



CYFARFOD BWRDD PRIFYSGOL IECHYD UNIVERSITY HEALTH BOARD MEETING

DYDDIAD Y CYFARFOD: DATE OF MEETING:	26 January 2023
TEITL YR ADRODDIAD: TITLE OF REPORT:	Auditor General for Wales – Annual Audit Report 2022 and Structured Assessment 2022
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 2022, 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 2022. 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.

The key focus of the Structured Assessment 2022, at Appendix 2, was on the Health Board's corporate arrangements for ensuring that resources are used efficiently, effectively, and economically, with a specific focus on the organisation's governance arrangements; strategic planning arrangements; financial management arrangements; and arrangements for managing the workforce, digital assets, the estate, and other physical assets. Updates on progress against recommendations identified in previous structured assessment reports have also been included in the document.

Cefndir / Background

This year's audit work took place at a time when NHS bodies continued to respond to the unprecedented and ongoing challenges presented by the COVID-19 pandemic. Health bodies were not only tackling the immediate challenges presented by the public health emergency but were also seeking to recover and transform services to respond to the significant numbers of people who are waiting for treatment and improve population health. The AW work programme, therefore, was designed to best assure the people of Wales that public funds are well managed. AW considered the impact of the current crisis on both resilience and the future shape of public services.

The 2022 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 13th December 2022. The Annual Audit Report now being presented to the Board is, therefore, reflective of any amendments that were agreed to the 2022 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 2022 (APPENDIX 1)

The overall conclusions from the Annual Audit Report 2022 are as follows:

Audit of accountability report and financial statements

- An unqualified opinion on the accuracy and proper preparation of the 2021-22 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;
- 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 opinion on the regularity of the financial transactions within the Health Board's 2020-22 accounts for two reasons, with a substantive report alongside:
 - The Health Board did not achieve financial balance for the three-year period ending 31 March 2022 or have an approved three-year Integrated Medium-Term Plan in place for the period 2019-22; and
 - The Health Board incurred expenditure on NHS Clinicians' pension tax liabilities, which is deemed to be outside its powers to spend.

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

- The Health Board has good governance arrangements in place at a corporate level, with a clear strategic vision, improving systems of assurance, and a strong focus on staff and patients. However, the Health Board has been unable to produce a Welsh Government approvable Integrated Medium-Term Plan and is on track to deliver a significant financial deficit at the end of 2022-23. Further work is needed to streamline the Health Board's operational structure and performance management arrangements to support delivery.
- Despite the additional investment in waiting list recovery, the significant growth in the numbers of people waiting is likely to mean that waiting lists will not return to pre-pandemic levels for many years.

STRUCTURED ASSESSMENT 2022 (APPENDIX 2)

The overall conclusions from the Structured Assessment 2022 are as follows:

'The Health Board has good governance arrangements in place at a corporate level, with a clear strategic vision, improving systems of assurance, and a strong focus on staff and patients. But the Health Board has been unable to produce a Welsh Government approvable Integrated Medium-Term Plan and is on track to deliver a significant financial deficit at the end of 2022-23. Further work is needed to streamline the Health Board's operational structure and performance management arrangements to support delivery.'

Governance Arrangements

AW found that *the Health Board generally has good governance arrangements in place at a corporate level, supported by a robust Board Assurance Framework and improving sources of assurance. However, further opportunities exist to refine operational structures and*

performance management arrangements to support the Health Board address the significant challenges and risks it faces.

Board and committee effectiveness

AW found that the Health Board has robust corporate arrangements to support good governance and enable the Board and its committees to conduct business effectively and transparently.

Organisational design

AW found that while the Health Board's Executive Team works well, further work is needed, and planned, to revise operational structures to support the organisation address the many significant challenges and risks it currently faces.

Systems of assurance

AW found that the Health Board continues to have an effective Board Assurance Framework, and sources of assurance are improving with scope to streamline performance management arrangements at an operational level.

Strategic Planning Arrangements

AW found that the Health Board has a clear strategic intent supported by good stakeholder engagement and mechanisms for monitoring delivery, but it is not yet able to translate the longer-term vision into a Welsh Government approvable operational plan.

Vision and strategic objectives

AW found that the Health Board continues to have a clear vision for the provision of healthcare for West Wales, supported by clear strategic objectives and plans.

Integrated Medium Term Plan

AW found that the Health Board has been unable to produce a Welsh Government approvable IMTP and Annual Plan.

Planning arrangements

AW found that the Health Board has robust arrangements for ensuring plans are aligned, embedding value-based healthcare, and ensuring appropriate stakeholder engagement.

Implementation and monitoring arrangements

AW found that the Health Board has robust processes for monitoring and scrutinising delivery of its strategic and three-year plan. Planned work to refine planning objectives will help to better articulate expected outcomes, although more work is needed to ensure strategies are underpinned by clear and robust implementation plans.

Managing Financial Resources

AW found that *despite having appropriate financial controls and robust reporting, monitoring, and scrutiny mechanisms in place, the Health Board's ability to stay within budget remains challenging.*

Financial objectives

AW found that *the Health Board failed to meet its financial duties for revenue in 2021-22 and will also fail to meet them in 2022-23, with a need to refresh its long-term financial plan, in line with its strategy.*

Financial controls

AW found that *the Health Board has appropriate arrangements for financial management and controls, but ongoing pressures are resulting in overspends.*

Monitoring and reporting arrangements

AW found that *the Health Board continues to have robust arrangements for monitoring and scrutinising its financial position.*

Managing the workforce, digital resources, the estate, and other physical assets

AW found that *the Health Board has robust arrangements to support staff well-being and manage its estate and physical assets. There are clear strategies for digital and estates, but limited capital funding is a significant challenge.*

Supporting staff well-being

AW found that *the Health Board has robust arrangements in place to support and oversee staff well-being.*

Managing digital resources

AW found that *the Health Board has a clear vision for digital, but the limited availability of funding is significantly impairing delivery.*

Managing the estate and other physical assets

AW found that *the Health Board has a clear vision for its estate and has robust arrangements for maintaining oversight and scrutiny, but funding is a significant challenge.*

Recommendations

As part of the structured assessment process, AW also reviews progress against recommendations made in previous reports. Of the 4 recommendations previously raised with regards to the implementation and monitoring arrangements relating to strategic planning arrangements, 2 have been confirmed as completed, and 2 remain on track for completion.

6 recommendations have been raised in the 2022 Structured Assessment and included in Appendix 2 of the report. The Audit and Risk Assurance Committee will consider the Health Board's response to these recommendations in February 2023 and will monitor the implementation of these recommendations through 2023.

Argymhelliad / Recommendation

The Board is requested to:

- **SUPPORT** the content of the Annual Audit Report 2022 and Structured Assessment 2022 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.
- **REQUEST** that a management response be developed and presented to the Audit and Risk Assurance Committee (ARAC) at its meeting scheduled to be held on 21st February 2023 and **DELEGATE** authority to ARAC to oversee the implementation of the management response.

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 Cynllunio Planning Objectives	All Planning Objectives Apply
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:	The Annual Audit Report is informed by individual reports issued during the year by AW and the Structured Assessment process. 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.
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 Audit and Risk Assurance Committee
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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 Structured Assessment report does highlight that the Health Board failed to meet all its financial duties for 2021-22, ending the year with a financial deficit of £25 million, and that the Health Board will not meet all its financial duties for 2022-23. It is on course to deliver a deficit of £59 million, and a three-year cumulative deficit of £108.9 million. However, this was in line with the target deficit agreed with Welsh Government. The Health Board has appropriate arrangements for financial management and controls, but ongoing pressures are resulting in overspends. 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 Health Board is aware of its cost drivers, which are workforce pressures due to sickness, vacancies, and increased unscheduled care activity.
Risg: Risk:	No direct impacts; however the operational structure still poses risks to confused and inconsistent governance structures
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 2022 – Hywel Dda University Health Board

Audit year: 2021-22

Date issued: January 2023

Document reference: 3341A2023

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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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 2022 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 NHS bodies continued to respond to the unprecedented and ongoing challenges presented by the COVID-19 pandemic. Health bodies were not only tackling the immediate challenges presented by the public health emergency but were also seeking to recover and transform services to respond to the significant numbers of people who are waiting for treatment and improve population health. My work programme, therefore, 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.
- 4 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. We largely continued to work and engage remotely where possible using technology, but some on-site audit work resumed where it was safe and appropriate to do so. This inevitably had an impact on how we deliver audit work but has also helped to embed positive changes in our ways of working.
- 5 As was the case in the previous two years, the delivery of my audit of accounts work has continued mostly remotely. The success in delivering it reflects a great collective effort by both my staff and the Health Board's officers.
- 6 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. I have commented on how NHS Wales is tackling the backlog of patients waiting for planned care. 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.

- 7 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 work still underway, but not yet completed.
- 8 **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 2022 Audit Plan.
- 9 **Appendix 3** sets out the audit of accounts risks set out in my 2022 Audit Plan and how they were addressed through the audit.
- 10 The Chief Executive, Director of Finance and Board Secretary have agreed the factual accuracy of this report. We presented it to the Board on 26 January. 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.
- 11 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

- 12 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). I brought one other issue to the attention of officers and the Audit Committee. As reported in 2021, 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.
- 13 I issued a qualified opinion on the regularity of the financial transactions within the Health Board's 2020-22 accounts for two reasons:
- The Health Board did not achieve financial balance for the three-year period ending 31 March 2022 or have an approved three-year Integrated Medium-Term Plan in place for the period 2019-22; and
 - The Health Board incurred expenditure on NHS Clinicians' pension tax liabilities, which I deem to be outside its powers to spend.
- 14 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 the NHS Clinicians' pension tax liabilities issue.

