

**CYFARFOD BWRDD PRIFYSGOL IECHYD
UNIVERSITY HEALTH BOARD MEETING**

DYDDIAD Y CYFARFOD: DATE OF MEETING:	30 January 2025
TEITL YR ADRODDIAD: TITLE OF REPORT:	Auditor General for Wales – Annual Audit Report 2024 and Structured Assessment 2024
CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:	Professor Phil Kloer, Chief Executive Officer
SWYDDOG ADRODD: REPORTING OFFICER:	Joanne Wilson, Director of Corporate Governance/ 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 2024, at Appendix 1, sets out the key findings from the audit work undertaken at Hywel Dda University Health Board (the Health Board) by Audit Wales (AW) during 2024. 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 2024, 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 Board transparency, cohesion, and effectiveness, corporate systems of assurance, corporate approach to planning, and corporate approach to financial management. An update on progress against recommendations identified in previous structured assessment reports has also been included in the document.

Cefndir / Background

The 2024 Structured Assessment has been considered and discussed in depth at the Audit and Risk Assurance Committee held on 10 December 2024.

The Annual Audit Report now being presented to the Board is reflective of the 2024 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 2024 (APPENDIX 1)

The overall conclusions from the Annual Audit Report 2024 are as follows:

Audit of accountability report and financial statements

- An unqualified opinion on the accuracy and proper preparation of the 2023-24 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;
- Some issues were brought to the attention on officers and the Audit and Risk Assurance Committee for improvement;
- A qualified opinion on the regularity of the financial transactions within the Health Board's 2023-24 accounts as the Health Board did not meet its revenue resource allocation over the three-year period ending 31 March 2024, nor have an approved three-year integrated medium-term plan for the period 2023-24 to 2025-26.
- Alongside the audit opinion, is a substantive report to highlight the regularity issues.

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

The following conclusions were outlined in the report:

Review of Operational Governance

- The current operations structure is complex and multilayered, leading to unclear lines of accountability within operational directorates. The Health Board is taking positive steps in addressing these issues with the introduction of a new operations structure. However, delays in rolling out the new structure is causing instability in directorate leadership teams. This is partly due to a number of vacancies within the directorate leadership teams, resulting in several interim roles, acting-up arrangements and leads taking on additional responsibilities resulting in large remits for some senior leaders to cover. The structure and leadership arrangements within the Finance, Digital and Performance Directorate are clearer, and whilst there is a stable leadership team, there has been recent turnover in several roles within the Finance Team. This is being managed within the new Organisational Change Process, which has arisen from a recognition that further improvements could be made to the finance business partnering function.
- Governance arrangements within the operations structure are not clearly documented. Whilst we found some good arrangements within individual areas, arrangements across the operations structure are inconsistent and do not support good flows of information. Implementing the new structure provides an opportunity to strengthen flows of information by mapping governance arrangements and standardising agendas and reporting templates for business meetings held within directorate teams. Arrangements within the Finance, Digital and Performance Directorate are clearer, but also need to be documented.
- There are adequate systems of assurance at directorate level, supported by good performance information and risk management systems. But there is inconsistent practice within directorates with scope to strengthen and standardise performance and risk managements arrangements within directorate teams.

Review of cost savings arrangements

- The Health Board has an effective approach to identifying, delivering, and monitoring sustainable cost savings opportunities. The review considered the impact these arrangements had on the Health Board's 2023-24 year-end position and highlighted where arrangements may need to be strengthened for 2024-25 and beyond.
- The review found that Health Board did not meet its financial targets for 2023-24 and its track record on delivering recurrent savings is poor. Given the Health Board's challenging financial position for 2024-25, it urgently needs to address its cost drivers and strengthen its

overall arrangements for identifying, delivering, and monitoring sustainable cost savings opportunities to prevent its financial position from deteriorating further.

- The Health Board broadly understands its cost drivers and has taken positive steps to strengthen budget management at an operational level. The Health Board makes good use of data and intelligence to identify cost savings opportunities, but elements of its approach to selecting and developing savings opportunities require improvement.
- The Health Board has a poor track record of delivering recurrent savings. This, coupled with skills and capacity gaps in respect of financial and transformational aspects of delivering savings and insufficient operational management arrangements for managing finances, linked to the current configuration of the Health Board's operational structures, will make achieving its significantly higher 2024-25 savings target even more challenging.
- Whilst the Health Board's arrangements for monitoring and reporting on cost savings are improving, opportunities exist to strengthen them further by enhancing scrutiny of savings underperformance, effectively managing the delivery risks within its identified 2024-25 savings schemes, and implementing the learning from recent savings governance reviews.

STRUCTURED ASSESSMENT 2024 (APPENDIX 2)

The overall conclusion from the Structured Assessment 2024 is as follows:

'The Health Board's corporate arrangements continue to operate effectively, despite a period of significant change, with a small number of areas that could be further improved. Whilst the financial position for 2024-25 remains extremely challenging, the Health Board is taking positive steps to get onto a more sustainable footing.'

AW provided the following feedback for specific areas:

Board transparency, effectiveness, and cohesion

AW found that *whilst managing a period of significant change, the Board and its committees continue to work well, maintaining a clear focus on public transparency, good governance, continuous improvement and hearing from patients and staff.*

Key findings in this section were as follows:

- The Health Board continues to maintain a strong commitment to public transparency.
- The Health Board has maintained robust arrangements to support the effective conduct of Board and committee business.
- Board and committee meetings continue to be conducted appropriately and effectively, with strengthened arrangements to escalate high-risk matters to the Board. Preparations to establish a joint committee with Swansea Bay University Health Board are progressing well.
- The Board and its committees receive good quality, timely papers, which the Health Board is continuing to strengthen as part of ongoing improvement.
- The Board continues to hear from a range of patients and staff and has enhanced arrangements for patient safety walkabouts.
- The Board is managing a significant period of change well and is taking positive steps to ensure it remains cohesive and effective through Board development opportunities and arrangements for continuous improvement.

Corporate systems of assurance

AW found that *the Health Board continues to have appropriate arrangements for corporate oversight of risk, performance, tracking recommendations, and the quality and safety of services. The performance management framework however needs to be updated to reflect*

current performance arrangements, and more frequent updates on the implementation of the Quality Improvement Strategic Framework should be provided.

Key findings in this section were as follows:

- The Board continues to have a mature approach to overseeing strategic and corporate risks and risk management arrangements.
- Board and corporate oversight of organisational performance has been strengthened, however there is a need to update the performance management framework to ensure it reflects current arrangements.
- Whilst there is appropriate corporate oversight and scrutiny of the quality and safety of services, there is a need for more regular updates on the implementation of the Quality Improvement Strategic Framework.
- The Health Board has maintained robust arrangements for tracking audit and review recommendations, with internal escalation arrangements used to strengthen operational audit tracking arrangements.

Corporate approach to planning

AW found that development and delivery of the Health Board's plans continue to be supported by appropriate oversight, underpinned by a pragmatic approach to addressing planning team capacity issues. There is scope to review well-being objectives as part of a planned long-term strategy refresh.

Key findings in this section were as follows:

- There continues to be appropriate corporate arrangements in place to support the development of plans, underpinned by a pragmatic approach to overcome planning team capacity issues. While the Health Board remains focused on its long-term strategy, plans to refresh it provide an opportunity to align its well-being objectives.
- Planning oversight arrangements remain robust, supported by focused and further streamlined planning objectives designed to progress strategic change programmes.

Corporate approach to managing financial resources

AW found that whilst the financial position for 2024-25 remains extremely challenging, the Health Board is taking positive steps to improve its financial position and to develop a roadmap to ensure financial sustainability. There remains a clear approach for financial planning and managing and monitoring the financial position, but there is a need to strengthen the approach to delivering cost savings opportunities.

Key findings in this section were as follows:

- The Health Board did not achieve its revenue financial duties for 2023-24 and with an ongoing challenging financial position, will not achieve them in 2024-25 but the Health Board is taking positive steps to improve its financial position.
- The Health Board has maintained a clear financial planning process and is taking steps to become financially stable, although progress is behind schedule and there is an urgent need to strengthen its approach to delivering sustainable cost savings opportunities.
- The Health Board continues to have appropriate arrangements in place to oversee and scrutinise financial management and controls, which have been further strengthened through arrangements to support targeted intervention.
- The Health Board maintains good arrangements for monitoring and scrutinising its financial position, with greater scrutiny on issues contributing to the financial challenges.

Since the Structured Assessment 2024 report has been finalised and issued, the Health Board's financial position has changed, which the Audit and Risk Assurance Committee agreed should be brought to the Board's attention. The Director General for Health, Social Care and Early Years (HSCEY) has written to the Health Board's Chief Executive confirming additional in-year financial allocations and a revised Target Control Total (TCT). This resulted in the Health Board's planned deficit improving from £64.0m to £31.55m, with the TCT also becoming £31.55m from the previous expectation of £44.8m.

Recommendations

AW have made three recommendations from their review, relating to the Improving Together Framework, the Quality Improvement Strategic Framework and the well-being objectives and strategy refresh.

As part of the structured assessment process, AW also reviews progress against recommendations made in previous reports. Of the twelve recommendations previously raised in the 2023, 2022 and 2021 Structured Assessments, and included in Appendix 2 of the Structured Assessment report, AW found that nine were complete, with the remaining three in progress.

The Audit and Risk Assurance Committee will consider the Health Board's response to these remaining recommendations, along with the three new recommendations, in February 2025 and will monitor the implementation of these recommendations through 2025.

Argymhelliad / Recommendation

The Board is requested to:

- **SUPPORT** the content of the Annual Audit Report 2024 and Structured Assessment 2024 Report, including the change to the Health Board's financial position since the report was issued; 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 11 February 2025 and **DELEGATE** authority to ARAC to oversee 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
Parthau Ansawdd: Domains of Quality Quality and Engagement Act (sharepoint.com)	Not Applicable
Galluogwyr Ansawdd: Enablers of Quality:	Not Applicable

Quality and Engagement Act (sharepoint.com)	
Amcanion Strategol y BIP: UHB Strategic Objectives:	All Strategic Objectives are applicable
Amcanion Cynllunio Planning Objectives	Not Applicable
Amcanion Llesiant BIP: UHB Well-being Objectives: Hyperlink to HDdUHB Well-being Objectives Annual Report 2021-2022	10. Not Applicable

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

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 2023-24, ending the year with a financial deficit of £68.8 million, and that the Health Board will not meet all its financial duties for 2024-25.
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 2024 – Hywel Dda University Health Board

Audit year: 2023-24

Date issued: January 2025

Document reference: 4624A2024

This document has been prepared as part of work performed in accordance with statutory functions.

