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Bwrdd Iechyd Prifysgol  
Bae Abertawe  
Swansea Bay University  
Health Board



<b>Meeting Date</b>	<b>09 March 2023</b>	<b>Agenda Item</b>	<b>5.4</b>
<b>Report Title</b>	<b>Annual Audit Report and Structured Assessment</b>		
<b>Report Author</b>	Liz Stauber, Head of Corporate Governance		
<b>Report Sponsor</b>	Hazel Lloyd, Director of Corporate Governance		
<b>Presented by</b>	Hazel Lloyd, Director of Corporate Governance		
<b>Freedom of Information</b>	Open		
<b>Purpose of the Report</b>	This report presents the findings of Audit Wales key findings from the audit work undertaken at Swansea Bay University Health Board during 2022.		
<b>Key Issues</b>	<p>The Annual Audit report (appendix one) to board members sets out the key findings from the audit work undertaken at Swansea Bay University Health Board by Audit Wales during 2022.</p> <p>The Structured Assessment report (appendix two) examines the health board's arrangements that support good governance and the efficient, effective and economic use of resources.</p>		
<b>Specific Action Required</b> <i>(please choose one only)</i>	<b>Information</b>	<b>Discussion</b>	<b>Assurance</b>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
			<input checked="" type="checkbox"/>
<b>Recommendations</b>	<p>Members are asked to:</p> <ul style="list-style-type: none"> <li>• <b>RECEIVE</b> and support the annual audit letter;</li> <li>• <b>RECEIVE</b> and support the structured assessment report;</li> <li>• <b>AGREE</b> that the executive team will address the improvement opportunities as outlined in the management response to the structured assessment (appendix two). The Director of Corporate Governance will ensure that the response is delivered and reported to the Management Board; and</li> <li>• <b>AGREE</b> that the Audit Committee will continue to scrutinise the delivery of the recommendations by December 2023.</li> </ul>		

# ANNUAL AUDIT REPORT AND STRUCTURED ASSESSMENT

## 1. INTRODUCTION

The Annual Audit report (appendix one) to board members sets out the key findings from the audit work undertaken at Swansea Bay University Health Board by Audit Wales during 2022.

The structured assessment report (appendix two) examines the health board's arrangements that support good governance and the efficient, effective and economic use of resources.

## 2. BACKGROUND

The annual audit report now being presented to the board is reflective of any amendments that were agreed to the 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.

The structured assessment for 2022 included interviews with executive directors and independent members of the board, observations of board and committee meetings and a review of relevant documents, as well as performance and financial data.

The report sets out the findings under three themes:

- Governance arrangements;
- Approach to strategic planning; and
- Wider arrangements that support the efficient, effective and economical use of resources.

## 3. GOVERNANCE AND RISK ISSUES

### a) Annual Audit Report

This report summarises the work undertaken by the Audit Wales and 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 health board's arrangements to secure efficiency, effectiveness and economy in its use of resources. Key findings included:

- The health board's accounts were properly prepared and materially accurate and an unqualified true and fair audit opinion was issued. No material weaknesses were identified;
- The regularity opinion was qualified in two respects and a substantive report placed on the financial statements to highlight the regularity issues. Firstly, and 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 2021-22. Also, the health board did not meet its financial duty to have an approved three-year integrated medium-term plan (IMTP) for the period 2019-20 to 2021-22 (the period extant when the process for the 2020-23 IMTP was paused in spring 2020). The regularity opinion was not qualified for this. Secondly a new regularity opinion qualification arose due to the accounts including £1.9 million of expenditure and funding in respect of clinicians' pension tax liabilities. Arrangements for securing efficiency, effectiveness, and economy in the use of resources;
- The health board has generally good governance arrangements in place and updating the organisation's ten-year strategy presents an opportunity to enhance these arrangements further by ensuring key governance structures, processes, and resources are fully aligned to strategic objectives and risks;

- Despite the additional investment in waiting list recovery, the significant growth in the numbers of people waiting is likely to mean that waiting lists will not return to pre-pandemic levels for many years;
- The contract arrangements following the health board boundary change in 2019 are sound and supported by good operational oversight and project management. However, there has been no clear programme for disaggregation of services until recently, and the lack of commissioning capacity and programme management, alongside the impact of Covid-19, has meant that the original timetable has not been met. Oversight and scrutiny of the programme at Board and Committee level within both health boards also need to be improved, as well as the management of risk.