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

- 15 My programme of Performance Audit work has led me to draw the following conclusions:
- The Health Board has good governance arrangements in place at a corporate level, with a clear strategic vision, improving systems of assurance, and a strong focus on staff and patients. But the Health Board has been unable to produce a Welsh Government approvable Integrated Medium-Term Plan and is on track to deliver a significant financial deficit at the end of 2022-23. Further work is needed to streamline the Health Board's operational structure and performance management arrangements to support delivery.
 - Despite the additional investment in waiting list recovery, the significant growth in the numbers of people waiting is likely to mean that waiting lists will not return to pre-pandemic levels for many years.
- 16 These findings are considered further in the following sections.

Detailed report

Audit of accounts

- 17 Preparing annual accounts is an essential part of demonstrating the stewardship of public money. The accounts show the organisation’s financial performance and set out its net assets, net operating costs, gains and losses, and cash flows. My annual audit of those accounts provides an opinion on both their accuracy and the proper use (‘regularity’) of public monies.
- 18 My 2022 Audit Plan set out the key risks for audit of the accounts for 2021-22 and these are detailed along with how they were addressed in **Appendix 3**.
- 19 My responsibilities in auditing the accounts are described in my Statement of Responsibilities publications, which are available on the Audit Wales website.

Accuracy and preparation of the 2021-22 accounts

- 20 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, brought one other issue to the attention of officers and the Audit & Risk Assurance Committee about the continued need to improve the system to collect year end annual leave balances and calculate the year-end provision.
- 21 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.
- 22 I must report issues arising from my work to those charged with governance (the Audit & Risk Assurance Committee) for consideration before I issue my audit opinion on the accounts. My Financial Audit Engagement Lead reported these issues on 8 June 2022. **Exhibit 1** summarises the key issues set out in that report.

Exhibit 1: issues reported to the Audit Committee

Issue	Auditors’ comments
Uncorrected misstatements	<p>There is one misstatement in the accounts that is above our trivial level (£0.6m) but lower than materiality (£11.6m). This has been discussed with management, but in line with Welsh Government guidance remains uncorrected.</p> <p>NHS land and buildings are subject to full revaluations every 5 years by the District Valuer Services (DVS). In the intervening years, the value of these assets is indexed using indices advised by the DVS. In August</p>

Issue	Auditors' comments
	<p>2021 the DVS provided the rates to be used in 2021-22. The index quoted for buildings was 5%. In March 2022, due to increases in building costs, the DVS updated the buildings indexation rate to 7% for the last quarter of 2021-22.</p> <p>In line with all other Welsh health bodies and in compliance with instructions from Welsh Government under Technical Update 7, the Health Board has not applied the latest rate in their calculation of indexation within the financial statements.</p> <p>This resulted in the following misstatements:</p> <ul style="list-style-type: none"> • an understatement of £4,657k in the indexation (cost) figures • an understatement of £712k in the indexation (accumulated depreciation) figures • an understatement of £3,758k in the indexation (NBV) figures • an understatement of £1,923k in the reversal of impairment figures credited to the Statement of Net Comprehensive Expenditure • an understatement of £2,023k in gains posted to the revaluation reserve • an understatement of £44k in depreciation charged to the Statement of Net Comprehensive Expenditure • an overstatement of £1,829k in the net operating costs for the financial year <p>Both individually and collectively, these unadjusted misstatements were not material to the financial statements. Therefore, the non-correction did not adversely affect my audit opinion.</p>
Corrected misstatements	There were initial misstatements in the accounts that were corrected by management.
Other significant issues	<p>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.</p> <p>Regularity opinion qualified because the Health Board did not achieve financial balance for the three-year period ending 31 March 2022; No approved three-year integrated medium-term plan in place for the</p>

Issue	Auditors' comments
	period 2019-22; and incurred expenditure on NHS Clinicians' pension tax liabilities, which I deem to be outside its powers to spend.

- 23 I also undertook a review of the Whole of Government Accounts return. I concluded that the counterparty consolidation information was consistent with the Health Board's financial position on 31 March 2022 and the return was prepared in accordance with the Treasury's instructions.
- 24 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

- 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 Where a Health Board does not achieve financial balance, its expenditure exceeds its powers to spend and so I must qualify my regularity opinion.
- 27 **The Health Board did not achieve financial balance for the three-year period ending 31 March 2022, and in addition incurred expenditure on NHS Clinicians' pension tax liabilities, which I deem to be outside its powers to spend, so I have issued a qualified opinion on the regularity of the financial transactions within the Health Board's 2021-22 accounts.**
- 28 For 2021-22 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.
- 29 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 £2,996.3 million by £84.9 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'.
- 30 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. A Health Board will be deemed to have met this duty for 2021-22 if it submitted a 2019-20 to 2021-22 plan approved by its Board to the Welsh Ministers who then approved it by the 30 June 2019. This duty is unchanged from 2019-20 because due to the pandemic, the duty to prepare a new three-year plan for the period 2021-22 to 2023-24 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 2019-20 to 2021-22.

- 31 I also qualified the regularity opinion because the financial statements included a provision (and corresponding expenditure) of £941k, relating to the Health Board's estimated liability arising from a Ministerial Direction in 2019. The Direction instructed payments to be made to clinical staff, if claimed, to restore the value of their pension benefits packages.
- 32 For NHS clinicians who opted to claim the financial offer to settle their annual allowance tax charges arising from their 2019-20 NHS pension savings, their NHS employers would meet the impact of those personal tax-charges on their pension when they retire. Claims that were submitted by the deadline of 31 March 2022 were accounted for as expenditure within the 2021-22 financial statements. In my view, this expenditure is irregular and material by its nature.
- 33 **Alongside my audit opinion, I placed a substantive report on the Health Board's accounts to highlight the failure to achieve financial balance, the failure to have an approved three-year plan in place, and the NHS Clinicians' pension tax liabilities issue.**
- 34 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 issues set out above, I issued a substantive report setting out the factual details relating to the Health Board's financial duties and the NHS Clinicians' pension tax liabilities.

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

- 35 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:
- undertaking a structured assessment of the Health Board's corporate arrangements for ensuring that resources are used efficiently, effectively, and economically.
 - undertaking a high-level review of how NHS Wales is tackling the planned care backlog.

36 My conclusions based on this work are set out below.

Structured assessment

- 37 My 2022 structured assessment work took place at a time when NHS bodies were not only continuing to tackle the challenges presented by COVID-19 but were also seeking to recover and transform services to respond to the significant numbers of people who are waiting for treatment and improve population health.
- 38 My team focussed on the Health Board's corporate arrangements for ensuring that resources are used efficiently, effectively, and economically, with a specific focus on the organisation's governance arrangements; strategic planning arrangements; financial management arrangements; and arrangements for managing the workforce, digital assets, the estate, and other physical assets. Auditors also paid attention to progress made to address previous recommendations.

Governance arrangements

- 39 My work considered the Health Board's governance arrangements, with a particular focus on:
- Board and committee effectiveness;
 - the extent to which organisational design support supports good governance; and
 - key systems of assurance.
- 40 **My work found that the Health Board generally has good governance arrangements in place at a corporate level, supported by a robust Board Assurance Framework and improving sources of assurance. However, further opportunities exist to refine operational structures and performance management arrangements to support the Health Board in addressing the significant challenges and risks it faces.**
- 41 The Health Board continues to have a very strong commitment to public transparency, with some minor opportunities to enhance transparency further by ensuring the website is updated. The Health Board's arrangements support the effective conduct of Board business and enable the Board and committees to work effectively. Good quality information is received to support effective scrutiny, assurance, and decision making, and there remains a strong commitment at Board to hearing from patients and staff. The Board continues to be stable and has a robust approach to learning, development, and continuous improvement. The Executive Team is also stable and the Corporate Governance Team, led by the Board Secretary, continues to support the Board well. However, the Health Board's operational structure remains complex, posing risks to confused and inconsistent governance structures. Changes to improve the structure are currently being considered.

- 42 The Health Board continues to have an effective Board Assurance Framework, and robust arrangements for managing risk. The Integrated Performance Assurance Report (IPAR) continues to be reported to the Board and committees. However, performance management arrangements at an operational level could be more streamlined to ensure there is sufficient grip and a joined-up approach. The Health Board's quality governance and information governance arrangements are improving, and effective arrangements continue to be in place for tracking audit and review findings and recommendations.

Strategic planning arrangements

- 43 My work considered the Health Board's strategic planning arrangements, with a particular focus on the organisation's:
- vision and strategic objectives;
 - Integrated Medium Term Plan;
 - planning arrangements; and
 - arrangements for implementing and monitoring the delivery of corporate strategies and plans.
- 44 **My work found that the Health Board has a clear strategic intent supported by good stakeholder engagement and mechanisms for monitoring delivery, but it is not yet able to translate the longer-term vision into a Welsh Government approvable operational plan.**
- 45 The Health Board continues to have a clear vision for healthcare in West Wales supported by clear strategic objectives. Robust arrangements for ensuring plans are aligned, stakeholder engagement, and embedding value-based healthcare are in place. There are also robust processes for monitoring and scrutinising delivery of the Health Board's strategic and operational plans. However, the Health Board has been unable to produce a Welsh Government approvable Integrated Medium-Term Plan, and is working to an Annual Plan, which is also unapproved by Welsh Government at the time of writing. Steps are being taken to refine planning objectives which will allow a greater focus on expected outcomes, but implementation plans for underpinning strategies are not always visible or robust.