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We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

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 2024 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 were continuing to respond to a broad set of challenges associated with the cost-of-living crisis, the climate emergency, inflationary pressures on public finances, workforce shortages, and an ageing estate. In addition, NHS bodies are still dealing with the legacy of the COVID-19 pandemic. My work programme, therefore, was designed to best assure the people of Wales that public funds are well managed.
- 4 We largely continued to work and engage remotely where possible using technology, but some on-site audit work resumed where it was 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 The audited accounts submission deadline was shortened by two weeks from the previous year to 15 July 2024. The financial statements were certified on 12 July 2024, meaning the deadline was met. This reflects a great collective effort by both my staff and the Health Board's officers.
- 6 The focus and approach of my performance audit work continues to be aligned to the post-pandemic challenges facing the NHS in Wales and is conducted in line with INTOSAI¹ auditing standards.
- 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.

¹ INTOSAI (International Organisation of Supreme Audit Institutions) is a global umbrella organisation for the performance audit community. It is a non-governmental organisation with special consultative status with the Economic and Social Council (ECOSOC) of the United Nations.

- 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 2024 Audit Plan.
- 9 **Appendix 3** sets out the audit of accounts risks set out in my 2024 Audit Plan and how they were addressed through the audit.
- 10 The Chief Executive, the Director of Finance and the Director of Corporate Governance have agreed the factual accuracy of this report. We presented it to the Board on 30 January 2025. 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 internal controls (as relevant to my audit) however, I brought some issues to the attention of officers and the Audit and Risk Assurance Committee for improvement.
- 13 However, I qualified the regularity opinion. In line with prior years, the regularity opinion was qualified because the Health Board did not meet its revenue resource allocation over the three-year period ending 31 March **2024**.
- 14 Alongside my audit opinion, I placed a substantive report on the Health Board's accounts to highlight the failure to achieve financial balance and the failure to have an approved three-year plan in place.

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's current operations structure is complex resulting in blurred lines of accountability, and inconsistencies in governance arrangements across its directorates. Whilst the Health Board is progressing its new operations structure, presenting opportunities to improve governance arrangements, delays in rolling out the new structure are causing instability within directorate leadership teams due to unfilled vacancies. Governance arrangements within the Finance, Digital and Performance Directorate are clearer, but there is scope to strengthen them.

- the Health Board did not meet its financial targets for 2023-24 and its track record on delivering recurrent savings is poor. Given the Health Board's challenging financial position for 2024-25, it urgently needs to address its cost drivers and strengthen its overall arrangements for identifying, delivering, and monitoring sustainable cost savings opportunities to prevent its financial position from deteriorating further.
- the Health Board's corporate arrangements continue to operate effectively, despite a period of significant change, with a small number of areas that could be further improved. Whilst the financial position for 2024-25 remains extremely challenging, the Health Board is taking positive steps to get onto a more sustainable footing.

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 2024 Audit Plan set out the key risks for audit of the accounts for 2023-24 and these are detailed along with how they were addressed in **Exhibit 4, 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 2023-24 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 internal controls (as relevant to my audit) however, I brought some issues to the attention of officers and the Audit and Risk Assurance Committee for improvement.
- 21 I must report issues arising from my work to those charged with governance (the Audit and Risk Assurance Committee) for consideration before I issue my audit opinion on the accounts. My Financial Audit Engagement Lead reported these issues on 9 July 2024. **Exhibit 1** summarises the key issues set out in that report.

Exhibit 1: issues reported to the Audit Committee

Issue	Auditors’ comments
Uncorrected misstatements	There were no uncorrected misstatements.
Corrected misstatements	There were a number of adjustments made to the draft accounts, none of which impacted on the reported deficit.

Issue	Auditors' comments
Other significant issues	<p>I qualified my regularity opinion and issued a substantive report because the Health Board did not meet its revenue resource allocation over the three-year period ending 31 March 2024, nor have an approved three-year integrated medium-term plan for the period 2023-24 to 2025-26.</p> <p>I also reported the need to strengthen the Health Board's controls over the theatre stock.</p>

- 22 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 2024 and the return was prepared in accordance with the Treasury's instructions.
- 23 My separate audit of the charitable funds accounts is substantially complete. No significant issues have been identified. I intend to provide my audit opinion on 31 January 2025.

Regularity of financial transactions

- 24 The Health Board's financial transactions must be in accordance with authorities that govern them. The Health Board must have the powers to receive income and incur 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.
- 25 Where a Health Board does not achieve financial balance, its expenditure exceeds its powers to spend and so I must qualify my regularity opinion.
- 26 For 2023-24, the Health Board failed to meet both the first and second financial duty. The first financial duty gives additional flexibility to Health Boards by allowing them to balance their income with their expenditure over a three-year period. The three-year period being measured under this duty this year is 2021-22 to 2023-24.
- 27 The Health Board did not achieve financial balance for the three-year period ending 31 March 2024, exceeding its cumulative revenue resource limit of £3,368.889 million by £149.859 million, 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 2023-24 accounts. The second financial duty requires Health Boards 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 2023-24 if it submitted a 2023-24 to 2025-26 plan approved by its Board to Welsh Ministers, who were required to review and consider approval of the plan. 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 2023-24 to 2025-26

- 28 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.

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

- 29 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:
- reviewing the Health Board's directorate level governance arrangements to ensure they support the economic, efficient, and effective use of resources;
 - reviewing the effectiveness of the Health Board's cost savings arrangements; and
 - undertaking a structured assessment of the Health Board's corporate arrangements for ensuring that resources are used efficiently, effectively, and economically.
- 30 My conclusions based on this work are set out below.

Review of Operational Governance

- 31 My work examined whether directorate level governance arrangements support the economic, efficient, and effective use of resources. Specifically, I examined whether directorates have clear leadership and governance arrangements, are conducting business effectively and have good performance and risk management arrangements.
- 32 My work found that the current operations structure is complex and multilayered, leading to unclear lines of accountability within operational directorates. The Health Board is taking positive steps in addressing these issues with the introduction of a new operations structure. However, delays in rolling out the new structure is causing instability in directorate leadership teams. This is partly due to a number of vacancies within the directorate leadership teams, resulting in several interim roles, acting-up arrangements and leads taking on additional responsibilities resulting in large remits for some senior leaders to cover. The structure and leadership arrangements within the Finance, Digital and Performance Directorate are clearer, and whilst there is a stable leadership team, there has been recent turnover in several roles within the Finance Team. This is being managed within the new

Organisational Change Process, which has arisen from a recognition that further improvements could be made to the finance business partnering function.

- 33 Governance arrangements within the operations structure are not clearly documented. Whilst we found some good arrangements within individual areas, arrangements across the operations structure are inconsistent and do not support good flows of information. Implementing the new structure provides an opportunity to strengthen flows of information by mapping governance arrangements and standardising agendas and reporting templates for business meetings held within directorate teams. Arrangements within the Finance, Digital and Performance Directorate are clearer, but also need to be documented.
- 34 There are adequate systems of assurance at directorate level, supported by good performance information and risk management systems. But there is inconsistent practice within directorates with scope to strengthen and standardise performance and risk managements arrangements within directorate teams.

Review of cost savings arrangements

- 35 My review examined whether the Health Board has an effective approach to identifying, delivering, and monitoring sustainable cost savings opportunities. It considered the impact these arrangements had on the Health Board's 2023-24 year-end position and highlighted where arrangements may need to be strengthened for 2024-25 and beyond.
- 36 My work found that the Health Board did not meet its financial targets for 2023-24 and its track record on delivering recurrent savings is poor. Given the Health Board's challenging financial position for 2024-25, it urgently needs to address its cost drivers and strengthen its overall arrangements for identifying, delivering, and monitoring sustainable cost savings opportunities to prevent its financial position from deteriorating further.
- 37 The Health Board broadly understands its cost drivers and has taken positive steps to strengthen budget management at an operational level. The Health Board makes good use of data and intelligence to identify cost savings opportunities, but elements of its approach to selecting and developing savings opportunities require improvement.
- 38 The Health Board has a poor track record of delivering recurrent savings. This, coupled with skills and capacity gaps in respect of financial and transformational aspects of delivering savings and insufficient operational management arrangements for managing finances, linked to the current configuration of the Health Board's operational structures, will make achieving its significantly higher 2024-25 savings target even more challenging.
- 39 Whilst the Health Board's arrangements for monitoring and reporting on cost savings are improving, opportunities exist to strengthen them further by enhancing scrutiny of savings underperformance, effectively managing the delivery risks within its identified 2024-25 savings schemes, and implementing the learning from recent savings governance reviews.

Structured assessment

- 40 My team examined the Health Board's corporate arrangements for ensuring that resources are used efficiently, effectively, and economically, with a specific focus on: Board transparency, effectiveness, and cohesion; corporate systems of assurance; corporate approach to planning; and corporate approach to managing financial resources. Auditors also paid attention to progress made to address previous recommendations.
- 41 At the time of my structured assessment work, the Health Board was subject to targeted intervention (level 4) status under the [Welsh Government's escalation and intervention arrangements](#).

Board transparency, effectiveness, and cohesion

- 42 My work considered whether the Health Board's Board conducts its business appropriately, effectively, and transparently. I paid particular attention to:
- Public transparency of Board business
 - Arrangements to support the conduct of Board business
 - Board and committee structure, business, meetings, and flows of assurance
 - Board commitment to hearing from staff, users, other stakeholders
 - Board skills, experiences, cohesiveness, and commitment to improvement
- 43 My work found that whilst managing a period of significant change, the Board and its committees continue to work well, maintaining a clear focus on public transparency, good governance, continuous improvement and hearing from patients and staff.
- 44 The Health Board continues to maintain a strong commitment to public transparency, with well publicised Board meetings, which members of the public can observe in-person, virtually or via a recording published on the Health Board's website. The Health Board continues to reserve private Board and committee sessions, for the most sensitive matters, with a high-level summary of discussions published online.
- 45 The Health Board maintains robust arrangements to support the conduct of Board business, with up-to-date Standing Orders, Scheme of Reservation and Delegation, and Standing Financial Instructions, which are reviewed at least annually to ensure they reflect current arrangements. The Health Board has recently reviewed and updated its scheme of delegation, addressing identified gaps. The scheme of delegation will need to be kept under review as the Health Board rolls out its new operations structure. There are clear processes and oversight arrangements to ensure compliance with declarations of interest and that policies are kept updated.
- 46 The Board and its committees continue to work effectively, with up-to-date Terms of Reference and work programmes. These appropriately reflect oversight responsibilities for the Health Board's targeted intervention monitoring framework and corporate and strategic risks. The Health Board is reviewing its committee

structure and arrangements and will implement agreed changes in April 2025. Board and committee meetings continue to be well chaired and administered, with strengthened arrangements to escalate high-risk matters to the Board. Committee meetings are well supported by the Corporate Governance Team and there is good Executive Member and officer representation. The Board and its committees receive good quality, timely papers, which the Health Board is continuing to strengthen as part of ongoing improvement. The Board continues to hear from a range of patients and staff and has enhanced arrangements for patient safety walkabouts.

