

# Structured Assessment 2021 (Phase Two) – Corporate Governance and Financial Management Arrangements: Swansea Bay University Health Board

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# Summary report

## About this report

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

## Key messages

- 6 **Overall, we found that the Health Board has generally effective Board and committee arrangements, is committed to high quality services and staff wellbeing, and has well-developed plans which are routinely monitored. While, the Health Board continues to face significant financial challenges, it has maintained effective financial controls and reporting, and is working hard to achieve financial recovery. However, changes to the Executive team need to embed, operational arrangements for risk and quality governance need to be strengthened and there are opportunities to improve information for scrutiny and assurance.**
- 7 The Board continues to conduct business in an open and transparent way, but the Health Board's website needs to improve to enable easier access to content. The Health Board has maintained good governance arrangements, varying the frequency of Board and committee meetings as appropriate, whilst being sighted of pressure on senior staff. The Health Board is committed to reviewing Board effectiveness and has largely maintained continuity in independent members, although there is a need to reinstate the Health Professional Forum. There is also scope to improve the quality of information provided to Board and committees, reducing the volume whilst increasing the focus on actions. The Health Board has maintained opportunities to ensure rapid decision making and increased the extent to which its Service Groups are engaged. There have been a significant number of changes to the Executive Team over the last year, but recent appointments will help stability.
- 8 The Health Board has well developed plans for continuing its response to COVID-19 and to plan and reset services, whilst looking to provide longer-term sustainability. There has been positive engagement on service changes and partnerships are working well. Progress reports to Board on delivery of plans are good. The Health Board has now made good progress in implementing a Board Assurance Framework, and corporate risk management arrangements continue to work well. However, service level risk management needs improving. The Health Board continues to make a commitment to staff wellbeing. The quality and safety of services is a priority and responsive action to improve is taken when needed. However, our quality governance review has found that significant work is needed to strengthen operational quality governance arrangements. While arrangements for tracking audit recommendations are in place, a lack of routine information in relation to individual recommendations limits scrutiny, and a number of recommendations are now overdue.
- 9 While the Health Board continues to face significant financial challenges, it has maintained effective financial controls and reporting, and is working hard to strengthen its financial recovery. The Health Board was unable to meet its financial duties for 2020-21, ending the year with a deficit of £24.3 million and while the Health Board is on track with its financial plan for 2021-22, it will continue to fail its financial duties due to a planned year-end financial deficit of £24.4 million. The

Health Board continues to maintain appropriate financial controls and is continuing to strengthen its financial management to support financial recovery. Timely oversight and scrutiny of the Health Board’s financial position continues to be in place, supported by comprehensive reporting.

## Recommendations

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

### Exhibit 1: 2021 recommendations

Recommendations	
<b>Health Board Website</b>	
R1	It is difficult to navigate the Health Board’s website to find recordings of Board meetings and up-to-date Board information. The Health Board should make improvements to website navigation as soon as possible to enable the public to easily find and access up-to-date information and recordings.
<b>Committee effectiveness</b>	
R2	The Performance & Finance, and Quality & Safety Committees are held on the same day with the Integrated Performance Report presented to both. This leads to risks of duplication in discussions, or members of the Quality & Safety Committee missing important discussions. The Health Board needs to consider moving the detailed focus on the performance report to the main Board meeting, reducing the risk of duplication in the committee meetings and freeing up capacity for them to undertake deep dives into areas of concern.
<b>Board and committee papers</b>	
R3	The length of Board and committee papers may impact on the ability of members to absorb the information being provided to them, with some duplication in the content. The Health Board needs to ensure that training is provided to authors of agenda papers to ensure that key information is appropriately summarised, and the key messages are drawn out in cover papers.
<b>Integrated Performance Report</b>	

## Recommendations

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- R4 The Integrated Performance Report largely focuses on describing performance. The Health Board should strengthen its performance reporting by providing more information about the actions being taken to improve or maintain performance.
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### Healthcare Professional Forum

- R5 During the pandemic the Healthcare Professional Forum has not met and there has been no representation from the forum at Board. The Health Board should reinstate the Healthcare Professional Forum and ensure the Chair regularly attends the Board.
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### Audit tracking

- R6 While arrangements for tracking audit recommendations are in place, there is an absence of routine focus on individual recommendations. As part of the audit tracking report to the Audit Committee, the Health Board should include an update on actions against each individual recommendation.

# Detailed report

## Governance arrangements

- 11 Our structured assessment work considered the Health Board's governance arrangements while continuing to respond to the challenges presented by the pandemic.
- 12 We found that **the Health Board has generally effective Board and committee arrangements, is committed to high quality services and staff wellbeing, and has well-developed plans which are routinely monitored. However, changes to the executive team need to embed, operational arrangements for risk and quality governance need to be strengthened and there are opportunities to improve information for scrutiny and assurance.**

## Conducting business effectively

- 13 We found that **the Board continues to conduct business in an open and transparent way, has maintained oversight of its governance arrangements and is committed to reviewing its effectiveness. A significant number of changes to the Executive team provide opportunity for fresh thinking and stability but will take time to embed. There are opportunities to improve the quality of information presented for scrutiny and assurance.**

## Public transparency of Board business

- 14 The Health Board has continued to hold Board and committee meetings virtually. Attendance levels have been good and virtual meeting etiquette is now well established, with both Board and committee meetings making good use of the technology available. There have been no major IT connectivity issues except for a connection problem which occurred during the July 2021 Board meeting, however this was dealt with effectively and swiftly. The Health Board plans to continue with the virtual arrangements but is looking to bring back face to face Board meetings as soon as it is safe to do so.
- 15 Board and committee papers are available on the Health Board's website ahead of meetings. Members of the public are no longer able to submit questions in advance of Board meetings but were able to submit questions ahead of the Annual General Meeting. The extent to which Board and committee business is discussed in private is kept to a minimum, although a summary of agenda items discussed is included in the papers for the public meetings, which is good practice.
- 16 Additional Board meetings have been held during the year to enable discussion of items to enable Welsh Government deadlines to be met. In addition, a few special Board meetings have been held to focus on specific issues of interest to the local population. These have included the Urgent Care Plan, the outcome of the Health Board's engagement programme 'Changing for the Future', and the outcomes of a

clinical review focused on transcatheter aortic valve implantation surgery undertaken in the Health Board.