Managing financial resources

- 46 My work considered the Health Board's arrangements for managing its financial resources, with a particular focus on the organisation's:
- arrangements for meeting key financial objectives;
 - financial controls; and
 - arrangements for reporting and monitoring financial performance.
- 47 **My work found that despite having appropriate financial controls and robust reporting, monitoring, and scrutiny mechanisms in place, the Health Board is**

not able to achieve financial balance and reporting a significantly worsening financial position.

- 48 The Health Board's arrangements for financial management and controls are appropriate and there are comprehensive financial reports in place which are regularly scrutinised at Board and committees. But the Health Board is unable to stay within its budgetary limits. In 2021-22, the Health Board failed its financial duties for revenue, ending the year with a financial deficit of £25 million. It will also fail to meet them in 2022-23, with a forecast deficit of £59 million and a cumulative three-year deficit of £108.9 million. The Health Board has been able to reduce its revised forecast deficit for the financial year and is on track to deliver required savings but much of these are non-recurring, and an updated longer-term financial plan is not yet in place.

Managing the workforce, digital resources, the estate, and other physical assets

- 49 My work considered the Health Board's arrangements for managing its wider resources, with a particular focus on the organisation's:
- arrangements for supporting staff wellbeing;
 - arrangements for managing its digital resources; and
 - arrangements for managing its estate and other physical assets.
- 50 **My work found that the Health Board has robust arrangements to support staff wellbeing and manage its estate and physical assets. There are clear strategies for digital and estates, but limited capital funding is a significant challenge.**
- 51 The Health Board has taken significant action to improve staff wellbeing. It has put a detailed action plan in place, based on staff views and experiences. The Health Board uses a 'You said, we did' approach to feed back to staff the actions that have been taken. It is also proactively using a range of measures to demonstrate the impact of its staff wellbeing programme. Staff wellbeing is a clear priority and there are robust arrangements for oversight.
- 52 The Health Board has a clear digital vision, as set out in its Digital Strategy – 'Our Digital Response 2020-2025'. However, capital funding available to the Health Board is significantly reduced for 2022-23, and no digital developments have been able to be supported, unless additional funding becomes available. The Health Board has however been able to allocate £0.2 million to digital through its discretionary capital fund. There are clear arrangements for oversight but reporting on implementation of the digital strategy could be strengthened.
- 53 The Health Board has a clear estates vision within its long-term strategy and has submitted its Programme Business Case to the Welsh Government setting out its intention to make significant changes to its clinical estate. The Health Board is also in the early stages of developing a plan for its non-clinical estate, reflecting the shift in hybrid working seen because of the pandemic. Due to the significant reduction in

capital funds, the Health Board has only been allocated £31 million for 2022-23, compared to the average of £44 million per year over the next ten years that it identified as being needed to maintain business continuity with respect to its estates and assets. There are robust arrangements in place for maintaining oversight of capital projects and programmes, and the condition of the estate and physical assets. Comprehensive information is reported and there is a clear process for prioritisation of funding.

Tackling the planned care backlog in Wales

- 54 In May 2022, I published a report that set out the extent of the planned care backlog in NHS Wales, and the key actions the system needs to take to start to tackle the backlog. My report highlighted the continued growth of the overall waiting list numbers month on month, whilst noting the rate of growth was slowing. It also noted that the inevitable drop in referrals seen during the pandemic would likely result in this latent demand eventually coming back into the system. Taking these and other factors into account my work estimated that it could be as much as seven years before overall waiting list numbers in Wales returned to pre-pandemic levels.
- 55 The Welsh Government has produced a national recovery plan for planned care with key milestones for health boards to achieve, including an initial focus on those patients facing very long waits. However, those milestones are already proving difficult to achieve.
- 56 In line with the key actions, I set out in my report, the Health Board, along with others in Wales, will need to both build and protect capacity for planned care, and continue to maintain a focus on efficiency and productivity.
- 57 The Health Board will also need to ensure that it actively manages the clinical risks to patients that are facing long waits for treatment and enhance its systems for communicating with patients to help them manage their condition whilst they are waiting and inform them of what to do if their condition deteriorates.

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 2022.

Report	Date
Financial audit reports	
Audit of Financial Statements Report	June 2022
Opinion on the Financial Statements	June 2022
Audit of Charitable Funds Report	January 2023
Performance audit reports	
Tackling the Planned Care Backlog in Wales	May 2022
Structured Assessment 2022	December 2022
Other	
2022 Audit Plan	April 2022

My wider programme of national value for money studies in 2022 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 several 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
Orthopaedics	February 2023
Review of governance arrangements in mental health	February 2023
Unscheduled care – patient flow out of hospital	March 2023
Workforce planning	April 2023
Follow up review of primary care services	July 2023
Unscheduled care – access to unscheduled care services	September 2023
Review of operational governance arrangements	September 2023

Appendix 2

Audit fee

The 2022 Audit Plan set out the proposed audit fee of £373,181 (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 audit plan.

Appendix 3

Audit of accounts risks

Exhibit 4: audit of accounts risks

My 2022 Audit Plan set out the risks for the audit of the Health Board’s 2021-22 accounts. 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].	We 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 10 shows a forecast year-end deficit of £25 million. This, combined with the outturns for 2019-20 and 2020-21, predicts a three-year deficit of £84.9 million.	We will focus our 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.</p> <p>Your current financial pressures increase the risk that management judgements and estimates could be biased to achieve the financial targets set by Welsh Government.</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. Applications to the scheme will close on 31 March 2022, and if any expenditure is made in-year, we would consider it to be irregular as it contravenes the requirements of Managing Welsh Public Money.</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>My team satisfied themselves that the provisions disclosure made in the accounts was appropriate, however I qualified the regularity opinion as I concluded that this expenditure is irregular and material by its nature and I placed a substantive report on the Health Board's accounts to highlight the NHS Clinicians' pension tax liabilities issue</p>
<p>Although COVID-19 restrictions have now been removed, there have been ongoing pressures on staff resource and of remote</p>	<p>We will discuss your closedown process and quality monitoring arrangements with the accounts preparation</p>	<p>Work undertaken as proposed. No matters arising in respect of closedown processes, quality monitoring</p>

Audit risk	Proposed audit response	Work done and outcome
<p>working that may impact on the preparation, audit and publication 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>team and make arrangements to monitor the accounts preparation process. We will help to identify areas where there may be gaps in arrangements.</p>	<p>arrangements or the accounts preparation process.</p>
<p>There continues to be increased funding streams and expenditure in 2021-22 to deal with the COVID-19 pandemic. These could have a impact on the risks of misstatement and the shape and approach to our audit. Examples of issues include accounting for field hospital decommissioning and their associated costs; fraud, error and regularity risks of additional spend; valuation (including obsolescence) of year-end inventory including PPE; and estimation of annual leave balances.</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 to the year-end annual leave provision.</p>
<p>Introduction of IFRS 16 Leases has been deferred until 1 April 2022. There may be considerable work required to identify leases and the COVID-19</p>	<p>We will review the completeness and accuracy of the disclosures</p>	<p>My team satisfied themselves that the disclosures were materially complete and accurate.</p>

Audit risk	Proposed audit response	Work done and outcome
national emergency may pose additional implementation risks. The 2021-22 accounts will need to disclose the potential impact of implementing the standard		
In 2020-21 we identified weaknesses in the Health Boards' systems to capture annual leave balances for the calculation of the year end annual leave accrual. The annual leave accrual balance is likely to be material again for 2021-22.	We will review the work undertaken by the Health Board to improve the systems to capture year end annual leave balances and undertake detailed testing of the related balances and disclosures in the accounts.	Work undertaken as proposed. No improvements made to the Health Board's underlying annual leave systems, and so the recommendation from 2020-21 stands. My team undertook additional audit work to satisfy themselves that the annual leave balances used in the calculation of the annual leave accrual in the accounts was not materially misstated.



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

Structured Assessment 2022 – Hywel Dda University Health Board

Audit year: 2022

Date issued: January 2023

Document reference: 3273A2022

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

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Summary report

About this report

- 1 This report sets out the findings from the Auditor General's 2022 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.
- 2 Our 2022 Structured Assessment work took place at a time when NHS bodies continued to respond to the unprecedented and ongoing challenges presented by the COVID-19 pandemic. Health bodies were not only tackling the immediate challenges presented by the public health emergency but were also seeking to recover and transform services to respond to the significant numbers of people who are waiting for treatment and improve population health. NHS bodies and their Boards need to have sound corporate governance arrangements that can provide assurance to the public and key stakeholders that the necessary action is being taken to deliver high quality, safe and responsive services, and that public money is being spent wisely.
- 3 The key focus of the work has been on the Health Board's corporate arrangements for ensuring that resources are used efficiently, effectively, and economically, with a specific focus on the organisation's governance arrangements; strategic planning arrangements; financial management arrangements; and arrangements for managing the workforce, digital assets, the estate, and other physical assets. The approach we adopted to deliver our work is detailed in summarised in **Appendix 1**.
- 4 We have also provided updates on progress against recommendations identified in previous structured assessment reports.