- 47 The Board is managing a significant period of change well and is taking positive steps to ensure it remains cohesive and effective through Board development opportunities and arrangements for continuous improvement. Preparations to establish a joint committee with Swansea Bay University Health Board are progressing well, with the inaugural meeting due to take place in January 2025.

Corporate systems of assurance

- 48 My work considered whether the Health Board has a sound corporate approach to managing risks, performance, and the quality and safety of services. I paid particular attention to the organisation's arrangements for:
- overseeing strategic and corporate risks;
 - overseeing organisational performance;
 - overseeing the quality and safety of services; and
 - tracking recommendations.
- 49 My work found that the Health Board continues to have appropriate arrangements for corporate oversight of risk, performance, tracking recommendations, and the quality and safety of services. However, the performance management framework needs to be updated to reflect current performance arrangements, and more frequent updates on the implementation of the Quality Improvement Strategic Framework should be provided.
- 50 The Board continues to have a mature approach to overseeing strategic and corporate risks and risk management arrangements. The Audit and Risk Assurance Committee continues to receive the Risk Assurance Report, which provides assurance on the effectiveness of the Risk Management Framework, and progress on implementing the revised Risk Management Strategy. The Health Board also has an up-to-date risk appetite statement, approved by the Board in January 2024. Board and corporate oversight of organisational performance has been strengthened, for example, by introducing an internal escalation framework. However, there is a need to update the performance management framework to ensure it reflects current arrangements.
- 51 There is appropriate corporate oversight and scrutiny of the quality and safety of services, and in compliance with the Health and Social Care (Quality and Engagement) Act (2020) the Health Board published its annual report setting out how it met the duties of quality and candour during 2023-24. However, there is a

need for more regular updates on the implementation of the Quality Improvement Strategic Framework, which was approved by the Board in March 2023. The Health Board has maintained robust arrangements for tracking audit and review recommendations, with internal escalation arrangements used to strengthen operational audit tracking arrangements.

Corporate approach to planning

- 52 My work considered whether the Health Board has a sound corporate approach to planning. I paid particular attention to the organisation's arrangements for:
- producing and overseeing the development of strategies and corporate plans, including the Integrated Medium-Term Plan; and
 - overseeing the delivery of corporate strategies and plans.
- 53 My work found that development and delivery of the Health Board's plans continue to be supported by appropriate oversight, underpinned by a pragmatic approach to addressing planning team capacity issues. There is scope to review well-being objectives as part of a planned long-term strategy refresh.
- 54 The Health Board continues to have appropriate corporate arrangements to support the development of plans, such as its Annual Plan and Clinical Services Plans, which are underpinned by a pragmatic approach to overcome planning team capacity issues. The Health Board remains focused on its long-term strategy however it has indicated its intention to refresh it during 2025. It also has plans to review its well-being objectives, which were last refreshed in 2019. This presents an opportunity for the Health Board to review its well-being objectives as part of its long-term strategy refresh to ensure the strategic and well-being objectives are well aligned.
- 55 The Health Board's arrangement for overseeing its Annual Plan remain robust. Since last year, the Health Board has further streamlined its planning objectives. Its 2024-25 Annual Plan articulates 10 focused strategic change programmes or planning objectives, focused on both current challenges, whilst planning for sustainable services in the medium- and longer-term. Committees maintain good oversight of the delivery of planning objectives, which have clearly articulated aims/expected outcomes, and the Annual Plan has a clear delivery plan.

Corporate approach to managing financial resources

- 56 My work considered whether the Health Board has a sound corporate approach to managing its financial resources. I paid particular attention to the organisation's arrangements for:
- achieving its financial objectives;
 - overseeing financial planning;
 - overseeing financial management; and
 - overseeing financial performance.

- 57 My work found that whilst the financial position for 2024-25 remains extremely challenging, the Health Board is taking positive steps to improve its financial position and to develop a roadmap to ensure financial sustainability. There remains a clear approach for financial planning and managing and monitoring the financial position, but there is a need to strengthen the approach to delivering cost savings opportunities.
- 58 The Health Board did not achieve its revenue financial objectives and duties for 2023-24, and with an ongoing challenging financial position, will not achieve them in 2024-25. However, the Health Board is taking positive steps to improve its financial position. Working to a planned financial deficit of £64 million for 2024-25, at Month 7 the Health Board was reporting to be on track to achieving its year-end deficit and was reporting an underspend against its £5.3 million monthly profiled deficit (£4.3 million). This is an improvement from Month 4 when the gap was £10.7 million, and the average monthly deficit was £5.7 million.
- 59 The Health Board has maintained a clear financial planning process and is taking steps to become financially stable, although progress is behind schedule and there is an urgent need to strengthen its approach to delivering sustainable cost savings opportunities. The Health Board continues to have appropriate arrangements to oversee and scrutinise financial management and controls, which have been further strengthened through arrangements to support targeted intervention. The Health Board maintains good arrangements for monitoring and scrutinising its financial position, with greater scrutiny on issues contributing to the financial challenges.

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 2024.

Report	Date
Financial audit reports	
Audit of Financial Statements Report	July 2024
Opinion on the Financial Statements	July 2024
Our intention is to issue the Audit of Charitable Funds Financial Statements Report and Opinion on the Charitable Funds Financial Statements in January 2025.	Audit opinion planned for 31 January 2025.
Performance audit reports	
<u>Review of Operational Governance</u>	May 2024
<u>Review of Cost Savings Arrangements</u>	July 2024
Structured Assessment 2024	November 2024
Other	
2024 Audit Plan	April 2024

My wider programme of national value-for-money studies in 2024 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
Urgent and emergency care: Unscheduled Care: Flow out of hospital – West Wales Region	April 2025
Discharge planning: Progress update	April 2025
Urgent and emergency care: Arrangements for managing demand	April 2025
Review of planned care services recovery	April 2025
Review of arrangements for capital programme prioritisation	May 2025
Review of the arrangements for managing outpatient appointments	July 2025
Review of digital transformation	July 2025

Appendix 2

Audit fee

The 2024 Audit Plan set out the proposed audit fee of £417,663 (excluding VAT). My latest estimate of the actual fee, on the basis that some work remains in progress, is in keeping with the fee set out in the outline.

Appendix 3

Audit of accounts risks

Exhibit 4: audit of accounts risks

My 2024 Audit Plan set out the risks of material misstatement and/or irregularity for the audit of the Health Board's 2023-24 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
<p>Management Override</p> <p>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.</p>	<p>The audit team will:</p> <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 bias; evaluate the rationale for any significant transactions outside the normal course of business 	<p>My audit team:</p> <ul style="list-style-type: none"> tested journal entries; reviewed accounting estimates, particularly primary care payments; and did not identify and transactions outside the normal course of business. <p>No material issues arose from the work carried out.</p>
<p>Financial Duty</p> <p>There is a significant risk that you will fail to meet your financial duty to break even over a three -year period. The position at month 11 shows a year-to-date deficit of £62 million and a forecast year-end deficit of 366 million which is inconsistent with the Minister's published control total.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> Continue to monitor the Health Board's financial position for 2023-24 and the cumulative three-year position to 31 March 2024. Undertake testing on areas of the financial statements which contain judgements such as year-end accruals; to ensure transactions have 	<p>I placed a substantive report on the financial statements explaining the failure to meet the three-year revenue resource limit and the circumstances under which it arose.</p>

Audit risk	Proposed audit response	Work done and outcome
<p>This, combined with the outturns for 2021-22 and 2022-23 predicts a three-year deficit of £150 million. Where you fail this financial duty, we will place a substantive report on the financial statements highlighting the failure and qualify your regularity opinion. Your current financial pressures increase the risk that management judgements and estimates could be biased in an effort to achieve the financial duty.</p>	<p>been reported in the correct accounting period; and</p> <ul style="list-style-type: none"> • Consider the impact of any relevant uncorrected misstatements over the three years. 	
<p>Losses and Special Payments (LaSPaR) From 1 December 2023, the Losses and Special Payments Register (LaSPaR) which is used to calculate the losses and many of the provisions balances in the accounts has been decommissioned nationally. For the remainder of 2023-24, a model excel spreadsheet will be used to record losses, special payments and to calculate year-end balances. There is a risk that the transactions and balances related to</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • Test the completeness and accuracy of data transfer from the LaSPaR system to the excel based spreadsheets. • Consider the design and implements of controls (if any) in place to mitigate error. • Review the year-end spreadsheet to ensure that there are no significant errors or issues in the compilation of figures for the accounts; and • review transactions back to supporting 	<p>My audit team:</p> <ul style="list-style-type: none"> • tested the completeness and accuracy of data transfer from the LaSPaR system to the excel based spreadsheets. • considered the design and implements of controls (if any) in place to mitigate error. • reviewed the year-end spreadsheet to ensure that there are no significant errors or issues in the compilation of figures for the accounts; and • reviewed transactions back to supporting evidence (e.g.,

Audit risk	Proposed audit response	Work done and outcome
<p>losses and special payments are materially misstated due to:</p> <p>The data transfer between the LaSPaR system and the excel model not being complete and accurate; and/or</p> <p>The excel model miscalculating balances due to spreadsheet/modelling errors and/or incorrect data entry.</p>	<p>evidence (e.g., Quantum reports) on a sample basis.</p>	<p>Quantum reports) on a sample basis.</p> <p>No material issues arose from the work carried out.</p>
<p>Remuneration Report and Related Parties Transactions</p> <p>Some of the disclosures in the financial statements, such as the Remuneration Report and related parties are judged to be material by nature, with a far lower level of materiality. These disclosures are therefore inherently prone to material misstatement.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • examine all entries in the remuneration report to verify that they are materially accurate, and that remuneration has been paid at the approved levels; verify that all necessary signed declarations have been received, evaluated and disclosed appropriately and accurately. 	<p>My audit team:</p> <ul style="list-style-type: none"> • examined all entries in the remuneration and verified their accuracy; • confirmed that remuneration had been paid at the approved levels; and • verified that all necessary signed declarations had been accurately and appropriately disclosed. <p>No material issues arose from the work carried out.</p>
<p>Reinforced Autoclaved Aerated Concrete (RAAC)</p> <p>Due to the significant presence of RAAC within Withybush Hospital, the Health</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • Review the valuation received by the District Valuer; and • Ensure that the valuation has been correctly accounted 	<p>My audit team:</p> <ul style="list-style-type: none"> • reviewed the valuation received by the District Valuer; and • Ensured that the valuation had been correctly accounted