- 17 All Board meetings have continued to be livestreamed, reflecting the Board's ongoing commitment to public transparency. Recordings are uploaded onto the Health Board's YouTube channel shortly after meetings have concluded. Recordings of Board meetings are promoted through the Health Board's social media channels with links provided. However, access to recordings, along with up-to-date Board information, via the Health Board's own website needs to be improved<sup>1</sup> (see **recommendation 1**).
- 18 The Community Health Council continue to be regular attenders at the Board meeting.

## Board and committee arrangements

- 19 Last year, our structured assessment report set out how the Health Board streamlined Board and committee meetings to respond to COVID-19. This resulted in an increased frequency in Board and Quality & Safety Committee meetings, the streamlining of agendas, and the temporary standing down of some committees. These arrangements were facilitated by temporary variation from parts of the Health Board's standing orders<sup>2</sup>. We found these temporary arrangements worked well and were constantly reviewed by the Health Board.
- 20 In September 2020, the Board reverted to bi-monthly meetings and all temporary stood down committees were resumed. The Board and committees were able to be maintained during the second peak of COVID-19. The Quality & Safety Committee has continued to meet each month throughout 2021, given the continuing need to maintain oversight of the pandemic's impact on patient care. The Performance & Finance Committee has also continued to meet monthly, as it was doing prior to the pandemic, due to the financial challenges faced by the Health Board. The temporary variations to the standing orders were formally stood down at the Board meeting in October 2021.
- 21 The Health Board has retained its focus on reducing the burden on executive directors' time and continues to ensure that agendas are focused and meetings last no longer than three hours. Our observations of Board and committee meetings found them to be generally well chaired, with focused discussion on key issues, and contributions made by all attendees. There have been some changes

<sup>1</sup> For instance, although there is a link on the Health Board's website to its YouTube page, a specific page for [Board meeting recordings](#) within the key documents/meetings sections only includes the recording from the Board's meeting in June 2020. In addition, the menus available within the key documents/meetings section revert back to old menu options depending on how the user navigates the system.

<sup>2</sup> Approved by the Board in April 2020.

to committee chairs over recent months, due to changing circumstances for some independent members.

- 22 Board and committee items deferred during 2020 were clearly identified on a pending action log, and all items are now reinstated into appropriate work Board and committees work programmes.
- 23 There is good cross referring between committees and the key issues reports to the Board clearly articulate the work of the committees and identify areas for escalation. There is recognition that there is overlap of the work of the Performance & Finance Committee and the Quality & Safety Committee. The Integrated Performance Report is presented to both committees, and they meet on the same day. Consequently, there is detailed discussion on performance at the Performance & Finance Committee which is either reduced or repeated at the Quality & Safety Committee. Although some consistency in membership between the two committees, there are other independent members and executive directors on the Quality & Safety Committee who are at risk of not hearing the key messages if they have already been discussed in the earlier meeting (see **recommendation 2a**). A joint meeting of both committees was held in May 2021, to discuss specific issues and reflect on how the two committees could work more effectively together. Feedback from the meeting informed the Board effectiveness review undertaken for 2020-21 (discussed in **paragraph 30**) with a particular focus on reducing duplication of effort. There is scope to also consider holding the meetings on different days to reduce the prolonged period of focus and attendance required by holding both meetings on the same day.
- 24 A regular programme of Board briefings and development sessions have been held during the year. The Chair has also retained weekly informal briefing sessions with independent members, which the Chief Executive is able to attend should there be a need to bring members up to speed on urgent issues. Collectively, these have enabled Board members to remain regularly briefed on the ongoing response to COVID-19 as well as engage more informally in wider strategic discussions and development activities. As was the case in 2020, there has been limited need to make use of Chair's Action but when utilised, there is clear evidence of member scrutiny and subsequent ratification by the Board.

## Board and committee information

- 25 Board and committee meeting papers are made available to independent members in advance of meetings in line with standing orders. Board agenda papers are generally in the region of 500 pages per meeting, although at times, the volume of papers has been close to 1,000. Committee agenda papers are between 250 and 400 pages. For a number of meetings, additional papers are also provided in 'resource' packs which adds to the volume of papers that members need to read. For independent members who are members of both the Performance & Finance Committee and the Quality & Safety Committee which meet on the same day, the combined volume of both meeting papers can be in the region of 900 pages. The

volume of papers has the risk of impacting on the ability for members to absorb all the information being presented to them.

- 26 A standard cover paper template is regularly used to provide a useful summary of the key matters in Board and committee papers and what is required. There is, however, opportunity to streamline cover papers. For example, the first page of agenda papers includes a section on recommendations, authors also regularly also include the recommendations also in the cover paper. The Chief Executive has recognised that further work is needed to reduce the volume of information being presented to the Board and committees. This includes the need to develop training and support to authors of papers (see **recommendation 3**) and then rolling this out. The Health Board is also increasingly looking to use Board briefings as a way of engaging independent members early in discussions through the use of verbal updates and presentations, and thus reduce the level of detail needed when discussing items in formal Board and committee meetings.
- 27 As mentioned in **paragraph 22**, the same Integrated Performance Report is presented to both the Performance & Finance, and the Quality & Safety Committees. This report is also presented to the Board. The report reflects the full breadth of the Health Board's business, including the latest COVID-19 position, and has a good use of dashboards. However, the report largely focuses on describing performance rather than what action is being taken to improve or maintain it (see **recommendation 4**). Opportunity also now exists to look at digital solutions to making the report more interactive to the reader.
- 28 More generally, the Board has continued to receive patient stories at every Board meeting and the Quality & Safety Committee. The impact of COVID-19 is regularly reported to the Board, and there are good updates provided in respect of the various partnership arrangements that the Health Board is involved in.
- 29 The register of interests for Board members is kept up to date and presented at Audit Committee annually, and each meeting includes a standing agenda item to declare any conflicts of interest in respect of specific agenda items.