Key messages

- 5 Overall, we found that **the Health Board has good governance arrangements in place at a corporate level, with a clear strategic vision, improving systems of assurance, and a strong focus on staff and patients. But the Health Board has been unable to produce a Welsh Government approvable Integrated Medium Term Plan and is on track to deliver a significant financial deficit at the end of 2022-23. Further work is needed to streamline the Health Board's operational structure and performance management arrangements to support delivery.**
- 6 The Health Board continues to have a very strong commitment to public transparency, with some minor opportunities to enhance transparency further by ensuring the website is updated. The Health Board's arrangements support the effective conduct of Board business and enable the Board and committees to work effectively. Good quality information is received to support effective scrutiny,

assurance, and decision making, and there remains a strong commitment at Board to hearing from patients and staff. The Board continues to be stable and has a robust approach to learning, development, and continuous improvement. The Executive Team is also stable and the Corporate Governance Team, led by the Board Secretary, continues to support the Board well. However, the Health Board's operational structure remains complex. Changes to improve the structure are currently being considered.

- 7 The Health Board continues to have an effective Board Assurance Framework, and robust arrangements for managing risk. The Integrated Performance Assurance Report (IPAR) continues to be reported to the Board and committees. However, performance management arrangements at an operational level could be more streamlined. The Health Board's quality governance and information governance arrangements are improving. Effective arrangements continue to be in place for tracking audit and review findings and recommendations.
- 8 The Health Board continues to have a clear vision for healthcare in West Wales supported by clear strategic objectives. Robust arrangements for ensuring plans are aligned, stakeholder engagement, and embedding value-based healthcare are in place. There are also robust processes for monitoring and scrutinising delivery of the Health Board's strategic and operational plans. But it has been unable to produce a Welsh Government approvable Integrated Medium Term Plan. Steps are being taken to refine planning objectives which will allow a greater focus on expected outcomes, but implementation plans for underpinning strategies are not always visible or robust.
- 9 The Health Board's arrangements for financial management and controls are appropriate and there are comprehensive financial reports in place which are regularly scrutinised at Board and committees. But the Health Board is unable to stay within its budgetary limits. In 2021-22, the Health Board failed its financial duties, and it will also fail to meet them in 2022-23, with a forecast deficit of £59 million and a cumulative three-year deficit of £108.9 million. The Health Board has been able to reduce its revised forecast deficit for the financial year, but an updated longer-term financial plan is not yet in place.
- 10 The Health Board has robust arrangements in place to support staff wellbeing, which is seen as a significant priority. The Health Board has a clear vision for both digital and its estate, but funding is a significant challenge. Robust arrangements are in place for maintaining oversight and scrutiny of the estate, but some gaps exist in respect of digital.

Recommendations

- 11 Recommendations arising from this audit are detailed in **Exhibit 1**. The Health Board's management response to these recommendations is summarised in **Appendix 2**.

Exhibit 1: 2022 recommendations

2022 recommendations

Public transparency of Board business

- R1 Elements of the Health Board's website are not updated in a timely fashion and there is scope to further enhance transparency of Board business. The Health Board should ensure that:
- a) unconfirmed Board and committee minutes are published on the Health Board's website as soon as is practical after each meeting;
 - b) agendas for private meetings of the Board are made available on the Health Board's website in advance of the meeting; and
 - c) the most recent version of policies and declarations of interest is publicly available on the website.

Operational structure

- R2 While some changes have been made, the operational structure still poses risks to confused and inconsistent governance structures. Given the scale and complexity of the challenges and risks facing the Health Board, it is important that planned work to revise the operational structures and associated governance arrangements progresses as a matter of urgency.

Operational performance management arrangements

- R3 While performance arrangements exist at an operational level, there is scope to bring these together into a holistic review of performance. Alongside the rollout of its Improving Together Framework, the Health Board should revisit its performance management arrangements to ensure that there is a joined-up approach at an operational level.

Expected outcomes

- R4 The Health Board has not set out expected outcomes for all its planning objectives set out in its Annual Plan. In revising its planning objectives for 2023-2026, the Health Board needs to clearly articulate the expected outcomes for its streamlined set of planning objectives.

2022 recommendations

Implementation plans to support strategies

- R5 Implementation plans to support corporate enabling strategies did not always exist or include clear milestones, targets, and outcomes. The Health Board needs to ensure:
- existing implementation plans include clear milestones, targets, and outcomes; and
 - implementation plans are developed for enabling strategies that currently do not have one. Alongside the monitoring of relevant individual planning objectives, this will enable periodic review of overall progress of delivery of the enabling strategies.
-

Financial sustainability plan

- R6 The Health Board's longer-term financial recovery plan has not been updated to reflect the financial challenges being experienced in 2022-23. The Health Board needs to update its longer-term financial recovery plan for 2023 onwards, ensuring that its improvement opportunities are reflected.

Detailed report

Governance arrangements

- 12 In this section of the report, we provide our views on the Health Board's governance arrangements, with a particular focus on:
- Board and committee effectiveness;
 - the extent to which organisational design supports good governance; and
 - key systems of assurance.
- 13 We found that **the Health Board generally has good governance arrangements in place at a corporate level, supported by a robust Board Assurance Framework and improving sources of assurance. However, further opportunities exist to refine operational structures and performance management arrangements to support the Health Board in addressing the significant challenges and risks it faces.**

Board and committee effectiveness

- 14 We considered the extent to which the Board and its committees conduct their business effectively and support good governance. In examining this, we have looked at whether:
- the Board and its committees demonstrate appropriate levels of public transparency;
 - meetings are conducted appropriately supported by clear Schemes of Delegation, Standing Orders, Standing Financial Instructions, and Registers of Interest;
 - there is an appropriate and well-functioning committee structure below the Board;
 - the Board and its committees receive the right information, including views from staff and service users; and
 - there is evidence of sufficient self-review by the Board and its committees.
- 15 We found that **the Health Board has robust corporate arrangements to support good governance and enable the Board and its committees to conduct business effectively and transparently.**
- 16 The Health Board continues to have a very strong commitment to public transparency. Board meetings continue to be promoted on both the Health Board's website and social media pages, and papers for both Board and committees are made available seven days in advance of the meetings. Late papers are kept to a minimum and are added to the website as soon as they become available. But when this does happen, papers provide the latest position, thus enhancing transparency. Board meetings are now held both virtually and in-person, with opportunities for the public to attend in person and observe using the livestream links provided. Recordings are also made available as soon as the meetings

conclude. Honest and frank discussions take place in Board meetings about the Health Board's challenges.

- 17 When key matters of public interest are due to be discussed, these are also highlighted in advance of meetings, and a public summary is shared via the website and social media pages shortly after. Items discussed in private Board meetings are kept to an absolute minimum and reserved for sensitive items only. Chairs actions are also kept to a minimum and noted at the next available meeting. Opportunities exist to further enhance transparency. For example, although key issues from committees are reported to Board, minutes are not made available until the next meeting, which could be two months later (**Recommendation 1a**). In addition, the Health Board does not publish its agendas for private Board meetings, although a short note of key issues discussed is included in the committee update to the public Board (**Recommendation 1b**).
- 18 The Health Board's arrangements support the effective conduct of Board business. Standing Orders, Schemes of Delegation, and Standing Financial Instructions are all up to date and reviewed annually by the Audit and Risk Assurance Committee (ARAC). These are all available on the Health Board's website and approved by the Board. Declarations of interest are taken at the start of every Board and committee meeting. Appropriate arrangements are also in place for declaring, registering, and handling interests, gifts, hospitality, and sponsorship, which are scrutinised annually by the ARAC. The registers are available on the Health Board's website, although the versions are not always the latest.
- 19 The Board continues to be stable with a clear focus on its strategic intent, and when changes in membership occur, these are managed well. For example, a new Independent Member (University) was appointed with a period of handover and support from the outgoing Independent Member, and recruitment for a further Independent Member (Local Government) has recently been concluded. The Board is cohesive and there are good working relationships between Independent Members and the Executive Team. Board members are also very experienced and knowledgeable. Where gaps in skills and knowledge are identified, the Health Board makes good use of strategic advisors to provide additional capacity. These appointments all comply with the Health Board's Standing Orders.
- 20 The Board and committees are working effectively. The new committees established in 2021 are now well embedded and their Terms of Reference are reviewed annually. The Board Assurance Framework is used effectively to inform committee agendas and work programmes. Committee chairs are involved in agenda setting and clear work programmes are set out. We found no gaps in committee business. Levels of scrutiny and challenge at Board and committees are robust and the breadth of discussions taking place is wider than what we have observed at many of the other health boards, largely due to the configuration and focus of the committees. Committee chairs meet regularly and there is good cross-referral of issues between committees and escalation up to Board. Key matters for escalation are routinely discussed and agreed at the end of each committee meeting. Board seminars are used effectively to engage Independent Members in

matters at an earlier stage of development, and to provide wider knowledge to inform decision-making.