Audit risk	Proposed audit response	Work done and outcome
<p>Board has requested a specific valuation from the District Valuer with regards to RAAC. Detailed surveys have already been undertaken across the whole site assessing the extent and the state of repair of the RAAC.</p>	<p>for within the 2023-24 financial statements</p>	<p>for within the 2023-24 financial statements. No material issues arose from the work carried out.</p>



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

Structured Assessment 2024 – Hywel Dda University Health Board

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We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

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 sets out the findings from the Auditor General's 2024 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 under section 61 of the Public Audit (Wales) Act 2004 to be satisfied that NHS bodies have made proper arrangements to secure economy, efficiency, and effectiveness in their use of resources. Our review of the Health Board's corporate approach to setting or reviewing well-being objectives in accordance with the sustainable development principle is being undertaken to help discharge the Auditor General's duties under section 15 of the Well-being of Future Generations (Wales) Act 2015.
- 2 Our 2024 structured assessment work took place at a time when NHS bodies were continuing to respond to a broader set of challenges associated with the cost-of-living crisis, the climate emergency, inflationary pressures on public finances, workforce shortages, and an ageing estate. In addition, NHS bodies are still dealing with the legacy of the COVID-19 pandemic. More than ever, therefore, NHS bodies and their Boards need to have sound corporate governance arrangements that can provide assurance to themselves, 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 our 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:
 - board transparency, cohesion, and effectiveness;
 - corporate systems of assurance;
 - corporate approach to planning; and
 - corporate approach to financial management.
- 4 We have not reviewed the Health Board's operational arrangements as part of this work. We reported a separate [review of the Health Board's operational governance arrangements](#) in July 2024. In that review, we found that the Health Board's current operations structure is complex resulting in blurred lines of accountability, and governance arrangements within directorates are inconsistent. Whilst the Health Board is progressing its new operations structure, presenting opportunities to improve governance arrangements, delays in rolling out the new structure is causing instability within directorate leadership teams.
- 5 Our work has been informed by our previous structured assessment work, which has been developed and refined over several years. It has also been informed by:
 - model Standing Orders, Reservation and Delegation of Powers;
 - model Standing Financial Instructions;
 - relevant Welsh Government health circulars and guidance;

- the Good Governance Guide for NHS Wales Boards (Second Edition); and
 - other relevant good practice guides.
- 6 In January 2024, Welsh Government escalated the whole Health Board to targeted intervention¹. This covers all six domains of the NHS Wales escalation and oversight framework, these are: 'quality of care', 'governance', 'leadership, capability and culture', 'performance and outcomes', 'fragile services' and 'finance, strategy and planning'. The escalation status reflects the scale of the Health Board's challenges and lack of sustained progress in addressing them. In response to its escalation status, the Health Board has established a set of initiatives and governance arrangements to oversee and manage the escalation process and address the challenges at pace. This includes new Executive Team governance arrangements², developing a targeted intervention monitoring framework to monitor progress on the 56 de-escalation criteria, introducing an internal escalation framework, delivering key initiatives through focused 100-day cycles of work, progressing the programme of clinical services plans to address fragile services and a set of financial improvement initiatives
- 7 We undertook our work between April 2024 and November 2024. The methods we used to deliver our work are summarised in **Appendix 1**. Our work was conducted in accordance with the auditing standards set by the International Organisation of Supreme Audit Institutions.
- 8 We also provide an update in this report on the Health Board's progress in addressing outstanding recommendations identified in previous structured assessment reports in **Appendix 2**.

Key findings

- 9 Overall, we found that **the Health Board's corporate arrangements continue to operate effectively, despite a period of significant change, with a small number of areas that could be further improved. Whilst the financial position for 2024-25 remains extremely challenging, the Health Board is taking positive steps to get onto a more sustainable footing.**

¹ 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 five escalation levels: routine arrangements, area of concern, enhanced monitoring, targeted intervention, and special measures. In November 2024, the Welsh Government confirmed that the Health Board would remain in targeted intervention.

² There are three executive level groups which report into the Formal Executive Team. These are: 'Integrated Quality, Finance and Performance Delivery', 'A Healthier Mid and West Wales' and 'Value and Sustainability' groups. A 'Targeted Intervention Co-ordination Group' co-ordinates and manages the Health Board's response to Targeted Intervention.

- We considered whether the Health Board's Board conducts its business, appropriately, effectively, and transparently. We found that whilst managing a period of significant change, the Board and its committees continue to work well, maintaining a clear focus on public transparency, good governance, continuous improvement and hearing from patients and staff.
- We considered whether the Health Board has a sound corporate approach to managing risks, performance, and the quality and safety of services. We found that the Health Board continues to have appropriate arrangements for corporate oversight of risk, performance, tracking recommendations, and the quality and safety of services. The performance management framework however needs to be updated to reflect current performance arrangements, and more frequent updates on the implementation of the Quality Improvement Strategic Framework should be provided.
- We considered whether the Health Board has a sound corporate approach to producing strategies and corporate plans and overseeing their delivery. We found that development and delivery of the Health Board's plans continue to be supported by appropriate oversight, underpinned by a pragmatic approach to addressing planning team capacity issues. There is scope to review well-being objectives as part of a planned long-term strategy refresh.
- We considered whether the Health Board has a sound corporate approach to managing its financial resources. We found that whilst the financial position for 2024-25 remains extremely challenging, the Health Board is taking positive steps to improve its financial position and to develop a roadmap to ensure financial sustainability. There remains a clear approach for financial planning and managing and monitoring the financial position, but there is a need to strengthen the approach to delivering cost savings opportunities.

Recommendations

- 10 **Exhibit 1** details the recommendations arising from our work. The Health Board's response to our recommendations is summarised in **Appendix 3**. [Appendix 3 will be completed once the report and management response have been considered by the relevant committee]

Exhibit 1: 2024 recommendations

Recommendations

Improving Together Framework

- R1 The Health Board should update its Improving Together Framework documentation, ensuring it adequately reflects current performance management and internal escalation arrangements. In updating the framework, the Health Board should also ensure documentation includes arrangements:
- deescalating and supporting directorates at the highest level of escalation for extended periods; and
 - coordinating support for directorates escalated over several domains (see paragraph 53).
-

Quality Improvement Strategic Framework

- R2 The Quality, Safety and Experience Committee should receive, at least annual, a standalone update on Quality Improvement activities, including the Health Board's progress in implementing the Quality Improvement Strategic Framework (2023-2026), a roundup of improvement initiatives and the impact they are having to date (see paragraph 60).
-

Well-being objectives and strategy refresh

- R3 To ensure the sustainable development principle is central to its long-term vision, the Health Board should review its well-being objectives as part of its planned long-term strategy refresh (see paragraph 69).

Detailed report

Board transparency, effectiveness, and cohesion

- 11 We considered whether the Health Board's Board conducts its business appropriately, effectively, and transparently.
- 12 We found that **whilst managing a period of significant change, the Board and its committees continue to work well, maintaining a clear focus on public transparency, good governance, continuous improvement and hearing from patients and staff.**

Public transparency of Board business

- 13 We considered whether the Board promotes and demonstrates a commitment to public transparency of board and committee business. We were specifically looking for evidence of Board and committee:
 - meetings that are accessible to the public;
 - papers being made publicly available in advance of meetings; and
 - business and decision-making being conducted transparently.
- 14 We found that **the Health Board continues to maintain a strong commitment to public transparency.**
- 15 As in previous years, the Board maintains its strong commitment to public transparency, with well publicised Board meetings, which members of the public can observe in-person, virtually or via a recording published on the Health Board's website. The Health Board continues to reserve private Board and committee sessions, for the most sensitive matters, with private Board agendas and a high-level summary of discussions published online. As recommended last year (see **Appendix 2 R1 2023**), committee update reports to the Board include a high-level update on matters discussed at private committee sessions.
- 16 Board and committee papers continue to be published on the Health Board's website a week before meetings, with late papers kept to a minimum. Last year, we noted that as recommended in 2022, the Health Board published its unconfirmed Board and committee minutes on its website soon after the meeting. However, this year the practice has not been consistently applied due to capacity constraints. It is important the Health Board publishes unconfirmed minutes shortly after meetings to maintain public transparency of business, especially as it has decided not to livestream or record its committee meetings. We continue to observe open and honest discussions at Board and committee meetings, with an improved focus on high-risk matters aided by the introduction of the Triple-A (Alert, Advise and Assure) process (see **paragraph 25**).

Arrangements to support the conduct of Board business

- 17 We considered whether there are proper and transparent arrangements in place to support the effective conduct of Board and committee business. We were specifically looking for evidence of a formal, up-to-date, and publicly available:
- Reservation and Delegation of Powers and Scheme of Delegation in place, which clearly sets out accountabilities;
 - Standing Orders (SOs) and Standing Financial Instructions (SFIs) in place, along with evidence of compliance; and
 - policies and procedures in place to promote and ensure probity and propriety.
- 18 We found that **the Health Board has maintained robust arrangements to support the effective conduct of Board and committee business.**
- 19 The Health Board continues to review its Standing Orders, Scheme of Reservation and Delegation, and Standing Financial Instructions at least annually to ensure they reflect current arrangements. The Board, following scrutiny by the Audit and Risk Assurance Committee (ARAC), last approved amendments to its Standing Orders in May 2024 to reflect the establishment of the Joint Commissioning Committee³. The Standing Financial Instructions were also reviewed and remained unchanged. Up-to-date versions of these documents are available on the Health Board's website.
- 20 In March 2024, the Board approved some initial changes to responsibilities delegated to the Interim Executive Medical Director and Executive Director of Allied Health Professions and Health Science roles, but the updated Scheme of Delegation was not updated on the Health Board's website. As part of this year's main review of the Scheme of Delegation, the Health Board took the opportunity to compare the responsibilities set out within the Scheme of Delegation with the duties outlined in Executive Director's job descriptions. This exercise exposed several gaps in responsibilities within both the job descriptions and Scheme of Delegation. In October 2024, ARAC received the updated Scheme of Delegation for approval, which addresses these gaps. The Board is due to approve the final version in November 2024. As recommended in our [Review of Operational Governance](#) the Health Board will need to review its updated Scheme of Delegation as the new operations structure is rolled out.
- 21 Since last year, the Health Board has introduced an electronic system to manage declarations of gifts, hospitality and sponsorship. In compliance with its Standing Orders, ARAC continues to receive the annual report on the Adequacy of Arrangements for Declaring, Registering and Handling of Interests, Gifts, and Hospitality. We continue to observe compliance with Declarations of interest, which

³ In April 2024, the NHS Wales Joint Commissioning Committee replaced the Emergency Ambulance Services Committee (EASC), the Welsh Health Specialised Services Committee (WHSSC) and the National Collaborative Commissioning Unit (NCCU).

remains a standing item on all Board and committee agendas. Up to date versions of Board Member and staff registers of interests are available on the Health Board's website. There are clear processes for ensuring policies are reviewed and kept updated. Directorates are held to account on policy management through Directorate Improving Together sessions, and policy management is part of the governance domain of the internal escalation framework. Individual committees routinely receive updates on policies within their remit, which include an overview of out-of-date policies and requests for policy approval and extensions.