## **Board commitment to continuous improvement**

- 30 The Health Board undertakes comprehensive Board and committee effectiveness reviews. The Board undertook a detailed review of its arrangements in May 2021 to support its Annual Governance Statement. A virtual interactive session was held using the Board's self-assessment maturity matrix. The findings have resulted in some committees' work programmes being refocused to provide greater clarity on their area of business<sup>3</sup>. For example, the Performance & Finance Committee work in respect of performance management has been refocused on operational performance and use of workforce and money in line with the Health Board's

<sup>3</sup> Where relevant, changes have been made to the standing orders which were approved at the October 2021 Board meeting.

revised performance management framework. Other actions include putting the key issues reports from committees earlier on the Board agenda, including a training session on scrutiny and challenge as part of the Board development programme and the increased reflection at the end of meetings. A detailed action plan supporting the Board effectiveness review is in place and is monitored by the Board.

- 31 At its November 2020 meeting, the Audit Committee received the Internal Audit's advisory review of the Health Board's COVID-19 governance arrangements. Overall, the report identified the effective action taken by the Health Board to respond to the pandemic, and that governance arrangements had been adapted appropriately. A number of areas for consideration were raised but Internal Audit noted that these were largely already known to management and actions were being putting in place. This included tightening up procurement arrangements to ensure that any future decisions that needed to be made at pace took account of the need to provide value for money, have regard to any potential conflicts of interest and comply with standing orders.
- 32 Although the Health Board has maintained continuity within its independent member cohort during the peaks in the pandemic, there have been a number of changes. Most notably, the previous special advisor to the Board was appointed as the Vice Chair in December 2020, replacing a long-standing independent member who was interim Vice Chair for the previous eight months. The Chair of the Audit Committee also stood down when his term ended in June 2021. Since then, the Board has been without an independent member for finance due to a prolonged recruitment process resulting from both the pandemic and the Senedd elections. The Vice Chair, however, has a finance background. A new independent member for finance was recently appointed and took up post in November 2021. The Health Board also appointed a new chair for the Stakeholder Reference Group in November 2020. During the pandemic, the Health Professional Forum has not met and there has been no representation from the forum at Board (see **recommendation 5**).

## **Ensuring organisational design supports effective governance**

- 33 The Health Board has continued to maintain its Gold Command<sup>4</sup> chaired by the Director of Public Health. The frequency of Gold Command meetings is flexed according to the extent to which COVID-19 is putting pressure on the system. Reporting to the Health and Social Care Interface Board, the COVID-19 Community Silver Command has also continued to meet to maintain regular oversight of infection rates in the community and the potential impact on the delivery of services. With the exception of a number of specific COVID-19 related cells, such as immunisation, the remaining elements of the Command structure

<sup>4</sup> See our structured assessment 2020 for more information about emergency command arrangements.

were stood down in June 2021 and absorbed into the operational structure. The ongoing continuation of the Gold and Community Silver Commands are kept under regular review.

- 34 Up to March 2021, the executive board and senior leadership team met on a weekly and fortnightly basis to maintain a focus on 'business as usual' activities. The senior leadership team being the decision-making body, and the executive board providing a co-ordination role. Since April 2021, the senior leadership team has been replaced by a Management Board which brings together the executive team with clinical and managerial operational leads within the Health Board's service groups<sup>5</sup>. This has increased the extent to which the service groups feel engaged in decision-making. There is regular attendance from representatives from each of the service groups, which ensures that the discussions are balanced across the breadth of areas covered by the Health Board.
- 35 Since our previous structured assessment, the executive team has seen some significant changes having previously had a number of interim arrangements in place:
- In January 2021, a new Chief Executive started, having had a short period of transition with the outgoing Chief Executive at the end of 2020.
  - In March 2021, the Chief Operating Officer retired. An interim arrangement was put in place for a six-months, which ended in August 2021. A further interim arrangement was put in place until a substantive Chief Operating Officer started in October 2021.
  - Due to the retirement of the previous Chief Operating Officer, the Director of Therapies post was reinstated. The former Director of Therapies was appointed into the role on an interim basis, and then appointed substantively in October 2021.
  - The previous Assistant Director of Workforce acted up as interim Director of Workforce from September 2020 until leaving the Health Board in July 2021. Temporary cover arrangements were put in place before a further interim arrangement was established in August 2021 pending a recruitment for a substantive appointment. The interim post holder was subsequently made permanent in November 2021.
  - In July 2021, the seconded Director of Transformation left the Health Board, and the post was removed from the structure. A new post of Director of Communications and Engagement was created with an interim appointment made also in July 2021.
  - In September 2021, the interim Director of Finance was made permanent, having been interim since February 2020.

<sup>5</sup> The Health Board has four service groups which were fully implemented in 2020 – Primary and Community, Mental Health and Learning Disabilities, Morriston Hospital, and Singleton and Neath Port Talbot Hospitals.

- The Assistant Director of Nursing had been acting up as interim Director of Nursing and Patient Experience since July 2020 and was due to retire in 2021. Recruitment for a substantive appointment was unsuccessful and in October 2021, the former Director of Nursing and Patient Experience was seconded back into the Health Board for a period of two years.
  - In October 2021, the Director of Governance announced that she would be leaving the Health Board at the end of November. Interim arrangements are currently being worked through.
  - Identified as an action in 2020, the Health Board has appointed a Deputy Director of Public Health to provide additional resilience and capacity.
- 36 Changes have continued to be made following the restructure of the Health Board's operational service groups. The triumvirate teams at both the service group and divisional level below have a mixture of recently appointed staff in post, interim arrangements, and unfilled vacancies. For example, there is currently no lead nurse for the Integrated Surgical Services Division nor the Specialist Services Division.
- 37 The changes at both executive and senior management level present opportunities for fresh thinking and new ideas, but also present challenges in terms of maintaining business continuity and developing cohesive teams. A programme of face-to-face away days to enable development of the Board and executive team commenced in September 2021.