- 21 The Board and committees receive good quality information to support effective scrutiny, assurance, and decision making. All papers presented to Board and committees continue to make good use generally of the standard SBAR template to focus on the key issues. The template also enables authors to ensure that all relevant impact assessments are considered and provide clear links with strategic objectives and/or risks. The Health Board also continues to make good use of interactive tools, such as the Integrated Performance Assurance Report (IPAR). Information presented to Board and committees is up to date, which is aided by the effective timing of meetings.
- 22 The Board continues to demonstrate a strong commitment to hearing from patients and staff:
- patient and staff stories are routinely considered by relevant committees, and regular video patient stories are reported to the Board through the patient experience report.
 - the Health Board is a proactive user of social media (both for the public and staff), and areas of concern that attract social media attention are addressed in Board discussions through the Chair and Chief Executive reports.
 - Independent Member visits have been reinstated and provide good opportunities for staff and patient engagement.
 - in March 2022, the Board completed its reverse mentoring programme, which provided opportunities to learn from staff about their experiences of being an employee.
 - the Black and Minority Ethnic Advisory Group continues to meet, and its Chair regularly attends Board meetings.
 - chairs of the three statutory Advisory Groups also routinely attend Board meetings, as well as representatives from the Community Health Council (CHC). A positive and constructive relationship exists with the CHC.
- 23 The Board has a robust approach to learning, development, and continuous improvement. The Health Board makes effective use of the results arising from annual Board and committee self-assessments. Along with a self-assessment against national governance standards, and internal and external audit views, these all help to provide an overall view of effectiveness and maturity. In 2021-22, the Board considered itself at maturity level 4, which is defined as 'we have well developed plans and processes and can demonstrate sustainable improvement through the service'. The Health Board is only one of two NHS bodies in Wales that uses a maturity assessment. The Board identifies clear areas for improvement which are set out in an action plan, and any training needs identified are addressed through an annual Board development programme. The self-assessments for committees, along with routine review and reflection from Independent Members at the end of each meeting, support ongoing improvements in the way in which

committees are run. Good mechanisms are also in place to ensure Independent Members are supported in their personal development. The Health Board has a well-developed induction process, and all new Independent Members are provided with a mentor.

Organisational design

- 24 We considered the extent to which the Health Board's organisational structure supports effective governance. In examining this, we have looked at whether:
- the responsibilities of Executive Directors are clear, and that they have balanced and equitable portfolios of work;
 - there is clarity on the role of the Board Secretary, and there are adequate resources in place to support the work of the Board and its committees; and
 - the organisational structure supports effective governance and facilitates whole system working.
- 25 We found that **while the Health Board's Executive Team works well, further work is needed, and planned, to revise operational structures to support the organisation address the many significant challenges and risks it currently faces.**
- 26 The Health Board has a stable Executive Team. Positive changes have recently been made to some portfolios to enhance effectiveness, for example:
- in recruiting a substantive Director of Public Health, the Health Board has decided to move responsibility for partnership work to the Director of Workforce and Organisational Development to align with their other responsibilities in this area.
 - a change to the commissioning function is underway, with responsibility moving to the Director of Strategic Development and Operational Planning from the Director of Finance. This change recognises the need to have a clearer alignment between planning and commissioning.
- 27 The Executive Team works well, supported by a programme of ongoing organisational development work to enhance positive working.
- 28 The Corporate Governance Team, led by the Board Secretary, continues to support the Board well. The Board Secretary is completely independent from operational delivery and has clear lines of accountability to the Chair. Several positive changes have been made to streamline the Corporate Governance Team's structure, and there continues to be good use of apprenticeships. However, short-term capacity issues have hindered the team's ability to be as responsive recently, such as delays getting committee papers uploaded on to the Health Board's website. The Board Secretary is aware and taking appropriate action to address this.
- 29 The Health Board's operational structure still poses risks to confused and inconsistent governance structures. Directorates with similar portfolios operate

differently, and some key services, such as diagnostics, are incorporated within wider directorates, which means they do not always get the profile needed at senior meetings. The Director of Operations had intended to revise the operational structure in 2020 but the impact of the COVID-19 pandemic delayed progress. Several changes have, however, been implemented to create a more streamlined senior operations management team, which frees up capacity within the directorates to focus on delivery. Further changes are currently being considered to revise the structure even more and ensure standardised governance arrangements are in place. These changes will put the Health Board in a better position to implement its strategic ambitions, and the actions needed to financially recover. Given the scale and complexity of the challenges and risks facing the Health Board, it must progress work around refining operational structures and associated governance arrangements as a matter of urgency (**Recommendation 2**).

Systems of assurance

- 30 We considered the extent to which the Board and its committees oversee, scrutinise, and challenge organisational risks, performance, and quality of services. In examining this, we have looked at whether:
- there is an effective Board Assurance Framework (BAF) in place, which is actively reviewed and owned by the Board;
 - the BAF is underpinned by appropriate systems for managing risks and performance; overseeing the quality and safety of services; and handling information in a secure manner; and
 - effective action is taken to address audit and review findings and recommendations.
- 31 We found that **the Health Board continues to have an effective Board Assurance Framework, and sources of assurance are improving with scope to streamline performance management arrangements at an operational level.**
- 32 The Health Board continues to have an effective BAF, which is actively maintained and used to inform Board and committee business. It is considered at every other Board meeting and the relevant strategic objectives, principal risks, and planning objectives are considered at every committee meeting. The ARAC continues to maintain appropriate oversight of the strength of controls and assurances set out in the BAF.
- 33 The Health Board has robust arrangements for managing risk. A comprehensive Risk Management Framework was considered by ARAC and approved by Board in July 2022. The Risk Management Strategy is due to be reviewed later in 2022. All corporate risks have an identified risk owner and delegated committee for oversight. The Corporate Risk Register is regularly scrutinised at Board and committees. Where gaps in assurance are identified, actions are put in place and tracked through the Corporate Risk Register. The committees make good use of

deep dives on key risk areas. The Executive Team maintains good oversight of the Corporate Risk Register and operational risks are considered by the Senior Operational Business Meeting¹ which is chaired by the Director of Operations. Risk management is considered as part of Board development and training has been rolled out across the operational directorates. An Internal Audit report in June 2022 provided substantial assurance on risk management and board assurance.

- 34 The Health Board has a good Integrated Performance Assurance Report (IPAR), which continues to be reported to the Board and committees. The Health Board continues to make good use of Statistical Process Control (SPC) charts to identify areas of unexplained variation. The report provides a good balance of performance measures and clearly sets out actions being taken to improve performance. A summary paper supports the IPAR highlighting the key areas of concern.
- 35 However, there is scope for the Health Board to streamline its performance management arrangements at an operational level. Executive performance reviews with directorates were stood down at the start of the pandemic and have not been reinstated. Instead, operational performance is considered through the Senior Operational Business Meeting, but the only Executive Director present is the Director of Operations. Where areas of concern are raised, relevant Executive Directors will engage directly with a directorate. But this arrangement risks creating a fragmented approach to performance, finance, and quality at an operational level. The Health Board is in the process of developing directorate dashboards. These have been co-produced with the directorates themselves and are being rolled out as part of the Health Board's Improving Together framework². Alongside this, there is opportunity for the Health Board to revisit its performance management arrangements to ensure there is sufficient grip and a joined-up approach at an operational level (**Recommendation 3**).
- 36 The Health Board's quality governance arrangements have been improving since our previous work in 2021³. Work to standardise operational quality governance arrangements is underway, and recent Internal Audit work examining the quality governance arrangements in six of the Health Board's directorates gave reasonable assurance. Further work is planned as part of the changes to the operational structure. Corporately, the ARAC continues to maintain appropriate oversight of the clinical audit programme, with outcomes and lessons learnt considered by the Quality, Safety and Experience Committee (QSEC). The Patient Experience Report to Board continues to present a comprehensive position on the quality and safety of services, and a new quality assurance report is now presented

¹ The Senior Operational Business Meeting brings together the senior operational management teams, and heads of service from workforce, finance, planning and governance.

² Improving Together is a quality management system being rolled out across directorates between December 2022 and April 2023.

³ Audit Wales, [Review of Quality Governance Arrangements](#), October 2021

to every QSEC meeting, setting out performance against mortality reviews, incident reporting, and progress against HIW recommendations. A comprehensive annual assurance report is also now presented to QSEC on compliance against the Health Board's quality care standards, and the Listening and Learning Sub-committee continues to provide assurance that learning is taking place following incidents, complaints, and concerns.

- 37 The Health Board is making good progress with its information governance arrangements. In March 2021, the Health Board completed a self-assessment against the Information Governance Toolkit. The self-assessment scored between Level 1 and Level 3 (the highest score) across the seven distinct areas and sub-sections. This provided the basis for an improvement plan which has been overseen by the Information Governance Sub-committee, with regular updates to the Sustainable Resource Committee (SRC). In December 2021, Internal Audit gave substantial assurance on the Health Board's IT back-up arrangements. A further self-assessment was undertaken in March 2022, with positive progress being made in several areas. In April 2022, Internal Audit gave substantial assurance on the Health Board's compliance with the security of network and information systems (NIS) directives. This review included the Health Board's completion of the Cyber Assessment Framework, and the robustness of the supporting improvement plan. The Health Board is making good progress in respect of cyber security, although it recognises that there is still considerable work to do. Cyber security is the responsibility of the SRC, although training and a detailed update on the Health Board's cyber security arrangements have recently been provided to Board. Several information governance policies have been updated and approved in 2022. Updated versions are available on the Health Board's website, although several out-of-date policies remain (**Recommendation 1c**).
- 38 The Health Board continues to have effective arrangements in place for tracking audit and review findings and recommendations. The audit tracker provides a comprehensive view of all recommendations from all regulators and external review bodies. It also provides a summary of the status of recommendations by service area and flags any service areas of concern. The ARAC provides robust scrutiny and challenge on the audit tracker. Where progress is of a concern, the audit tracker is used to inform ARAC agendas. In October 2022, there were five outstanding Audit Wales recommendations.