Effectiveness of Board and committee meetings

- 22 We considered whether Board and committee meetings are conducted appropriately and effectively. We were specifically looking for evidence of:
- an appropriate, integrated, and well-functioning committee structure in place, which is aligned to key strategic priorities and risks, reflects relevant guidance, and helps discharge statutory requirements;
 - Board and committee agendas and work programmes covering all aspects of their respective Terms of Reference as well being shaped on an ongoing basis by the Board Assurance Framework;
 - well-chaired Board and committee meetings that follow agreed processes, with members observing meeting etiquette and providing a good balance of scrutiny, support, and challenge; and
 - committees receiving and acting on required assurances and providing timely and appropriate assurances to the Board.
- 23 We found that **Board and committee meetings continue to be conducted appropriately and effectively, with strengthened arrangements to escalate high-risk matters to the Board. Preparations to establish a joint committee with Swansea Bay University Health Board are progressing well.**
- 24 The Board and its committees continue to work effectively, with up-to-date Terms of Reference (TOR) and work programmes. During the summer of 2024, relevant committee TORs were updated to reflect oversight responsibilities in line with the Health Board's targeted intervention monitoring framework and to reflect oversight responsibilities for corporate and directorate risks, instead of strategic risks for which the Board maintains oversight.
- 25 The Health Board is currently reviewing its committee structure and arrangements, which have remained largely unchanged for several years. Any changes are likely to be implemented in April 2025, although a wholesale restructure is not anticipated. From our observations, Board and committee meetings continue to be well chaired and administered, with good support from the Corporate Governance Team. There is good Executive Member representation at committee meetings, and it is positive that operational officers routinely attend to present papers. Independent members continue to provide good challenge and remain open when they are not assured by the information presented. As highlighted in **paragraph 16**,

in April 2024 the Health Board introduced its Triple-A (Alert, Advise, Assure) process to strengthen its Board assurance and escalation process. Whilst still embedding, the new process seems to bring clarity to discussions, enables independent members to take assurance based on the information provided and focuses discussions on high-risk matters. It has also strengthened escalation arrangements to the Board, as committee assurance papers report on matters to 'Alert', 'Advise' or 'Assure' the Board. Those we interviewed spoke positively about the new process. The internal escalation framework, which supports targeted intervention, also uses similar assurance ratings⁴.

- 26 Following a pause, the new Chair recommenced the committee chair's meetings in October 2024. In the interim independent members had other opportunities to meet and cross refer matters, for example through monthly meetings with the Interim Chief Executive and at Board Seminars.
- 27 To strengthen regional working, in March 2024, the Cabinet Secretary for Health and Social Care indicated her intention to issue a ministerial directive to the Health Board to establish a formal joint committee with Swansea Bay University Health Board⁵. Preparations for the joint committee are progressing well and in October 2024 a joint Board to Board meeting took place to discuss working arrangements. The inaugural joint committee meeting is due to take place in January 2025 and the terms of reference will be agreed by the Board in January 2025. Over the course of the year, the Board has received regular updates on the joint committee's development.

Quality and timeliness of Board and committee papers

- 28 We considered whether the Board and committees receive timely, high-quality information that supports effective scrutiny, assurance, and decision making. We were specifically looking for evidence of:
- clear and timely Board and committee papers that contain the necessary / appropriate level of information needed for effective decision making, scrutiny, and assurance.
- 29 We found that **the Board and its committees receive good quality, timely papers, which the Health Board is continuing to strengthen as part of ongoing improvement.**
- 30 The Health Board continues to use the SBAR⁶ cover reports, which are clear, well written and when appropriate incorporate the Triple-A format, which strengthens the clarity of papers and assurance. The Health Board also maintains its use of

⁴ The internal escalation framework uses three escalation levels: level 1 (reasonable assurance, level 2 (limited assurance) and level 3 (no assurance).

⁵ <https://www.gov.wales/written-statement-establishing-joint-committee-swanseabay-and-hywel-dda>

⁶ Situation, Background, Assessment, Recommendation.

interactive data tools and dashboards to support information highlighted in cover reports. However, at times ARAC has received too much information on the targeted intervention monitoring framework, which can draw independent members into discussions outside of their remit. ARAC's role is to receive assurance on the systems and processes to oversee delivery of the framework, and on progress towards de-escalation by taking assurance from other committees. However, ARAC receives a very detailed progress report at each meeting which draws independent members into discussion about performance. Also, in each cycle of committee meetings, ARAC is the first, so it is difficult for it to take assurance from other committees as they are yet to take place. The Health Board has recognised that this is an issue, and work is currently underway with the nominated targeted intervention officer to address this.

- 31 To support ongoing improvement, independent members provided feedback on the quality of papers through the 2023-24 Board effectiveness review process (**see paragraph 42**). As a result of the feedback, the Health Board is reviewing report writing and presenting guidance, exploring alternative formats to the SBAR template and exploring systems to help assure and inform committees of areas which need a more in-depth review. There were no issues raised about the timeliness of papers.

Board commitment to hearing from patients/service users and staff

- 32 We considered whether the Board promotes and demonstrates a commitment to hearing from patients/service users and staff. We were specifically looking for evidence of:
- the Board using a range of suitable approaches to hear from a diversity of patients/service users, the public and staff.
- 33 We found that **the Board continues to hear from a range of patients and staff and has enhanced arrangements for patient safety walkabouts.**
- 34 At each meeting, the Board continues to receive the Improving Patient Experience Report which includes a series of links to patient experience recordings/soundbites and written comments. Together, these illustrate positive and negative aspects of patient and service user experience. To set the tone of the meeting, from November 2024 the Board will start each meeting with a patient or staff story. Relevant committees continue to receive staff and patient stories such as the Quality, Safety and Experience Committee (QSEC) and People and Organisational Development Committee (PODCC). Following feedback from the committee effectiveness review, there is also provision in the Health and Safety Committee's 2024-25 work plan to receive relevant patient stories. However, as of September 2024 the committee is yet to hear a story, the Health Board reported that it is unlikely to take this forward. In recent months the Health Board has had to make some difficult decisions, for example undertaking a managed dispersal at St

David's GP Practice in Pembrokeshire, and in-patient beds in Tregaron Community Hospital in Ceredigion. Reports received by the Board show the Health Board's commitment to hearing from the public and stakeholders to inform its decisions. In both cases, the Health Board invited feedback from the public and stakeholders using a variety of methods such as in-person drop-in events, postal and online surveys and via email and phone.

- 35 Board members continue to take part in regular patient safety walkabouts. Since last year, the Health Board has taken steps to clarify the process for Board members (**Appendix 2 R2 2023**). This includes refreshing a briefing document outlining the process and purpose of patient safety walkabouts, offering a briefing session to Board members as part of inductions and on-going development, and including a six-monthly update in the Quality Assurance Report received by QSEC.
- 36 The Health Board has an evolving 'Speaking Up' Process which allows staff to raise concerns confidentially. PODCC receives periodic updates and assurance on its continued development. The Health Board also continues to have active staff networks and advisory groups such as for BAME, LGBTQ+ and armed forces groups, which also routinely provide updates to PODCC.

Board cohesiveness and commitment to continuous improvement

- 37 We considered whether the Board is stable and cohesive and demonstrates a commitment to continuous improvement. We were specifically looking for evidence of:
- a stable and cohesive Board with a cadre of senior leaders who have the appropriate capacity, skills, and experience;
 - the Board and its committees regularly reviewing their effectiveness and using the findings to inform and support continuous improvement; and
 - a relevant programme of Board development, support, and training in place.
- 38 We found that **the Board is managing a significant period of change well and is taking positive steps to ensure it remains cohesive and effective through Board development opportunities and arrangements for continuous improvement.**
- 39 The Health Board is going through a significant period of change. The new Vice-Chair and Chair joined the organisation in February and June 2024 respectively. In February 2024, the Chief Executive left, and the Executive Medical Director/Deputy Chief Executive was appointed as Interim Chief Executive, and the Executive Director of Workforce and OD took on the role of Interim Deputy Chief Executive. The Deputy Medical Director was appointed as Interim Executive Medical Director. The Interim Chief Executive was subsequently appointed substantively in October 2024 with immediate effect, which will now mean that the process for appointing a substantive Executive Medical Director can commence. Since December 2023, the Executive Director of Nursing, Quality and Patient Experience post has also been

covered on an interim basis. Additionally, in the latter part of 2023, the Health Board welcomed new Executive Directors for Public Health, and Allied Health Professions and Health Science.

- 40 The level of changes, coupled with the challenges facing the Health Board has the potential to de-stabilise the Board, but it has taken a pro-active approach to building cohesion and resilience. Since March 2024, the Board has been taking part in a programme of organisational development (OD) sessions as part of its wider programme of development, which have been received positively by those we interviewed. Additionally, the Health Board is also now implementing its new operational structure following a period of consultation and engagement with staff (**Appendix 2 R2 2022**).
- 41 The Board has maintained its robust approach to learning, development, and continuous improvement, including a programme of Board Development activities, which include the OD sessions. This year, part of the new Chair and Vice-Chair's induction programmes have been extended to all Board members through a series of optional 'lunch and learns' These refresher sessions cover topics such as patient safety walkarounds, finance, patient service and complaints, risk and estates/capital projects.
- 42 Arrangements for reviewing the Board's effectiveness remain strong. The process continues to draw on internal and external sources of assurance, which include committee self-assessment surveys and facilitated workshops, and the Board's annual self-review against a maturity matrix. For 2023-24, given its escalation status, the Board reduced its maturity rating from Level 4⁷ last year to Level 2⁸. This shows the Board has a mature and open approach to reviewing its effectiveness. After each Board and committee meeting, there continues to be dedicated time for independent members to reflect on the meeting. This process was formalised last year to allow ongoing review of committee effectiveness, which the Health Board is reporting works well.

Corporate systems of assurance

- 43 We considered whether the Health Board has a sound corporate approach to managing risks, performance, and the quality and safety of services.
- 44 We found that **the Health Board continues to have appropriate arrangements for corporate oversight of risk, performance, tracking recommendations, and the quality and safety of services. The performance management framework however needs to be updated to reflect current performance arrangements,**

⁷ Level 4 is defined as 'we have well developed plans and processes and can demonstrate sustainable improvement throughout the service'.

⁸ Level 2 is defined as 'we are aware of the improvements that need to be made and have prioritised them but are not yet able to demonstrate meaningful action'.

and more frequent updates on the implementation of the Quality Improvement Strategic Framework should be provided.