## Planning for recovery<sup>6</sup>

- 38 We found that **the Health Board has well developed plans for continuing its response to COVID-19 and to plan and reset services, whilst looking to provide longer-term sustainability. There has been positive engagement on service changes and partnerships are working well. Progress reports to Board on delivery of the plan are good practice.**
- 39 The COVID-19 pandemic has had an unprecedented impact on the population of Swansea Bay, and the need for the Health Board to respond to mitigating the risks from COVID-19 has come at a huge cost to its ability to deliver routine services. In line with Welsh Government guidance, the Health Board developed its Annual Plan 2021-22 (the Annual Plan), which sets out how it plans to manage the ongoing response to the pandemic and implement the reset and recovery of services. Board members were given early sight of the developing plan during Board

<sup>6</sup> NHS bodies are required to submit a three-year Integrated Medium-Term Plan (IMTP) to the Welsh Government on an annual basis. The IMTP process for 2020-23 was paused by the Welsh Government in March 2020, to allow NHS bodies to focus on responding to the COVID-19 pandemic. Instead, health bodies were required to submit quarterly plans during 2020-21 as well as prepare an annual plan for 2021-22 by 31 March 2021. Our 2021 structured assessment phase one report considered the Health Board's operational planning arrangements.

briefings. The Board formally discussed the draft Annual Plan at its March 2021 in-committee meeting and approved it subject to a number of amendments.

- 40 Welsh Government feedback on the draft plan was broadly positive. The feedback recognised strong ambition, demonstrable learning from planning during the pandemic, a strong focus on staff wellbeing and the desire to build on new innovations and ways of working. Further clarity and assurance were needed on what was achievable, the ability to recruit sufficiently, how primary care services would be used to support sustained recovery, the detail underpinning planned care and cancer plans, and alignment with national priorities. These areas were addressed in the final Annual Plan which was approved by the Board in June 2021 and submitted to the Welsh Government in line with the required timescales.
- 41 In 2019, the Health Board launched its ten-year Organisational Strategy 'Better Health, Better Care, Better Lives'. The Health Board also launched its Clinical Services Plan, which set out its ambition and priorities for its clinical services over the period to 2024, as an enabling plan to delivering its strategy. In light of the COVID-19 pandemic, the Health Board has revisited its strategy and clinical services plan and confirmed that both are still fit for purpose. The Annual Plan has been set in the context of both the strategy and the clinical services plan, noting that the strategy needs to be refreshed to take account of revised wellbeing and equality objectives which were agreed in 2020.
- 42 The Health Board has seen significant growth in the number of patients waiting for planned care, whilst continuing to respond to the needs of patients with COVID-19. The Annual Plan sets out how the Health Board intends to increase activity, reduce waiting times, and improve access to services. In June 2021, the Health Board received additional funding of £16.1 million to support the recovery of planned care services. This is being used to support the continuation of actions developed during 2020-21 as well as providing additional internal and external capacity to respond to the increasing backlog of activity.
- 43 The Annual Plan recognises the need to make some substantial service changes in the short-, medium-, and longer-term to enable the Health Board to recover from the pandemic. In July 2021, the Health Board launched its 'Changing for the Future' campaign to engage both the public and staff on proposed changes to urgent and planned care services. The proposals will see the Health Board establish its main hospitals as three centres of excellence (**exhibit 3, 2019 R1**). The consultation closed in October 2021 attracting a significant level of public, staff and stakeholder engagement. A significant majority (90%) of respondents supported the principle of creating three centres of excellence.
- 44 The Annual Plan consists of eight programmes of work. Each programme has a nominated executive lead, is supported by the Health Board's programme management office, and is delivered through a programme board or delivery group. Each programme is supported by a 100-day plan, against which progress to delivery Annual Plan priorities will be monitored. Delivery against the Annual Plan priorities is overseen by the Management Board and reported to the Board on a

quarterly basis (**exhibit 2, 2019 R2**). Progress reports provide a high-level summary of the position against actions agreed to be delivered during the last quarter using RAG ratings. Where progress is off-track, mitigating actions are reported along with the risks to the delivery of the overall Annual Plan. The paper is supported by an Annual Plan tracker. The Health Board’s Annual Plan quarterly delivery reports are a model of good practice.

- 45 Alongside the Annual Plan, the Health Board has developed a Recovery and Sustainability Plan, to enable clinical services and the Health Board’s financial position become sustainable in the longer term. The plan encompasses the Health Board’s transformation agenda (**exhibit 2, 2019 R3**). As mentioned in **paragraph 35**, the Director of Transformation left the Health Board, and the post was removed from the structure. The Transformation team subsequently to the responsibility of the Chief Operating Officer.
- 46 The Health Board is working closely with its partners to deliver its Annual Plan. Regional solutions with Hywel Dda University Health Board are helping to respond to pent up demand in ophthalmology as well as a number of other priority areas. A memorandum of understanding has been agreed with Cardiff & Vale University Health Board to stabilise specialist services. The Health Board has continued to work very closely with the two local authorities, with the Chair now chairing the Regional Partnership Board. Joint solutions have been developed to respond to the shortage in supply of care provision, including the development of joint healthcare worker posts. The Health Board continues to work with Cwm Taf Morgannwg University Health Board to disaggregate services following the change to the Bridgend boundary in 2019.