Strategic planning arrangements

- 39 In this section of the report, we provide our views on the Health Board's strategic planning arrangements, with a particular focus on the organisation's:
- vision and strategic objectives;
 - Integrated Medium Term Plan;
 - planning arrangements; and

- arrangements for implementing and monitoring the delivery of corporate strategies and plans.
- 40 Details of progress made on previous-year recommendations relating to the Health Board's strategic planning arrangements are provided in **Exhibit 2**.
- 41 We found that **the Health Board has a clear strategic intent supported by good stakeholder engagement and mechanisms for monitoring delivery, but it is not yet able to translate the longer-term vision into a Welsh Government approvable operational plan.**

Vision and strategic objectives

- 42 We considered the extent to which there is a clear vision and long-term strategy in place for the organisation. In examining this, we have looked at whether:
- the vision and strategic objectives are future-focussed, and rooted in a detailed and comprehensive analysis of needs, opportunities, challenges, and risks;
 - the vision and strategic objectives have been developed and adopted by the Board; and
 - the long-term strategy is underpinned by an appropriate long-term clinical strategy.
- 43 We found that **the Health Board continues to have a clear vision for the provision of healthcare for West Wales, supported by clear strategic objectives and plans.**
- 44 The Health Board continues to have a clear focus on its long-term vision which is set out in its strategy, A Healthier Mid and West Wales: Our Future Generations Living Well. The strategy was launched in 2018 and sets out the vision for West Wales over a 20-year period. We have previously commended the Health Board for the steps taken to develop its strategy and the role that the Board had in shaping the vision.
- 45 Within the strategy, the Health Board sets out a clear vision for its clinical services, and its future community and hospital models. This vision was built on the Health Board's extensive programme of work focusing on transforming services undertaken between 2016-2018. In January 2022, the Health Board submitted its Programme Business Case (PBC) to the Welsh Government, setting out its case for change and the baseline for the Outline Business Cases to follow. The PBC sets out the Health Board's intention to:
- construct a new urgent and planned care hospital;
 - repurpose or rebuild Withybush and Glangwili General Hospitals;
 - refurbish Bronglais and Prince Philip Hospitals; and
 - develop the community estate in line with the strategic vision.

- 46 The vision for clinical services is also supported by a clear Regional Clinical Services Plan developed in partnership with Swansea Bay University Health Board.
- 47 To support the delivery of its vision, the Health Board set out six clear strategic objectives in 2021-22. These objectives have been carried forward into 2022-23 and have been approved by the Board. They are well embedded within the Health Board's governance arrangements and are aligned with key operational plans and ministerial priorities. In 2021-22, the Health Board also updated its well-being objectives, which underpin the delivery of the Health Board's vision and strategic objectives.

Integrated Medium Term Plan

- 48 We considered the extent to which the Health Board has been able to produce an approvable Integrated Medium Term Plan (IMTP) for 2022-2025. In examining this, we have looked at whether:
- the IMTP was submitted within the required timeframes in line with Welsh Government guidance;
 - the draft and final versions of the IMTP were discussed, challenged, and agreed by the Board prior to submission; and
 - the IMTP received approval from the Minister for Health and Social Services.
- 49 We found that **the Health Board has been unable to produce a Welsh Government approvable IMTP and Annual Plan.**
- 50 The Health Board was unable to produce a Welsh Government approvable IMTP for 2022-2025. The Health Board set out its intention to develop a three-year IMTP in the September 2021 Board meeting, and the process for producing it was discussed at the October 2021 Board Seminar. However, in February 2022, the Health Board notified the Welsh Government that it would be unable to produce a balanced financial plan for 2022-2025, a key requirement of an approvable IMTP, but would instead be intending to submit a three-year plan. The draft plan was approved by the Board in March 2022 and submitted to the Welsh Government within the required timeframe, noting that a further iteration would be submitted in July. However, the three-year plan was not approved by the Minister and several areas of feedback were provided by the Welsh Government.
- 51 In light of this, the Health Board was asked to submit an Annual Plan for 2022-23. The Annual Plan, which is set in the context of the three-year plan, was submitted to the Welsh Government in early July 2022. The draft plan was discussed with Board prior to submission, and formally approved by the Board on 28 July 2022. However, the financial position set out in the initial three-year plan had deteriorated from £25 million to £62 million. Due to the deteriorating financial position, the Annual Plan was not approved by the Welsh Government. Feedback from the Welsh Government also identified the need for the Health Board to describe the expected deliverables more clearly within its Annual Plan. The Welsh Government

has consequently escalated the Health Board from enhanced monitoring to targeted intervention for planning and finance⁴. The Health Board remains in enhanced monitoring for performance. The Health Board is working hard to address these issues to inform the 2023-2026 planning round. In developing its plan for the next three years, the Welsh Government has also requested that the Health Board starts to articulate its plans for the period 2026-2030.

Planning arrangements

- 52 We considered the extent to which the Board maintains effective oversight of the process for developing corporate strategies and plans. In examining this, we have looked at whether:
- prudent and value-based healthcare principles are considered and reflected in corporate strategies and plans; and
 - corporate strategies and plans have been developed in liaison with relevant internal and external stakeholders.
- 53 We found that **the Health Board has robust arrangements for ensuring plans are aligned, embedding value-based healthcare, and ensuring appropriate stakeholder engagement.**
- 54 The Health Board has aligned its enabling strategies and plans under its overarching three-year plan designed to support delivery of its longer-term vision. Several enabling strategies and plans have been developed including, for example, the Digital Strategy and the Staff Well-being Plan. These are clearly referenced in the three-year plan. All enabling strategies and plans are considered by the relevant committees on behalf of the Board.
- 55 The Health Board is increasingly embedding value-based healthcare (VBHC) principles in its plans and ways of working. Building on the work undertaken in 2018 to develop its VBHC academy, the Health Board has been proactive in embedding VBHC and other initiatives, such as foundation economy and social value, into its way of working. VBHC is also a prominent feature in the Annual Plan, and several successful changes have been made to clinical pathways and service transformation because of VBHC. A comprehensive programme for 2022-23 is being rolled out aligned to national, regional, and local priorities focussing on investing in systems and processes, staff knowledge and skills, and external partnerships. There is routine reporting to the SRC on VBHC
- 56 The Health Board has a positive approach to stakeholder engagement, which is led by the Chair and Chief Executive as part of its wider commitment to public transparency. In 2022, it launched a Continuous Engagement Plan which sets out

⁴ Under the Joint Escalation and Intervention Arrangements, Welsh Government officials meet Audit Wales and Healthcare Inspectorate Wales at least twice a year to discuss the performance of each health body. There are four escalation levels: routine arrangements, enhanced monitoring, targeted intervention, and special measures.

its approach to engaging relevant stakeholders in the development of its plans and strategies. The plan is supported by a Public, Patient and Staff Engagement Group set up to ensure the voices of staff, stakeholders, patients, carers, and citizens are listened to when designing, developing, reviewing or changing services. The Health Board also has several groups focused on listening to seldom-heard groups /protected characteristics. During 2022, the Health Board has proactively engaged on several key strategic issues, including land options for the new urgent and planned care hospital. The Health Board also makes good use of its Stakeholder Reference Group, and proactively engages with the Community Health Council on service changes.

Implementation and monitoring arrangements

57 We considered the extent to which the Board oversees, scrutinises, and challenges the implementation and delivery of corporate strategies and plans. In examining this, we have looked at whether:

- corporate strategies and plans contain clear milestones, targets, and outcomes that aid monitoring and reporting; and
- the Board receives regular reports on progress to deliver corporate strategies and plans.

58 We found that **the Health Board has robust processes for monitoring and scrutinising delivery of its strategic and three-year plan. Planned work to refine planning objectives will help to better articulate expected outcomes, although more work is needed to ensure strategies are underpinned by clear and robust implementation plans.**

59 The Health Board has set out 75 planning objectives to support the delivery of the first year of its three-year plan. The Executive Directors are responsible for their delivery, whilst committees monitor and scrutinise their delivery. The Health Board acknowledges that the current planning objectives are set at too low a level. Work is underway to group them to allow the Health Board to be more focused on a smaller set of key overarching priorities. These revised planning objectives will inform the development of the 2023-2026 IMTP. The Health Board has set out expected outcomes for its strategic objectives, and there are clear milestones in place for the planning objectives. Expected outcomes for the current planning objectives are not always evident due to the nature of some of them. This was raised by the Welsh Government in its feedback on the draft three-year plan. In revising its planning objectives for 2023-2026, the Health Board will need to clearly articulate the expected outcomes for its streamlined set of planning objectives **(Recommendation 4)**.

60 The process for monitoring delivery of the strategic and planning objectives is robust. The BAF is designed around the six strategic objectives and includes a dashboard setting out the status of delivery of all the planning objectives under each of the strategic objectives. Consideration of progress is explored in more

detail within the committees, and supplementary reports are provided to them on a quarterly basis. Where progress is causing concern, deep dives are undertaken by committees. The BAF also includes the expected outcomes from its six strategic objectives, and current performance. Further information is available through the interactive IPAR.

- 61 Although overall progress on delivery of wider corporate strategies and plans is monitored through the planning objectives, delivery plans to support these strategies are not always in place. For example, delivery of the five-year Digital Strategy, which was launched in 2020, forms part of several planning objectives. At the latest update, delivery of these planning objectives was on track. However, there is no single document that sets out overall progress against the digital strategy. This position also applies to other strategies such as the Health Board's workforce strategy. For other strategies and plans, update reports on delivery have been presented to committees but have lacked clear milestones, targets, and outcomes, such as the cluster IMTP monitoring update reports to SDODC. The Health Board should take action to address this (**Recommendation 5**).

