance reviews however these were stood down in March 2020. During the pandemic, the executive directors have been visible across the Health Board to show support for staff during these challenging times. To meet Welsh Government COVID-19 social distancing guidance, executive directors have reduced their attendance at headquarters and have instead taken opportunities to work across a variety of health board sites when it has been safe and appropriate to do so.</p>



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