**Exhibit 2: progress made on previous year recommendations**

Recommendation	Description of progress
<p><b>2019 R1: Strategic planning</b>            The Health Board is developing estates and asset plans to underpin the Clinical Services Plan and will need to ensure that asset and estates requirements are clearly defined and reflected in the long-term capital plan.</p>	<p><b>In-progress</b>            The Health Board developed an outline estates plan to underpin the Clinical Services Plan, but this has not progressed due to the pandemic. Aspects of the estates plan however, underpin the Annual Plan, and include the establishment of the three centres of excellence.</p>
<p><b>2019 R2: Strategic planning</b>            Clinical Services Plan (CSP) implementation is moving forward but it</p>	<p><b>Complete</b>            The Health Board has developed a robust process for monitoring delivery</p>

Recommendation	Description of progress
<p>is not yet clear how delivery will be reported. The Health Board should determine a CSP reporting framework to support effective monitoring and scrutiny of CSP delivery.</p>	<p>of its plan through the use of 100-day plans, overseen by Management Board and reported quarterly through the use of a RAG rated progress report.</p>
<p><b>2019 R3: Transformation programme</b>  The transformation programme has been set-up and its programme architecture designed. There is now a need to ensure organisational understanding of the transformation and change agenda, and that the portfolios properly align. The Health Board should:</p> <ul style="list-style-type: none"> <li>a) develop a communications and engagement strategy; and</li> <li>b) test the inter-connections between CSP and enabling programmes.</li> </ul>	<p><b>Closed</b>  The Health Board's transformation agenda has now been superseded by its recovery and sustainability plan. Programme management arrangements are in place to support the delivery of the eight programmes of work set out in the Annual Plan, which supports the overall delivery of the Clinical Services Plan.</p>

## Systems of assurance

- 47 We found that **the Health Board is committed to delivering high quality services and supporting staff wellbeing. A recently implemented Board Assurance Framework is enabling effective scrutiny of strategic risks. However, operational risk and quality governance arrangements need to be strengthened and there is scope to improve the scrutiny of implementing audit recommendations.**

### Managing risk

- 48 In previous structured assessments, we have referred to the Health Board's absence of, and subsequent plans to develop a new Board Assurance Framework. Implementation was due in December 2019. This was subsequently delayed and then impacted further by the COVID-19 pandemic. The Health Board has since finalised its Board Assurance Framework, initially presenting it to the March 2021 Audit Committee and then for final approval at the July 2021 Audit Committee and subsequently the Board.
- 49 The Board Assurance Framework clearly sets out the principal risks to delivery of the Health Board's objectives, the controls, and assurances, and where relevant, any gaps and associated actions. The Board Assurance Framework makes use of assurance ratings to highlight at a high-level any areas for concern.

- 50 The Audit Committee is responsible for overseeing the operation of the Board Assurance Framework. The ambition is that the Board Assurance Framework remains a live document, regularly updated to reflect, for example, organisational objectives and updates on actions. Oversight of the principal risks have been assigned to a relevant committee to ensure that oversight is aligned to committee areas of responsibility.
- 51 The Health Board's Risk Register is regularly scrutinised by the Board and Audit Committee. During the pandemic, a separate COVID-19 risk register has been overseen by the Gold Command, with reference included in the update to Board on the wider Risk Register. COVID-19 risks have not been included in the Health Board's Risk Register because the specific risks are below the Board's current risk appetite and are therefore being treated as operational.
- 52 The management of risk is supported by a Risk Management Group chaired by the Director of Corporate Governance and a Risk Scrutiny Panel, comprising members of the governance team. The Risk Management Group provides quarterly oversight of the Risk Register to support the Management Board, and the Risk Scrutiny Panel moderates new risks and requests to escalate risks to the Risk Register, prior to making recommendations to Management Board for approval. Although these groups were temporarily suspended during the first wave of COVID-19, the groups were reinstated in late 2020 and have continued meeting through 2021.
- 53 A review of the Health Board's Risk Register was undertaken by the Risk Management Group and Management Board in May 2021. Consequently, the Chief Executive requested all Executive Directors review and refresh risks with their area of responsibility, with a particular focus on mitigating actions and timescales. A revised Health Board Risk Register, incorporating revisions, was presented to the Management Board, Audit Committee and Board in July 2021. A further iteration will be presented to the November 2021 Board. The Board has reviewed its risk management appetite on a quarterly basis, with a risk appetite of 20 and above remaining in place since the start of the pandemic. In September 2021, the Health Board had 21 risks scoring 20 and above.
- 54 In April 2020, Internal Audit reported that the Board could only take limited assurance in their arrangements to secure governance, risk management and internal control. The report highlighted some key areas for improvement, particularly in respect of the interface with operational risk management at an operational level. In May 2021, Internal Audit submitted a further report to the Audit Committee which gave a reasonable assurance rating based on improvements with engagement with service groups. However, there was a caveat that some operational and reporting matters still need to be strengthened. Internal Audit is due to complete a further review early in 2022.
- 55 During 2021, the Risk Assurance Team have been providing training to operational staff to improve recording, scoring, and monitoring of risks. Rollout has commenced at the Singleton and Neath Port Talbot Hospitals Service Group and will progress to the other service groups. The Health Board told us training has

proved helpful in generating an increased focus on risk management at an operational level. The training is necessary, because our recent work on quality governance has identified that risk management at an operational level continues to need further work, with issues of concern around the quality of risk registers particularly within the divisions.

## **Quality and safety assurance<sup>7</sup>**

### **Staff wellbeing arrangements**

- 56 The Health Board has continued to treat staff wellbeing as a high priority. There is a clear commitment within the Annual Plan 2021-22 to ‘support staff to be resilient, well and in-work post COVID-19, by ensuring there are a range of responsive and targeted interventions which aid restoration and recovery’. A commitment was made to developing a post COVID-19 staff Wellbeing Strategy in response to a number of staff surveys that were held during 2020 and 2021. The draft strategy was approved by the executive board in May 2021.
- 57 The Wellbeing Strategy is supported by a staff wellbeing improvement plan which sets out a range of goals, actions and intended outcomes that the Health Board expects to deliver. The Wellbeing Strategy is also supported by an Occupational Health Improvement Plan and a range of initiatives, some of which have been in train since the start of the pandemic. Funding has been made available to enhance staff wellbeing, including the continued rollout of the Trauma Risk Management Programme first developed by the UK military to provide early intervention and prevention to post traumatic stress disorder. Progress against delivery of the Wellbeing Strategy and supporting plans is reported to the Workforce & Organisational Development Committee, with updates provided to the Board through the Committee’s key issues report.
- 58 The Workforce & Organisational Development Committee also receives regular information relating to the workforce more generally, including sickness absence, vacancy levels, compliance with statutory and mandatory training, and safe staffing levels.

<sup>7</sup> We have limited the work we have undertaken on quality governance arrangements as part of our 2021 structured assessment as we are undertaking a separate review of quality governance arrangements at the Health Board. The review considered whether the organisation’s governance arrangements support delivery of high quality, safe and effective services. We have reported our findings in November 2021.