Exhibit 2: progress made on previous-year recommendations

Recommendation	Description of progress
<p>Alignment of plans</p> <p>R1 Planners are not involved in all planning processes and must rely on others to make sure that plans align. The Health Board should determine individual responsibilities for ensuring that key planning processes are effectively linked.</p>	<p>On track</p> <p>Additional capacity has enabled the planning team to increasingly become more involved in wider plans through the Operational Planning and Delivery Programme, and the ARCH programme.</p>
<p>Planning capacity</p> <p>R2 The planning team has adopted a 'business partnering' approach to support the development of the quarterly operational plans, which has worked well but there has been over-reliance on one individual within the planning team due to capacity constraints. The Health Board should review its</p>	<p>On track</p> <p>Changes have been made to streamline existing capacity along with the recruitment of four additional staff. Further capacity is dependent on the outcome of the PBC. The transfer of the commissioning function will add additional resilience.</p>

Recommendation	Description of progress
planning capacity to ensure that resilience is built into the team, and the expertise and knowledge needed to support the planning process are developed across all team members.	
Performance tracking R3 The Quarters 3–4 Plan does not provide details of progress on actions arising in the preceding quarters, despite commitments to doing so. The Health Board should ensure that its future plans contain the necessary information to provide assurance of progress over time.	Complete The Health Board's three-year plan includes a reflection on achievements during 2021-22.
Monitoring and reporting R4 The Health Board does not have processes in place to track the delivery of its actions set out in its operational plans. The Health Board should develop a mechanism for tracking progress against actions. In doing so, the Health Board should clarify responsibility for oversight at Board and Committee level for monitoring delivery of plans, including the 2021-22 Annual Plan.	Complete As set out in paragraph 58.

Managing financial resources

62 In this section of the report, we provide our views on the Health Board's arrangements for managing its financial resources, with a particular focus on the organisation's:

- arrangements for meeting key financial objectives;

- financial controls; and
- arrangements for reporting and monitoring financial performance.

63 We found that **despite having appropriate financial controls and robust reporting, monitoring, and scrutiny mechanisms in place, the Health Board's ability to stay within budget remains challenging.**

Financial objectives

64 We considered the extent to which the Health Board has effective arrangements in place to meet its key financial objectives. In examining this, we have looked at whether the Health Board:

- met its financial objectives for 2021-22, and is on course to meet its financial duties in 2022-23; and
- has a clear and robust financial plan in place, which includes realistic and sustainable savings and cost improvement plans.

65 We found that **the Health Board failed to meet its financial duties for revenue in 2021-22 and will also fail to meet them in 2022-23, with a need to refresh its long-term financial plan, in line with its strategy.**

66 The Health Board failed to meet all its financial duties for 2021-22, ending the year with a financial deficit of £25 million. However, this was in line with the target deficit agreed with the Welsh Government. The Health Board also reported a three-year cumulative deficit of £85.9 million. The Health Board met its capital resource limit financial duty, with a small underspend of £62,000.

67 The Health Board will not meet all its financial duties for 2022-23. It is on course to deliver a deficit of £59 million, and a three-year cumulative deficit of £108.9 million. The Health Board initially set out to deliver a planned deficit of £25 million, with a savings requirement of £29.4 million in 2022-23. However, in June 2022, it increased its planned in-year deficit to £62 million. This was because of a recognition and agreement at Board that:

- it would be unable to deliver the total savings required, reducing the expected savings to be delivered in-year to £13.4 million.
- £20.2 million of costs previously associated with the impact of COVID-19, funded through additional monies available from the Welsh Government, could no longer be justified as being COVID-19 related. Instead, these costs were deemed to be because of general pressures now being experienced in the health and social care system. This approach is different to that of other health boards. Consequently, the Health Board's call on funding for COVID-19 is the lowest of all the health boards (excluding Powys).

68 The Welsh Government has not accepted the forecast deficit, which led it to escalate the Health Board to targeted intervention as noted in paragraph 51. At Month 7, the Health Board was able to reduce its forecast deficit to £59 million.

- 69 The Health Board does not yet have an updated plan for financial recovery. A roadmap to financial sustainability was in place in 2021-22 but it was reliant on significant service change and did not account for the exceptional pressures being experienced in 2022-23. The Health Board has developed a suite of financial sustainability plans based on the target operating models it is seeking to implement over the next three years. In the finance report to the November Board, implementation of these plans and trajectories at an operational level were still being developed but were unlikely to achieve much in-year impact due to the ongoing pressures within the system. The Health Board has sought support from the Finance Delivery Unit, which is now becoming available through the targeted intervention arrangements.
- 70 The Health Board is on track to deliver £13.4 million of savings but much of this is non-recurring. At Month 7, the Health Board had delivered £8.3 million. The full-year effect of recurring savings is just £2 million, increasing the Health Board's underlying deficit from £68.9 million to £75 million going into 2023-24. The Health Board has also identified a further £8 million of accountancy gains due to the release of annual leave provision which will be accounted for in Month 8. Whilst this has helped to reduce the forecast in-year financial deficit, it is also non-recurring. All savings for 2022-23 are centrally managed through identified improvement opportunities, with no savings requirements set for directorates due to the operational pressures that they are facing. For 2023-24, the Health Board will be looking to utilise its target operating models and improvement opportunities to reduce system-wide costs. The Health Board needs to ensure that these are reflected in a refreshed financial recovery plan for 2023 onwards
(Recommendation 6).

Financial controls

- 71 We considered the extent to which the Health Board has appropriate and effective arrangements in place for allocating, authorising, recording, and managing the use of its financial resources. In examining this, we have looked at whether:
- there are effective controls in place to ensure compliance with Standing Financial Instructions and Schemes of Delegation;
 - the Audit Committee maintains appropriate oversight of arrangements and performance relating to single tender actions, special payments, losses, and counter-fraud;
 - there are effective financial management arrangements in place; and
 - financial statements were submitted on time, contained no material misstatements, and received a clean audit opinion.
- 72 We found that **the Health Board has appropriate arrangements for financial management and controls, but ongoing pressures are resulting in overspends.**

- 73 The Health Board has robust processes in place to ensure compliance with statutory instruments, and to report and challenge breaches. As stated in paragraph 18, Standing Financial Instructions and Schemes of Delegation were reviewed and approved by the Board in July 2022. Further amendments to reflect IFRS16⁵ related changes have also been supported by the ARAC for approval at the November Board meeting. The numbers of single tender actions, losses and special payments are also routinely reported through the financial assurance report to ARAC which enables robust scrutiny and challenge. The report also includes under and overpayment of salaries, and compliance with the No Purchase Order (PO), No Pay Policy. The Health Board also has a proactive counter fraud arrangement.
- 74 The Health Board is aware of its cost drivers, which are workforce pressures due to sickness, vacancies, and increased unscheduled care activity, and increasing baseline costs for medicines. Inefficiencies in service delivery are also impacting on expenditure, particularly with respect to the configuration of unscheduled care services across the four hospital sites. Whilst it has processes in place for financial management, increasing pressure within the system is making action difficult, and directorates are overspending. Accountability letters were issued to all directorates in May 2022, and again in November 2022, setting out delegated budgets and the need to manage within budgets. Use of Resources meetings are held at an executive level and with individual directorates monthly to ensure that resources are being well managed. These are supported by the Finance Business Partners assigned to the directorates. At Month 7, nearly all operational directorates were overspent. The exceptions being planned care and primary care.
- 75 The Health Board is maintaining good oversight of its commissioned activity. The Health Board commissions £163 million through long-term agreements (LTAs) with other NHS bodies and through the Welsh Health Specialised Services Committee. At Month 5, activity levels were being impacted by recovery plans with underperformance against LTAs of £3 million. The underperformance has the potential to impact positively on the Health Board's financial position acknowledging that underperformance means that patients are continuing to wait for treatment.
- 76 The Health Board submitted good quality draft financial statements for audit by the Welsh Government imposed deadline of 29 April 2022. These were considered by the ARAC on 5 May 2022. Our audit identified no material misstatements, and we issued an unqualified audit opinion, except for the regularity opinion, for which we issued a qualified opinion⁶.

⁵ International Financial Reporting Standard 16 – Leases

⁶ Due to the Health Board failing to meet its statutory duties to break even over the three-year period 2019-2022, and to have an approvable IMTP for 2019-2022, we issued a qualified regularity opinion. We also issued a qualified regularity opinion to all Health Boards due to clinicians' pension tax liabilities.

Monitoring and reporting arrangements

- 77 We considered the extent to which the Board oversees, scrutinises, and challenges the organisation's financial performance. In examining this, we have looked at whether:
- reports to the Board provide a clear picture of the organisation's financial position, as well as the key financial challenges, risks, and mitigating actions taken; and
 - Board members sufficiently challenge ongoing assessments of the financial position.
- 78 We found that **the Health Board continues to have robust arrangements for monitoring and scrutinising its financial position.**
- 79 The Health Board continues to have several comprehensive financial reports. A detailed financial report is presented at every Board and the SRC meeting. The report sets out a clear overview of revenue, the forecast position, performance against the required savings, capital spending, and payment of non-NHS invoices. Detailed information is also provided on the key cost drivers, variances for each of the directorates, and the risks associated with financial opportunities. Financial performance is also included in the interactive IPAR and interactive BAF which are also presented to Board and the SRC.
- 80 As mentioned in paragraph 73, a detailed financial assurance report is also presented to the ARAC, which sets out compliance with financial controls. A detailed report is also provided on commissioning and contracting performance to the SRC along with a detailed report setting out capital spending. All reports are well scrutinised by Independent Members. The financial position is also closely monitored through the regular Executive Team meetings. Discussions and information are informed by the summary of the Use of Resources meetings which sets out actions being taken by the directorates.