Corporate approach to overseeing strategic and corporate risks

- 45 We considered whether the Health Board has a sound corporate approach to identifying, overseeing, and scrutinising strategic and corporate risks. We were specifically looking for evidence of:
- an up-to-date and publicly available Board Assurance Framework (BAF) in place, which brings together all the relevant information on the risks to achieving the organisation's strategic priorities / objectives; and
 - the Board actively owning, reviewing, updating, and using the BAF to oversee, scrutinise, and address strategic risks.
 - an appropriate and up-to-date risk management framework in place, which is underpinned by clear policies, procedures, and roles and responsibilities; and
 - the Board providing effective oversight and scrutiny of the effectiveness of the risk management system and corporate risks.
- 46 We found that **the Board continues to have a mature approach to overseeing strategic and corporate risks and risk management arrangements.**
- 47 The Board continues to review its Board Assurance Framework (BAF) at every other meeting. The strategic risks set out in the BAF remain integrated with the Health Board's strategic and planning objectives and are aligned to an appropriate committee for scrutiny and oversight. This ensures that Board and committee business is informed by the Health Board's strategic risks.
- 48 The Health Board has an up-to-date risk appetite statement, which was approved by the Board in January 2024. The Health Board does not have a single risk appetite, instead agreeing an appropriate appetite across a range of its business areas. This is a pragmatic approach given the range of activities within the Health Board's remit.
- 49 The Health Board's revised Risk Management Strategy was approved by the Board in March 2024, which is supported by an up-to-date risk management framework and procedure. The strategy sets three key risk management objectives for delivery over 18 months which are being progressed. These are:
- implement and embed the refreshed risk appetite statements;
 - support the strengthening of operational risk management arrangements; and
 - understand how established risk management processes currently contribute to the overall health of the Health Board.
- 50 The Board and its committees maintain robust oversight of the Corporate Risk Register, which the Board continues to receive at every other meeting. Committees

routinely scrutinise corporate risks assigned to them, providing assurance to the Board through committee assurance reports. ARAC continues to receive the Risk Assurance Report, which provides assurance on the effectiveness of the Risk Management Framework, and progress on implementing the Risk Management Strategy. The report maintains good analysis of risk management across the organisation, including risk themes and issues. Since August 2024, the frequency of the Risk Assurance Report has increased from six-monthly to every other meeting, to reflect the Health Board's escalation status. The report now also includes a high-level summary of each directorate's escalation status in relation to their risk management process. In July 2024, there were four directorates at the highest level of escalation (level 3), these being the operational, facilities, planned care, and women and children's directorates. In May 2024, the Chair of ARAC issued a letter to the Executive Team to highlight concerns about overdue risks and audits.

Corporate approach to overseeing organisational performance

- 51 We considered whether the Health Board has a sound corporate approach to identifying, overseeing, and scrutinising organisational performance. We were specifically looking for evidence of:
- an appropriate, comprehensive, and up-to-date performance management framework in place, underpinned by clear roles and responsibilities; and
 - the Board and committees providing effective oversight and scrutiny of organisational performance.
- 52 We found that **Board and corporate oversight of organisational performance has been strengthened, however there is a need to update the performance management framework to ensure it reflects current arrangements.**
- 53 The Health Board has updated its performance management arrangements since the Board approved its Improving Together Framework in March 2023. For example, as highlighted in **paragraph 6**, it has introduced an internal escalation framework to help progress its targeted intervention monitoring framework. This assesses directorates each month, using a score between 1 and 3, against the six domains of the NHS Wales escalation and oversight framework. Directorate Improving Together sessions (**Appendix 2 R3 2022**) are now held twice yearly, with more frequent meetings held to support directorates at the highest level of escalation (level 3) for any of the domains. The updated, escalation arrangements are positive, however the Health Board should update its Improving Together Framework documentation to ensure it adequately reflects current arrangements. As part of work to update the framework, the Health Board should also ensure it reflects de-escalation conditions and support for directorates at the highest level of escalation for extended periods, and co-ordinated support for directorates escalated over several domains (**Recommendation 1**).

- 54 Last year we recommended the Health Board develop a mechanism for periodically providing assurance that its performance management arrangements are working as intended (**Appendix 2 R3 2023**). In the latter part of 2024-25, Internal Audit plan on reviewing performance management arrangements, including recent changes such as the internal escalation arrangements.
- 55 The Board and its committees continue to have good oversight of organisational performance, through the Integrated Performance Assurance Report (IPAR), received by the Board at each meeting. Since July 2024, the IPAR provides an overview of each directorate's escalation status against the internal escalation framework. The cover report accompanying the IPAR is well written and has recently adopted the 'Triple A' format, making it easier to identify and focus on high-risk areas. The detailed IPAR report continues to be clear about the key challenges and actions taken for each metric.

Corporate approach to overseeing the quality and safety of services

- 56 We considered whether the Health Board has a sound corporate approach to overseeing and scrutinising the quality and safety of services. We were specifically looking for evidence of:
- the Board providing effective oversight and scrutiny of the effectiveness of the quality governance framework;
 - clear organisational structures and lines of accountability in place for clinical/quality governance; and
 - the Board and relevant committee providing effective oversight and scrutiny of the quality and safety of services.
- 57 We found that **whilst there is appropriate corporate oversight and scrutiny of the quality and safety of services, there is a need for more regular updates on the implementation of the Quality Improvement Strategic Framework.**
- 58 The Health Board continues to embed the duties set out in the Health and Social Care (Quality and Engagement) Act (2020). In compliance with the duties, it published its annual report setting out how it met the duties of quality and candour during 2023-24. The report was presented at the Annual General Meeting held in September 2024 and published on the Health Board's website.
- 59 The Quality, Safety, and Experience Committee (QSEC) maintains oversight of the quality and safety of services. It routinely receives deep-dives and service specific reports, for example related to oncology services and stroke service access times. The committee is also supported by a sub-committee structure receiving assurance reports from the Operational Quality, Safety and Experience and the Listening and Learning sub-committees. It also continues to receive the Quality and Safety Assurance Report at each meeting, which gives an overview of key quality and

safety information and metrics⁹. Key quality metrics have now been aligned to the targeted intervention monitoring framework and internal escalation framework, with oversight for both incorporated into the committee's workplan.

60 Last year we reported that in March 2023 the Board approved the revised Quality Improvement Strategic Framework (2023-2026). The Quality and Safety Assurance Report provides updates on quality improvement initiatives, with the level of detail varying each meeting. There is an opportunity to provide an annual, standalone update on Quality Improvement activities, including progress on implementing the Quality Improvement Strategic Framework, a roundup of improvement initiatives and the impact they are having to date. (**Recommendation 2**).

Corporate approach to tracking recommendations

61 We considered whether the Health Board has a sound corporate approach to overseeing and scrutinising systems for tracking progress to address audit and review recommendations. We were specifically looking for evidence of:

- appropriate and effective systems in place for tracking responses to audit and other review recommendations in a timely manner.

62 We found that **the Health Board has maintained robust arrangements for tracking audit and review recommendations, with internal escalation arrangements used to strengthen operational audit tracking arrangements.**

63 ARAC continues to receive robust assurance on the Health Board's audit tracking arrangements. The committee now receives the Audit Tracker at every other meeting, providing a comprehensive summary of the status of recommendations and thematic analysis. Since October 2024, the Audit Tracker also provides a high-level summary of each directorate's escalation status on the governance domain, which includes managing audit and inspection recommendations.

64 Since the start of 2024, the Health Board has used the Audit Management and Tracking (AMaT) system to manage its recommendations. The system allows directorates to highlight barriers to fully implementing recommendations. Where directorates are at the highest level of the internal escalation (level 3) for governance¹⁰, the Audit Tracker provides further analysis including barriers to progress and actions for improvement. The updated report ensures ARAC maintains assurance on tracking mechanisms, but also provides assurance that the internal escalation arrangements are supporting improvements to operational

⁹ The Quality and Safety Assurance Report includes information and metrics related to related to patient safety incidents including nationally reported patient safety incidents, Duty of Candour, Infection, prevention and control, Inspections and peer reviews including activity of Healthcare Inspectorate Wales (HIW), Welsh Health Circulars, Walkarounds and NHS Wales Nurse Staff (Wales) Act.

¹⁰ In October 2024, the directorates at level 3 for governance were the operations, planned care, women and children, and mental health and learning disabilities directorates.

audit tracking arrangements. In October 2024 there were eight overdue Audit Wales recommendations reported to ARAC.

Corporate approach to planning

- 65 We considered whether the Health Board has a sound corporate approach to producing strategies and corporate plans and overseeing their delivery.
- 66 We found that **development and delivery of the Health Board's plans continue to be supported by appropriate oversight, underpinned by a pragmatic approach to addressing planning team capacity issues. There is scope to review well-being objectives as part of a planned long-term strategy refresh.**

Corporate approach to producing strategies and plans

- 67 We considered whether the Health Board has a sound corporate approach to producing, overseeing, and scrutinising the development of strategies and corporate plans. We were specifically looking for evidence of:
- a clear Board approved vision, appropriate objectives and a long-term strategy in place which are future-focused, rooted in population health, and informed by a detailed and comprehensive analysis of needs, opportunities, challenges, and risks;
 - a sound corporate approach to setting and reviewing well-being objectives in accordance with the sustainable development principle¹¹;
 - the long-term strategy underpinned by an appropriate Board approved long-term clinical strategy;
 - appropriate and effective corporate arrangements in place for developing and producing the Integrated Medium-Term Plan (IMTP), and other corporate plans; and
 - the Board appropriately scrutinising the IMTP and other corporate plans prior to their approval.
- 68 We found that **there continues to be appropriate corporate arrangements in place to support the development of plans, underpinned by a pragmatic approach to overcome planning team capacity issues. While the Health Board remains focused on its long-term strategy, plans to refresh it provide an opportunity to align its well-being objectives.**
- 69 The Health Board continues to have a focus on its long-term strategy 'A Healthier Mid and West Wales', which was launched in 2018, however it has indicated its

¹¹ Under The Well-being of Future Generations (Wales) Act 2015, the Health Board is required to set and publish well-being objectives that are designed to maximise its contribution to achieving each of the well-being goals. Further information is available [here](#).

intention to refresh it next year. It has also indicated plans to review its well-being objectives, which were last refreshed in 2019. To ensure the strategic and well-being objectives are aligned, the Health Board should review its well-being objectives as part of its long-term strategy refresh (**Recommendation 3**). There have been significant changes at Board level since 'A Healthier Mid and West Wales' was developed, in refreshing the strategy, there is an opportunity for the new Board to develop a set of design principles to help set the context of the long-term strategy.