## Quality of services

- 59 The Integrated Performance Report is the main vehicle for providing assurance to the Board and committees on how the Health Board is performing against national delivery measures and key local quality measures. Following the NHS Wales Planning Framework, the structure of the report was aligned to the four quadrants of harm. A summary page at the start of the report uses RAG ratings to provide the reader with a quick overview of areas of concern. However, as mentioned in **paragraph 27**, the report largely focuses on describing performance rather than what action is being taken to improve or maintain it.
- 60 The Board and its committees receive more detailed reports on specific areas of quality concern. For example, the Board had raised concerns about the risk of harm associated with the large volume of ophthalmology patients with delayed follow up appointments. This risk was escalated as a result of the impact from the COVID-19 pandemic on the provision of routine services. An ophthalmology Gold Command was established to co-ordinate and expedite the mitigating action plans. Progress update reports are provided to the Board.
- 61 In June 2021, the Health Board received the results of a Getting it Right First Time (GIRFT) review, commissioned by the Welsh Health Specialised Services Committee, on cardiac surgery provided by both the Health Board and Cardiff & Vale University Health Board. The report raised specific concerns about the Health Board's performance in a number of areas, including mitral valve surgery outcomes. The Health Board has responded well to the report, immediately establishing a cardiac surgery Gold Command to oversee the development of a comprehensive action plan. The Board has been kept informed of progress, and a formal progress update report was presented to the public Board meeting in October 2021.
- 62 Earlier in 2021, the Board approved a new Performance Management Framework setting out the arrangements for performance managing the service groups and corporate directorates. The framework sets out a series of escalation levels ranging from earned autonomy to special measures, reflecting the extent to which appropriate support is needed to recover performance. At the time of reporting, emergency, and urgent care services within the Morriston Hospital Service Group and cancer services within the Singleton Hospital Service Group were under increased monitoring arrangements. Updates on progress against action plans for these two service areas are provided to the Performance & Finance Committee.
- 63 The Health Board is responsive to addressing key areas of quality concern by adopting arrangements such as the use of Gold Command and escalation levels. However, the issues associated with the cardiac surgery GIRFT review came as a surprise to the Health Board. Our quality governance work, whilst recognising that the Health Board is committed to delivering high quality, safe and effective care, has highlighted that there is significant work to do to strengthen the quality governance arrangements at an operational level and ensure sufficient assurance of issues flowing up and down the organisation.

## Tracking progress against audit and review recommendations

- 64 The Health Board maintains a central depository of all actions plans which relate to previous internal and external audit work. The actions plans are available on the Health Board's finance portal so that senior managers can update throughout the year.
- 65 A summary of the status of audit recommendations is presented to every Audit Committee. Up to January 2021, the report provided summary analysis on the changes in the number of recommendations, the number overdue and how late overdue recommendations were. No detail was included in respect of individual recommendations. At the Audit Committees request, reports at the following two Audit Committee meetings (March and May 2021) focused specifically on recommendations arising from Internal Audit reports with a limited assurance rating.
- 66 Since these meetings, the audit status report has reverted to high-level analysis of the number of recommendations. At the November 2021 Audit Committee meeting, 30 external audit and 78 internal audit recommendations were reported as being overdue. A short summary of the recommendations that had become overdue (13 recommendations) since the last meeting were included, but not the detail of the remaining 95.
- 67 The Audit Committee would benefit from having sight of all recommendations and updated management responses. Without the detail of individual recommendations, it is difficult for independent members to take assurance that appropriate action is being taken for both overdue recommendations and those in progress. (See **recommendation 6**).
- 68 At the November 2021 Audit Committee meeting, the audit status report indicated that there were five outstanding recommendations relating to previous structured assessments. Throughout this report, we have assessed progress against those recommendations.
- 69 The Audit Committee does not have sight of progress against recommendations from other external organisations, such as Healthcare Inspectorate Wales (HIW) and the Delivery Unit, although an update on HIW recommendations is included within the patient experience report to the Quality & Safety Committee. The Health Board currently does not have a clinical audit plan, with an update to the Audit Committee on clinical audit more generally only reported once a year. We have made a recommendation in relation to clinical audit as part of our quality governance work.

## Managing financial resources

- 70 Our work considered the Health Board's financial performance, financial controls and arrangements for monitoring and reporting financial performance.

- 71 We found that **while the Health Board continues to face significant financial challenges, it has maintained effective financial controls and reporting, and is working hard to achieve financial recovery.**

## Achieving key financial objectives

- 72 We found that **the Health Board was unable to meet its financial duties for 2020-21, ending the year with a deficit of £24.3 million. While the Health Board is on track to deliver its financial plan 2021-22, it will continue to fail to meet its financial duties due to a planned year-end financial deficit of £24.4 million.**

## Financial performance 2020-21

- 73 At the end of 2020-21, the Health Board failed to meet its financial duty to break-even against its Revenue Resource Limit over a rolling three-year period. The Health Board reported a deficit of £24.3 million for the financial year 2020-21, and a rolling three-year deficit of £50.5 million for the period 2018-21. The Health Board's year-end financial deficit for 2020-21 however, fell within the deficit control total agreed with the Welsh Government of £24.4 million. The Health Board did meet its Capital Resource Limit of £48 million, with a reported underspend of £0.028 million at the year-end.
- 74 COVID-19 had a considerable impact on the revenue costs the Health Board set out in its financial plan 2020-21. During 2020-21, the Health Board received an additional £203.5 million of Welsh Government funding, including £54.6 million of capital funding. This additional funding was to support the Health Board's response to the pandemic, including the establishment of field hospitals, the Test, Track, Protect and Mass Vaccination programmes.
- 75 The pandemic also impacted on the Health Board's ability to realise its planned savings target of £22.7 million (set out in its financial plan for 2020-21). At month 1, £11.5 million of savings schemes had been identified. At month 12, the Health Board had delivered £6.7 million. Savings were achieved through a reduction in agency and locum costs, cost containment on non-pay activity, and a reduction in medicines management costs. The non-delivery of the remaining savings target was offset by reductions in non-pay expenditure as a direct result of the pandemic.
- 76 Whilst under 'targeted intervention' status under the [NHS Wales Escalation and Intervention Arrangements](#) since September 2016, the Health Board has operated annual planning arrangements in agreement with the Welsh Government, whilst working to develop an approvable three-year Integrated Medium-Term Plan (IMTP) and financial plan. Due to COVID-19, the requirement for an IMTP for the period 2020-2023 was paused, however as the Health Board did not have an approved IMTP for the period 2019-2022, it therefore failed its duty to have an approvable plan for the period up to 31<sup>st</sup> March 2021. In October 2020, the Health Board was de-escalated to 'enhanced monitoring' status.