Managing the workforce, digital resources, the estate, and other physical assets

- 81 In this section of the report, we provide our high-level views on the Health Board's arrangements for managing its wider resources, with a particular focus on the organisation's:
- arrangements for supporting staff well-being⁷;
 - arrangements for managing its digital resources; and
 - arrangements for managing its estate and other physical assets.

⁷ Note, we will be undertaking a separate review of the organisation's workforce planning arrangements, commencing in December 2022.

82 We found that **the Health Board has robust arrangements to support staff wellbeing and manage its estate and physical assets. There are clear strategies for digital and estates, but limited capital funding is a significant challenge.**

Supporting staff wellbeing

83 We considered the extent to which the Health Board has appropriate and effective arrangements in place for supporting staff wellbeing. In examining this, we have looked at whether:

- mechanisms to seek staff views about their wellbeing needs are effective, and appropriate action is taken to respond to findings; and
- actions to support and improve staff wellbeing are actively monitored by the Board, including actions taken in response to our report on how NHS bodies supported staff wellbeing during the COVID-19 pandemic⁸.

84 We found that **the Health Board has robust arrangements in place to support and oversee staff well-being.**

85 The Health Board has taken significant action to improve staff wellbeing. It has put a detailed action plan in place, based on staff views and experiences, which focusses on six themes⁹. The latest update in June 2022 indicated that much of the actions had either been completed or were on track to be completed. Actions taken by the Health Board include, but are not limited to:

- a programme of culture change;
- a focus on a 'good day at work' and time for teams to reflect and learn;
- the establishment of a Wellbeing Champion Network, a staff wellbeing information line, and the establishment of an Ecotherapy programme;
- the creation of a medical fatigue and facilities charter, and a lifelong recovery and restoration education fund;
- an arts in health programme; and
- a staff benefits programme which includes access to financial advice.

86 The Health Board uses a 'You said, we did' approach to feed back to staff the actions that have been taken. As the culture embeds, this approach will move to 'You said, we did together'. The Health Board is also proactively using a range of measures to demonstrate the impact of its staff wellbeing programme. This includes turnover rates, reasons for leaving, length of service, sickness absence

⁸ Audit Wales, [Taking care of the carers? How NHS bodies supported staff wellbeing during the COVID-19 pandemic](#), October 2021

⁹ Growing inspirational leaders; creating spaces and ways of working that enable people and services to thrive; putting wellbeing at the heart of Hywel Dda; creating a safe and supportive place to work; building on our COVID-19 team spirit; and enabling learning and innovation.

rates, and stability of staffing within areas. It also uses intelligence from exit, thinking of leaving, and stay interviews as well as staff stories. A sample of 1,000 staff are also routinely surveyed every month, although response rates are quite low, ranging between 16% and 23%. The measures are set out in a dashboard which is overseen by the Culture and Workforce Experience Team. Overall staff engagement is also monitored through the BAF.

- 87 Staff wellbeing is a clear priority and there are robust arrangements for oversight. Five of the Health Board's planning objectives relate to staff wellbeing, including the delivery of the Discovery Report action plan. Progress is monitored through the BAF at Board and the People, Organisational Development and Culture Committee. A formal update on the staff wellbeing action plan is provided on a six-monthly basis. Bespoke reports on different aspects of staff wellbeing are also provided during the year. In December 2021, the ARAC also received the Health Board's comprehensive management response to our Taking Care of the Carers report. In April 2022, an Internal Audit report on organisational values and staff wellbeing provided substantial assurance.

Managing digital resources

- 88 We considered the extent to which the Health Board has appropriate and effective arrangements in place for managing its digital resources. In examining this, we have looked at whether:
- there is a Board-approved digital strategy in place which seeks to harness and exploit digital technology to improve the quality, safety, and efficiency of services, as well as to support new models of care and new ways of working; and
 - benefits arising from investments in digital technology are actively monitored by the Board.
- 89 We found that **the Health Board has a clear vision for digital, but the limited availability of funding is significantly impairing delivery.**
- 90 The Health Board has a clear digital vision, as set out in its Digital Strategy – 'Our Digital Response 2020-2025'. The strategy also sets out the direction of travel and priorities for digital development and technology to support the delivery of the Health Board's longer-term strategy. Several of the Health Board's 2022-23 planning objectives relate to aspects of the Digital Strategy.
- 91 Capital funding for digital is limited. In its ten-year investment plan submission to the Welsh Government, the Health Board indicated a capital requirement of £94.3 million. In its Infrastructure Investment Plan for 2022-2025, underpinning the three-year plan, the business cases for ten national digital programmes were identified as being in progress. These included the rollout of the All-Wales Risk Management System, and the replacement of the pharmacy system. However, capital funding available to the Health Board is significantly reduced for 2022-23, and no digital developments have been able to be supported, unless additional funding becomes

available. Through discretionary capital, the Health Board has allocated £0.2 million to digital.

- 92 There are clear arrangements for oversight but reporting on implementation of the digital strategy could be strengthened. Digital is the responsibility of the SRC, and all relevant planning objectives are monitored through committee. As mentioned in paragraph 61, there is scope to improve visibility on overall progress of implementation of the digital strategy. Monitoring of associated capital spending is delegated to the Capital Sub-committee, which reports directly to the SDODC.

Managing the estate and other physical assets

- 93 We considered the extent to which the Health Board has appropriate and effective arrangements in place for managing its estate and other physical assets. In examining this, we have looked at whether:

- there are Board-approved strategies and plans in place for managing the organisation's estates and its wider physical assets;
- there are appropriate arrangements in place for the Board to review, scrutinise, challenge, and approve significant capital projects and programmes; and
- there are appropriate arrangements in place for the Board to maintain appropriate oversight of the condition of the estate and other physical assets.

- 94 We found that **the Health Board has a clear vision for its estate and has robust arrangements for maintaining oversight and scrutiny, but funding is a significant challenge.**

- 95 The Health Board has a clear estates vision within its long-term strategy. As set out in paragraph 45, the Health Board has submitted its PBC to the Welsh Government setting out its intention to make significant changes to its clinical estate. The PBC sets out the need for capital funds in the region of £1.4 billion over the next ten years. The Health Board's ten-year investment plan submitted to the Minister also sets out the need for capital funds in the region of £437 million to maintain business continuity with respect to its estate and assets. Due to the significant reduction in capital funds, the Health Board has only been allocated £31 million for 2022-23. The Health Board is also in the early stages of developing a plan for its non-clinical estate, reflecting the shift in hybrid working seen because of the pandemic.

- 96 There are robust arrangements in place for maintaining oversight of the condition of the estate and physical assets. Comprehensive information is reported to the Capital Sub-committee on backlog maintenance, the investment required to ensure compliance with regulations, and the replacement requirement for its assets. There is a clear process for prioritisation of funding, and a clear timeline is presented in the Infrastructure Investment Plan for 2022-2025 as to when refurbishment, compliance works, and replacement will take place.

- 97 There are robust arrangements in place for maintaining oversight of capital projects and programmes. A capital governance report is presented to the Capital Sub-committee at every meeting providing a high-level overview of the status of all capital projects. Detailed updates on individual projects are also reported separately. Routine reports are provided from the sub-committee up to SDODC, and, where appropriate, detailed updates on individual projects are also reported to SDODC. The Capital Sub-committee also maintains oversight of any actions arising from internal and external reviews of individual capital projects. Two Internal Audit reports have been presented to ARAC during 2022 relating to capital projects. Both reports provided reasonable assurance.

Appendix 1

Audit approach

Exhibit 3 sets out the approach we adopted for delivering our structured assessment work at the Health Board.

Exhibit 3: audit approach

Element of audit approach	Description
Observations	<p>We observed Board meetings as well as meetings of the following Committees:</p> <ul style="list-style-type: none">• Audit and Risk Assurance Committee;• People, Organisational Development and Culture Committee;• Quality, Safety and Experience Committee;• Strategic, Development and Operational Delivery Committee; and• Sustainable Resources Committee.

Element of audit approach	Description
Documents	<p>We reviewed a range of documents, including:</p> <ul style="list-style-type: none"> • Board and Committee Terms of Reference, work programmes, agendas, papers, and minutes; • key governance documents, including Schemes of Delegation, Standing Orders, Standing Financial Instructions, Registers of Interests, and Registers of Gifts and Hospitality; • key organisational strategies and plans, including the Annual Plan; • key risk management documents, including the Board Assurance Framework and Corporate Risk Register; • key reports relating to organisational performance and finances; • Annual Report, including the Annual Governance Statement; • relevant policies and procedures; and • reports prepared by Internal Audit, Health Inspectorate Wales, and other relevant external bodies.
Interviews	<p>We interviewed the following Senior Officers and Independent Members:</p> <ul style="list-style-type: none"> • Board Secretary; • Chair; • Chair of Audit and Risk Assurance Committee; • Chief Executive; • Director of Finance; • Director of Operations; and • Director of Strategic, Development and Operational Planning.

Appendix 2

Management response to audit recommendations

[Appendix x will be completed once the report and management response have been considered by the relevant committee.]

Exhibit 4: management response

Recommendation	Management response	Completion date	Responsible officer



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