- 70 Last year we reported that the Health Board had started to develop a Clinical Services Plan specifically to look at nine fragile services, which is now one of the planning objectives in the 2024-25 Annual Plan. There has been good progress since last year's structured assessment. In January 2024, the Board received the issues paper (phase 1) for the Clinical Services Plan Programme and the Board agreed for all nine services, excluding primary and community services to move to phase 2 (options appraisal) of the programme. Primary Care has become a separate piece of work focusing on developing a Primary Care and Community Services Strategy. The options appraisal and an update on the strategic direction will be presented to Board in November 2024. The Board receives routine updates on the Clinical Services Plan Programme.
- 71 The Health Board was unable to produce a Welsh Government approved Integrated Medium-Term Plan (IMTP) for 2024-27 due to its planned financial deficit. Therefore, it developed an Annual Plan for 2024-25. In January 2024, the Board received a paper detailing the Health Board's approach to developing the 2024-25 Annual Plan. Whilst the approach remained largely unchanged, directorates were asked to work to a set of design principles related to resource management, plan integration, workforce realities, demand and capacity and ministerial priorities. In addition, the Health Board established a Planning Steering Group which coordinated the plan's development on behalf of the Executive Team, with SDODC maintaining oversight of the plan's development. Whilst independent members are engaged at key points of the Annual Plan's development, we received feedback questioning whether independent members could be more involved from the outset.
- 72 In March 2024, the Annual Plan was approved by the Board for onward submission to Welsh Government. Welsh Government have received the Annual Plan and set accountability conditions related to:
- delivering and improving on the deficit plan, further de-risking the financial plan to ensure the savings plan is delivered in-year, maximising opportunities for efficiency and productivity, and reviewing and addressing areas where the organisation is an outlier on cost growth; and
 - progressing regional solutions and developing a clinical services plan.
- 73 Whilst there is still limited planning capacity within the corporate planning team, the Health Board reported that it is using resources from various directorates to mitigate these constraints (**Appendix 2 R1 2021**). In addition, where practical, the

Health Board has integrated the Annual Plan and targeted intervention monitoring framework, which ensures limited capacity is used wisely. Whilst it would be feasible to have Business Partners aligned to the Clinical Care Groups¹² in the new operational structure, the Health Board would prefer to keep business partnering arrangements flexible, which will also ensure greater resilience within the planning team (**Appendix 2 R2 2021**). The new operational structure includes a Director of Operational Performance and Delivery, which will ensure good links between the Clinical Care Groups and the corporate planning team.

Corporate approach to overseeing the delivery of strategies and plans

- 74 We considered whether the Health Board has a sound corporate approach to overseeing and scrutinising the implementation and delivery of corporate plans. We were specifically looking for evidence of:
- corporate plans, including the IMTP, containing clear strategic priorities/objectives and SMART¹³ milestones, targets, and outcomes that aid monitoring and reporting; and
 - the Board appropriately monitoring the implementation and delivery of corporate plans, including the IMTP.
- 75 We found that **planning oversight arrangements remain robust, supported by focused and further streamlined planning objectives designed to progress strategic change programmes.**
- 76 Since last year, the Health Board has further streamlined its planning objectives. Its 2024-25 Annual Plan articulates 10 focused change programmes or planning objectives, which seek to address one or more of the following criteria: ministerial priority, statutory duty, service/estate fragility and/or is a critical enabler. Each planning objective also comes under one of three themes, which align to the Executive Team governance structure sub-groups. These are value and sustainability, quality and performance and A Healthier Mid and West Wales. These themes highlight the Health Board's focus on both current challenges, whilst planning for sustainable services in the medium- and longer-term. Each planning objective has a clearly articulated aim/expected outcome (**Appendix 2 R4 2022**), and the Annual Plan has a clear delivery plan with quarterly milestones and actions.
- 77 As reported in previous years, the process for monitoring strategic and planning objectives is robust. The Board continues to receive updates on the Annual Plan's

¹² The new operations structure is designed around four clinical care groups, these are: Mental Health and Learning Disabilities Clinical Care Group, Community and Integrated Medicines Clinical Care Group, Planned and Specialist Care Clinical Care Group and Allied Health and Health Sciences Clinical Care Group.

¹³ Specific, measurable, achievable, relevant, and time-bound

delivery at each meeting, through update reports, committee assurance reports, the BAF and IPAR. However, whilst all planning objectives are aligned to one of the strategic objectives (**Appendix 2 R4 2023**), there are two strategic objectives¹⁴ which none of the planning objectives align with. The Health Board acknowledges this and provides updates to the Board on all six strategic objectives via its BAF reports. Each year, the Board also receives an annual report outlining progress in meeting its eight well-being objectives. The 2023-24 report will be presented to the Board in November 2024.

- 78 Committees maintain good oversight of the delivery of planning objectives, through regular progress reports and deep dives, which are clearly mapped out in committee workplans. Due to each committee's remit, some have more planning objectives to oversee than others¹⁵, although this is reflected in respective work programmes and is proportionate to the scale and scope of each of the planning objectives.
- 79 In previous years, we highlighted that delivery of wider corporate strategies and plans are monitored through the planning objectives, but a lack of standalone delivery plans made it difficult for the Board and its committees to gauge overall progress. Whilst this is still the case, the planning objectives are now individual change programmes, for example digital plan, estates plan, workforce stabilisation, financial recovery and route map, and clinical services plan, which ensure committees have routine progress updates on individual change programmes/planning objectives (**Appendix 2 R5 2022**).

Corporate approach to managing financial resources

- 80 We considered whether the Health Board has a sound corporate approach to managing its financial resources.
- 81 We found that **whilst the financial position for 2024-25 remains extremely challenging, the Health Board is taking positive steps to improve its financial position and to develop a roadmap to ensure financial sustainability. There remains a clear approach for financial planning and managing and monitoring the financial position, but there is a need to strengthen the approach to delivering cost savings opportunities.**

¹⁴ No planning objectives align to Strategic Objective 2 'working together to be the best we can be' and Strategic Objective 3 'striving to deliver and develop excellent services'.

¹⁵ The following committees are responsible for overseeing planning objectives: Strategic Development and Operational Delivery Committee oversees seven planning objectives, Sustainable Resources Committee oversees two planning objectives, and the People, Organisational Development and Culture oversees one planning objective.

Financial objectives

- 82 We considered whether the Health Board has a sound corporate approach to meeting its key financial objectives. We were specifically looking for evidence of the organisation:
- meeting its financial objectives and duties for 2023-24, and the rolling three-year period of 2021-22 to 2023-24; and
 - being on course to meet its objectives and duties in 2024-25.
- 83 We found that **the Health Board did not achieve its revenue financial duties for 2023-24 and with an ongoing challenging financial position, will not achieve them in 2024-25 but the Health Board is taking positive steps to improve its financial position.**
- 84 The Health Board did not achieve its revenue financial objectives and duties for 2023-24. It reported a year-end deficit of £68.8 million against its revenue resource limit, and did not meet the target control deficit of £44.8 million set by Welsh Government. It also reported a cumulative deficit of £149.9 million for the three-year rolling period 2021-24, breaching its duty to break even. As in previous years, the Health Board reported a small surplus of £33,000 against its 2023-24 capital resource limit, meeting both in-year and rolling three-year financial duties against its capital resource limit¹⁶. It is likely to meet its capital financial duties for 2024-25.
- 85 The 2024-25 Financial Plan sets out a forecast deficit of £64.0 million against its revenue resource limit, which does not meet the Welsh Government's control target of £44.8 million and the Health Board's revenue financial duties for 2024-25. To meet its Financial Plan, the Health Board has set an ambitious £32.4 million savings target and profiled a deficit of no more than £5.3 million for each month. At Month 7 (2024-25), the Health Board is reporting an underspend against the £5.3 million monthly profiled deficit (£4.3 million). It is also reporting to be on track to achieving its year-end deficit plan. This is an improvement from Month 4 when the gap was £10.7 million, and the average monthly deficit was £5.7 million.
- 86 In September 2024, the Board held an Extraordinary Board Seminar to discuss mitigating actions to close the £4 million gap to achieving the deficit plan. The Health Board has taken positive steps to improve its position, which include:
- focusing on recurrent savings and delivery in-year;
 - converting planned saving schemes into deliverable plans;
 - greater 'grip and control' through the internal escalation framework;
 - monitoring and oversight through the Executive Team Governance structure;
 - reviewing clinical and non-clinical variable pay; and
 - exploring service change opportunities.

¹⁶ We are currently conducting a separate review of the Health Board's arrangements for prioritising its capital investments.

Corporate approach to financial planning

- 87 We considered whether the Health Board has a sound corporate approach to overseeing and scrutinising financial planning. We were specifically looking for evidence of:
- clear and robust corporate financial planning arrangements in place;
 - the Board appropriately scrutinising financial plans prior to their approval;
 - sustainable, realistic, and accurately costed savings and cost improvement plans in place which are designed to support financial sustainability and service transformation; and
 - the Board appropriately scrutinising savings and cost improvement plans prior to their approval.
- 88 We found that **the Health Board has maintained a clear financial planning process and is taking steps to become financially stable, although progress is behind schedule and there is an urgent need to strengthen its approach to delivering sustainable cost savings opportunities.**
- 89 The Health Board continues to have a clear process for developing its annual financial plan, which is integrated with its Annual Plan development process (**see paragraph 66**). The Health Board maintains its top-down and bottom-up approach, with the corporate team identifying strategic opportunities and directorates supported by finance business partners, identifying operational savings opportunities. Governance and performance management processes, such as the Directorate Improving Together sessions and the Executive Integrated Quality, Performance and Finance Delivery Group, support the process. There continues to be appropriate Board engagement on the plan's development, with oversight provided by SRC and discussion at Board seminars. In October 2024, SRC received a paper outlining the financial plan principles and approach for developing the annual financial plan for 2025-26.
- 90 Whilst the Health Board has not yet developed a long-term financial plan (**Appendix 2 R6 2022**), it has developed a two-year financial route map to achieve Welsh Government's £44.8 million deficit control target by the end of 2025-26. This is one of the Health Board's planning objectives/change programmes. Given financial performance in recent years, achieving this would represent a significant step towards financial control and sustainability. SRC has oversight of the planning objective related to financial recovery and route map. An update provided at the October 2024 committee meeting stated that this planning objective was behind target.
- 91 In 2023-24, the Health Board did not achieve its £19.5 million savings target, delivering £14 million at year end. The Health Board also did not achieve the additional £11.3 million savings requirement set by Welsh Government to deliver the revised £44.8 million control target. The Health Board had not updated its total savings target to reflect this additional requirement. Our 2024 [Review of Cost Savings Arrangements](#), found that the Health Board did not meet its financial

targets for 2023-24 and its track record on delivering recurrent savings is poor. Given the Health Board's challenging financial position for 2024-25, it urgently needs to address its cost drivers and strengthen its overall arrangements for delivering and monitoring sustainable cost savings opportunities to prevent its financial position from deteriorating further. As at Month 7 2024-25, the Health Board had identified £30.5 million of its £32.4 million savings target, leaving a gap of £1.9 million. However, of the £30.5 million savings identified less than half are recurrent (£14.2 million). Performance against savings targets continue to be scrutinised by SRC and reported to the Board.