## Financial performance 2021-22

- 77 The Health Board's draft financial plan 2021-22 was shared with the Board in March 2021 and approved in June 2021 prior to submission to the Welsh Government. It set out a forecast overspend of £24.4 million. Some of the underpinning assumptions include cost pressures of £25.6 million, less an uplift of Welsh Government allocation support of £15.1 million. At month 6, the Health Board reported a deficit of £12 million which was broadly in line with its financial profile, although there was recognition that there had been overspends in some areas which require close monitoring.
- 78 The 2021-22 financial plan includes an ambitious financial savings target of £27.7 million. At the start of the year, plans to identify the required level of savings were in place with 85% of savings scheme identified either as green or amber. The remaining 15% of savings schemes were not yet at a level of confidence that they would be delivered. At month 6, the Health Board had delivered £14.1 million of savings, and was ahead of its profile by £0.2 million. A number of its amber savings plans are however, profiled to be delivered over the next six months. The ability to deliver these savings plans is recognised as a risk by the Board.
- 79 The financial plan also assumes additional funding of £99 million to cover costs associated with supporting the continued response to the pandemic. At month 6, the Health Board had received £47.7 million. However, forecast costs have now risen to £128 million due to increased costs associated with the COVID-19 response, and the Health Board has assumed funding from the Welsh Government of £118.9 million. The financial plan also includes the additional funding from the Welsh Government of £16.1 million to support the recovery of planned care services.
- 80 The Health Board has started the financial year 2021-22 with an underlying deficit of £42 million. It recognises the financial challenges that it will have over the coming years and the need to be on a financially sustainable footing. At a minimum, the Health Board is likely to need in the region of £11 million recurring savings each year to maintain the current level of deficit.
- 81 There is a clear focus on financial recovery through Health Board discussions with four phases of work in train to support recovery within 2021-22. This includes validating the underlying deficit, identifying opportunities for both savings and a reallocation of resource, and understanding investment and disinvestment opportunities through the strategic vision. The current delivery to profile of both the Health Board's financial position and savings position would suggest that this work is having a positive impact on financial recovery to date.
- 82 The Health Board is currently developing its financial recovery and sustainability plan for the period 2022-25 to facilitate the Health Board moving into a positive financial position. This will be reliant on achieving significant savings, a reduction in investments and receiving assumed Welsh Government funding.

## Financial controls

- 83 We found that **the Health Board continues to maintain appropriate financial controls and is continuing to strengthen financial management to support financial recovery.**
- 84 The Health Board has continued to maintain appropriate financial controls. During the first quarter of 2021-22, a review of financial controls was undertaken to ensure that they remained fit for purpose. No changes were needed, and financial controls have now largely returned to normal arrangements.
- 85 The Audit Committee regularly receives reports on procurement, losses, and special payments. Procurement reports clearly set out the number of Single Tender Actions (STAs) and Single Quotation Authorisations (SQAs), values and reasons why standard procurement procedures have not been followed. The number of STAs and SQAs have remained relatively consistent but continue to receive regular scrutiny.
- 86 Internal Audit's review of financial systems gave substantial assurance, focusing on the arrangements for managing charitable funds. Via the NHS Wales Shared Services Partnership audit, reasonable assurance was also provided for accounts payable and payroll. All financial decisions relating to the COVID-19 response continue to be considered through the Gold Command structure. Separate cost centres are in place for specific response programmes. Operational response costs are reported through service cost centres, with a challenge process in place through monthly performance reviews held with the Service Groups to ensure that costs attributed to COVID-19 are appropriate. Our audit of financial statements did not identify any significant issues in respect of financial controls.
- 87 Following KMPG's February 2020 review to support the Health Board improve its financial position and longer-term stability, the Health Board has worked hard to address the resulting recommendations (**exhibit 3, 2019 R4**). The pipeline of opportunities identified by KPMG have continued to be developed and now inform the Health Board's recovery and sustainability plan. The development of the pipeline opportunities has been supported by the use of Value Allocation Utilisation Learning Toolkit (VAULT)<sup>8</sup> developed by the Financial Delivery Unit to improve efficiency. This includes applying the concept of Value Based Healthcare and using benchmarking data to identify opportunities for increased efficiency (**exhibit 3, 2019 R5**).
- 88 The Health Board's Programme Management Office has also been strengthened to provide increased control around the delivery of savings plans and support for service areas, and there has been an increased focus on areas identified as needing greater 'Grip and Control', including medical and nursing staff costs. Finance business partners continue to be utilised.

<sup>8</sup> A central repository drawing intelligence from multiple sources to enable users to identify opportunity for service improvement and resource utilisation.

89 The Health Board’s Counter-Fraud Service provide regular reports to the Audit Committee, and delivery of the counter-fraud workplan is on track. In October 2020<sup>9</sup>, we reported that the Health Board demonstrates a commitment to counter-fraud, has suitable arrangements to support the prevention and detection of fraud and is able to respond appropriately where fraud occurs.