Corporate approach to financial management

- 92 We considered whether the Health Board has a sound corporate approach to overseeing and scrutinising financial management. We were specifically looking for evidence of:
- effective controls in place that ensure compliance with Standing Financial Instructions and Schemes of Reservation and Delegation;
 - the Board maintaining appropriate oversight of arrangements and performance relating to single tender actions, special payments, losses, and counter-fraud;
 - effective financial management arrangements in place which enable the Board to understand cost drivers and how they impact on the delivery of strategic objectives; and
 - the organisation's financial statements for 2023-24 were submitted on time, contained no material misstatements, and received a clean audit opinion.
- 93 We found that **the Health Board continues to have appropriate arrangements in place to oversee and scrutinise financial management and controls, which have been further strengthened through arrangements to support targeted intervention.**
- 94 ARAC continues to receive a comprehensive Financial Assurance Report at each meeting. This allows the committee to scrutinise financial controls related to single tender actions, losses and special payments, under and overpayment of salaries and procurement compliance. Like other assurance reports, the Financial Assurance Report has also adopted the Triple-A format, clearly highlighting areas needing most attention. For example, the report received by ARAC in October 2024, 'alerts' members to losses exceeding £5,000, which need to be approved by the Committee. ARAC also maintains good oversight of counter-fraud activity. SRC continues to maintain ongoing oversight of financial control procedures, with an annual statement of financial procedures reported to ARAC for assurance.
- 95 Our 2024 Review of Cost Savings Arrangements, found that the Health Board broadly understands its cost drivers, and has taken positive steps to strengthen budget management at an operational level. Our report recognises that the Health Board has undertaken some proactive analysis to develop a better understanding

of the areas that are driving cost across directorates. The Financial Report, received by the Board and SRC, includes a clear analysis of both in-month and year to date operational cost drivers. All corporate and operational directorates have received and accepted accountability letters, which set out their annual budgetary requirements. For 2025-26, the Health Board aims to bring forward the timelines for issuing accountability letters.

- 96 There is a clear focus on delivering the deficit plan and the Health Board has strengthened financial monitoring and control. Several groups continue to monitor the financial position including Directorate Improving Together sessions and the internal escalation framework. The Financial Control sub-group oversees control measures focused on recruitment, training and procurement. The sub-group reports to the Executive Team via its Value and Sustainability Group, which is chaired by the Executive Director of Workforce and OD/Interim Deputy CEO.
- 97 The Health Board submitted its draft 2023-24 Financial Statements within the required timescales, and they were received by ARAC and the Board in July 2024. We issued an unqualified true and fair audit opinion, except for a qualified regularity opinion because the Health Board did not meet its revenue resource allocation over the three-year period.

Board oversight of financial performance

- 98 We considered whether the Board appropriately oversees and scrutinises financial performance. We were specifically looking for evidence of the Board:
- receiving accurate, transparent, and timely reports on financial performance, as well as the key financial challenges, risks, and mitigating actions; and
 - appropriately scrutinising the ongoing assessments of the organisation's financial position.
- 99 We found that **the Health Board maintains good arrangements for monitoring and scrutinising its financial position, with greater scrutiny on issues contributing to the financial challenges.**
- 100 The Board and SRC continue to receive a detailed Finance Report at each meeting. As with other assurance reports, since July 2024, the cover report has adopted the Triple-A format making it easier to understand the key risks and challenges. The report continues to make good use of charts and dashboards, providing an overview of revenue and forecast position, savings performance and key cost drivers contributing to overspends. However, our [2024 Review of Cost Savings Arrangements](#), found that some recipients of the Finance Report found it complicated and difficult to understand. We recommended that the Health Board address this by supporting Board members to deepen their financial literacy skills to help them better understand the content of the reports. The Health Board is addressing this recommendation through its Board Development Programme and by holding separate training sessions for independent members. Enhanced understanding will strengthen oversight and scrutiny. Financial performance is also

presented in BAF, IPAR and targeted intervention reports, which are presented to the Board and appropriate committees.

- 101 As highlighted in **paragraph 94** ARAC also continues to receive assurance on financial controls, through the comprehensive Financial Assurance Report. SRC maintains oversight of the capital programme, receiving a report covering the All-Wales Capital Programme, performance against the capital resource limit and capital financial management¹⁷. SRC continues to provide a good level of scrutiny of financial reports, with scrutiny appropriately focusing on the issues causing the financial challenges and appropriate operational and executive officers attending to contribute to discussions (**Appendix 2 R5 2023**).

¹⁷ We are currently conducting a separate review of the Health Board's arrangements for prioritising its capital investments.

Appendix 1

Audit methods

Exhibit 2 sets out the methods we used to deliver this work. Our evidence is limited to the information drawn from the methods below.

Exhibit 2: audit methods

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;• Strategic Development & Operational Delivery Committee;• Health & Safety Committee;• Quality, Safety & Experience Committee;• People, OD and Culture Committee; and• Sustainable Resources Committee.
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 Interest, 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;

Element of audit approach	Description
	<ul style="list-style-type: none"> • 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, Healthcare Inspectorate Wales, the Local Counter-Fraud Service, and other relevant external bodies.
Interviews	<p>We interviewed the following Senior Officers and Independent Members:</p> <ul style="list-style-type: none"> • Board Chair; • Interim Chief Executive; • Executive Director of Finance; • Executive Director of Strategy and Planning; • Executive Director of Public Health; • Board Secretary / Director of Corporate Governance; <p>We also held a group interview with the chairs of the following committees</p> <ul style="list-style-type: none"> • Audit and Risk Assurance Committee; • Sustainable Resources Committee; • Strategic Development & Operational Delivery Committee; and • Quality, Safety & Experience Committee.

Appendix 2

Progress made on previous-year recommendations

Exhibit 3 below sets out the progress made by the Health Board in implementing recommendations from previous structured assessment reports

Recommendation	Description of progress
<p>Enhancing public transparency</p> <p>R1 We found that Public Board papers include a high-level summary of private Board meetings. To further enhance transparency, this arrangement should be extended to private committee meetings through individual committee assurance reports received by the Board (2023).</p>	<p>Complete – see paragraph 15.</p>
<p>Board member patient safety walkabout</p> <p>R2 Board members conduct regular Patient Safety walkabouts, supported by a member of the patient safety team who takes notes, with a clear process to provide feedback to visited services and monitor actions points. However, those we interviewed were unclear about what happened after the visit. The Health Board should clarify the Patient Safety Walkabout process with new Independent Members (2023).</p>	<p>Complete – see paragraph 35.</p>

Recommendation	Description of progress
<p>Performance management arrangement assurance</p> <p>R3 Given the Health Board is under the Welsh Government’s Enhanced Monitoring arrangements for some service areas, there is scope to demonstrate the effectiveness of the Improving Together Framework. The Health Board should develop a mechanism for periodically providing assurance that its performance management arrangements are working as intended (2023).</p>	<p>In progress – see paragraph 54.</p>
<p>Aligning planning and strategic objectives</p> <p>R4 The Health Board has taken steps to better articulate its planning objectives in its 2023-24 Annual Plan, by streamlining the planning objectives and setting them against eight strategic planning goals and four domains. However, the domains and strategic planning goals do not explicitly align to the Health Board’s six overarching strategic objectives, as detailed in its Board Assurance Framework (BAF) and Integrated Performance Assurance Report (IPAR) dashboards. As part of the next planning cycle, the Health Board should more explicitly set out how each of its planning objectives link to its strategic objectives (2023).</p>	<p>Complete – see paragraph 77.</p>
<p>Financial scrutiny</p> <p>R5 Whilst there is a good level of scrutiny on the financial position within the Sustainable Resources Committee, the scrutiny has predominantly been focused on the Director of Finance. Whilst this has improved in recent meetings with members of the Core Delivery Group and the Financial Control Group now in attendance, the Health Board needs to do more to ensure scrutiny by Independent Members is appropriately focused across all members of the executive team (2023).</p>	<p>Complete – see paragraph 101.</p>
<p>Operational structure</p> <p>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</p>	<p>In progress – see paragraph 40.</p>

Recommendation	Description of progress
<p>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 (2022).</p>	
<p>Operational performance management arrangements</p> <p>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 (2022).</p>	<p>Complete – see paragraph 53</p>
<p>Expected outcomes</p> <p>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).</p>	<p>Complete – see paragraph 76.</p>
<p>Implementation plans to support strategies</p> <p>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:</p> <ul style="list-style-type: none"> • 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 (2022). 	<p>Complete – see paragraph 79.</p>
<p>Financial sustainability plan</p> <p>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</p>	<p>In progress – see paragraph 90.</p>

Recommendation	Description of progress
<p>financial recovery plan for 2023 onwards, ensuring that its improvement opportunities are reflected (2022).</p>	
<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 (2021).</p>	<p>Complete – see paragraph 73.</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 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 (2021).</p>	<p>Complete – see paragraph 73.</p>

Appendix 3

Management response to audit recommendations

[Appendix 3 will be completed once the report and management response have been considered by the relevant committee.]

Exhibit 4: Hywel Dda University Health Board's response to our audit recommendations

Recommendation	Management response Please set out here relevant commentary on the planned actions in response to the recommendations	Completion date Please set out by when the planned actions will be complete	Responsible officer (title)
Improving Together Framework R1 The Health Board should update its Improving Together Framework documentation, ensuring it adequately reflects current performance management and internal escalation arrangements. In updating the framework, the Health Board should also ensure documentation includes arrangements: <ul style="list-style-type: none">• deescalating and supporting directorates at the highest level of escalation for extended periods; and			

Recommendation	Management response Please set out here relevant commentary on the planned actions in response to the recommendations	Completion date Please set out by when the planned actions will be complete	Responsible officer (title)
<ul style="list-style-type: none"> coordinating support for directorates escalated over several domains (see paragraph 53). 			
Quality Improvement Strategic Framework R2 The Quality, Safety and Experience Committee should receive, at least annual, a standalone update on Quality Improvement activities, including the Health Board’s progress in implementing the Quality Improvement Strategic Framework (2023-2026), a roundup of improvement initiatives and the impact they are having to date (see paragraph 60).			
Well-being objectives and strategy refresh R3 To ensure the sustainable development principle is central to its long-term vision, the Health Board should review its well-being objectives as part of its planned long-term strategy refresh (see paragraph 69).			



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We welcome correspondence and telephone calls in Welsh and English.
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.