**Exhibit 3: progress made on previous year recommendations**

Recommendation	Description of progress
<p><b>2019 R4: Finance and Performance</b> The Health Board has included sustainable savings and efficiency in its plans, but these have under-achieved over the last two years. The Health Board should assess the reasons for under-achievement to ensure realistic plans are set and achieved in 2020-21.</p>	<p><b>Complete</b> The KPMG report identified pipeline opportunities to the value of £47 million over three years. The opportunities identified did inform the Health Board’s savings plan for 2020-21 but due to the COVID-19 pandemic, much of these were rolled forward into 2021-22, and not form the basis of the Health Board’s recovery and sustainability plan.</p>
<p><b>2019 R5: Finance and Performance</b> A range of benchmarking is used for planning, service improvement and efficiency work, but scope exists to extend the information used in respect of costs. The Health Board should progress its development and use of costing so that it better informs financial planning and management.</p>	<p><b>Complete</b> As part of its work to respond to the KPMG recommendations, the Health Board has made use of the Financial Delivery Unit’s VAULT programme. This includes increased use of benchmarking data which encompasses costing data at a service level within the Health Board.</p>

**Monitoring and reporting**

- 90 We found that **there is timely oversight and scrutiny of the Health Board’s financial position, supported by comprehensive reporting.**
- 91 The Health Board’s financial position continues to be closely scrutinised by the Performance & Finance Committee. The committee report is also reported to every Board meeting along with a detailed financial report for consideration as part of the main Board agenda.

<sup>9</sup> Audit Wales, Effectiveness of Counter-Fraud Arrangements at Swansea Bay University Health Board, October 2020.

- 92 The financial position is also closely monitored through the regular Executive Board and Management Board meetings. Discussions are informed by regular financial performance reviews held with the Service Groups by the Director of Finance and Director of Operations. A Sustainability Group has recently been established to support and monitor the financial recovery of the Health Board as part of the wider recovery agenda following the pandemic.
- 93 Financial reporting continues to be comprehensive with information consistent with that submitted to the Welsh Government through the Monthly Monitoring Returns. Reports provide a clear picture of the financial position, challenges and risks, and the mitigating actions being. They also include clear explanations of the different elements of funding the Health Board is receiving and the progress and associated risks with expenditure. Reports are regularly supported by a slide pack which enable members to focus in on the key issues. An update on the Health Board's recovery and sustainability plan is considered at every other Performance & Finance Committee meeting.

# Appendix 1

## Management response to audit recommendations

Exhibit 4: management response

Recommendation	Management response	Completion date	Responsible officer
<p><b>Health Board Website</b></p> <p>R1 It is difficult to navigate the Health Board's website to find recordings of Board meetings and up-to-date Board information. The Health Board should make improvements to website navigation as soon as possible to enable the public to easily find and access up-to-date information and recordings.</p>	<p>The page has been renamed 'Board Papers/Key Documents' and has also been re-ordered on the drop-down list so it is more visible.</p>	<p>Completed</p>	<p>Director of Communications</p>

Recommendation	Management response	Completion date	Responsible officer
<p><b>Committee Effectiveness</b></p> <p>R2 The Performance &amp; Finance and Quality &amp; Safety Committees are held on the same day with the Integrated Performance Report presented to both. This leads to risks of duplication in discussions, or members of the Quality &amp; Safety Committee missing important discussions. The Health Board needs to consider moving the detailed focus on the performance report to the main Board meeting, reducing the risk of duplication in the committee meetings and freeing up capacity for them to undertake deep dives into areas of concern.</p>	<p>The Chair is reviewing the arrangements of both committees with a view to reducing the duplication of the information received and discussed. Part of this includes consideration of whether both committees should receive the integrated performance report or whether this should be limited to the Quality and Safety Committee. The Performance and Finance Committee would then consider more operational delivery areas.</p>	<p>March 2022</p>	<p>Director of Corporate Governance</p>
<p><b>Board and Committee Papers</b></p> <p>R3 The length of Board and committee papers may impact on the ability of members to absorb the information being provided to them, with some duplication in the content. The Health</p>	<p>Current training will be revised and a session on report writing provided for the Management Board members and their key report authors. Supported by key principles for report writing guide.</p>	<p>April 2022</p>	<p>Director of Corporate Governance</p>

Recommendation	Management response	Completion date	Responsible officer
<p>Board needs to ensure that training is provided to authors of agenda papers to ensure that key information is appropriately summarised, and the key messages are drawn out in cover papers.</p>			
<p><b>Integrated Performance Report</b> R4 The Integrated Performance Report largely focuses on describing performance. The Health Board should strengthen its performance reporting by providing more information about the actions being taken to improve or maintain performance.</p>	<p>The health board is currently reviewing the content of performance reports to be received by the Quality and Safety Committee and the Performance and Finance Committees. One of the matters under consideration is how the reports can be strengthened with forward looking predictive performance trajectories and commentary on actions taken to either maintain performance or recover it should it be off profile.</p>	<p>March 2022</p>	<p>Director of Finance</p>
<p><b>Healthcare Professional Forum</b> R5 During the pandemic the Healthcare Professional Forum has not met and there has been no representation from the forum at Board. The Health Board should reinstate the Healthcare</p>	<p>The Healthcare Professional Forum will be reconstituted and meet from January 2022. There are several gaps in membership due to retirements since the last meeting and these will be filled. A new Chair was elected in January 2020 and we will now need to confirm his availability to take on role or elect a new Chair and vice Chair. The</p>	<p>March 2022</p>	<p>Director of Therapies and Health Science</p>

Recommendation	Management response	Completion date	Responsible officer
Professional Forum and ensure the Chair regularly attends the Board.	Chair or vice Chair will attend the Board in meetings from February 2022.		
<p><b>Audit tracking</b></p> <p>R6 While arrangements for tracking audit recommendations are in place, there is an absence of routine focus on individual recommendations. As part of the audit tracking report to the Audit Committee, the Health Board should include an update on actions against each individual recommendation</p>	<p>The content of Audit Committee reports regarding audit registers and status of recommendations has been reviewed by the Head of Compliance and the Interim Director of Corporate Governance and discussed with the Audit Committee Chair. Agreed amendments to the reporting style and structure will ensure the committee receives information to facilitate scrutiny and challenge and provide assurance to the board. The new style reports will start in January 2022 and, as a minimum will be reported three times a year to the Audit Committee.</p>	March 2022	Director of Corporate Governance





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