**b) Structured Assessment 2022 - The key findings are summarised below:**

- The health board has generally good governance arrangements in place but there is scope to enhance these arrangements further by ensuring key governance structures, processes, and resources are fully aligned to strategic objectives and risks;
- There needs to be more clarity across all the health board strategies to ensure there is oversight of these;
- The board assurance framework (BAF) continues to evolve, and systems of assurance are improving but there is a need to tighten-up sources of assurance and align the framework with the refreshed long-term strategy. The Board and its committees are generally operating well; however, opportunities exist to enhance public transparency, and strengthen staff and patient feedback. The committee structure needs to align with the BAF and self-review mechanisms need to be in place;
- There is currently a stable executive team, but there remains considerable fragility in the Morriston Hospital Service Group;
- The health board failed to meet some of its financial duties for 2021-22 and will also fail to meet some of them in 2022-23, despite forecasting a break-even position. It is on-track to deliver the required savings, but cost pressures and discretionary capital are a challenge. Appropriate arrangements for financial management and controls are in place, and arrangements for monitoring and scrutinising the financial position are robust;
- The health board has adequate arrangements in place to support and oversee staff well-being but does not systematically seek staff views;
- The health board is prioritising digital transformation but lacks the resources to fully implement its ambitions;
- The health board has good operational arrangements for the management of estates and physical assets, but these matters are currently not visible within the committee structure;
- The Audit Committee reviews progress against all internal and external audit reports as part of their assurance role on behalf of the board. Updates will be reported through the Audit Committee exception report.

The management response to the findings is at appendix 3.

**4. FINANCIAL IMPLICATIONS**

There are no direct financial implications arising from the recommendations in this report.

**5. RECOMMENDATIONS**

Members are asked to:

- **RECEIVE** and support the annual audit letter;
- **RECEIVE** and support the structured assessment report;

- **AGREE** that the executive team will address the improvement opportunities as outlined management response to the structured assessment (appendix two). The Director of Corporate Governance will ensure that the response is delivered and reported to the Management Board; and
- **AGREE** that the Audit Committee will continue to scrutinise the delivery of the recommendations by December 2023.

<b>Governance and Assurance</b>		
<b>Link to Enabling Objectives</b> <i>(please choose)</i>	<b>Supporting better health and wellbeing by actively promoting and empowering people to live well in resilient communities</b>	
	Partnerships for Improving Health and Wellbeing	<input checked="" type="checkbox"/>
	Co-Production and Health Literacy	<input type="checkbox"/>
	Digitally Enabled Health and Wellbeing	<input type="checkbox"/>
	<b>Deliver better care through excellent health and care services achieving the outcomes that matter most to people</b>	
	Best Value Outcomes and High Quality Care	<input checked="" type="checkbox"/>
	Partnerships for Care	<input type="checkbox"/>
	Excellent Staff	<input type="checkbox"/>
	Digitally Enabled Care	<input type="checkbox"/>
	Outstanding Research, Innovation, Education and Learning	<input type="checkbox"/>
<b>Health and Care Standards</b>		
<i>(please choose)</i>	Staying Healthy	<input type="checkbox"/>
	Safe Care	<input checked="" type="checkbox"/>
	Effective Care	<input checked="" type="checkbox"/>
	Dignified Care	<input checked="" type="checkbox"/>
	Timely Care	<input checked="" type="checkbox"/>
	Individual Care	<input checked="" type="checkbox"/>
	Staff and Resources	<input checked="" type="checkbox"/>
<b>Quality, Safety and Patient Experience</b>		
Ensuring the Board and its Sub-Committee(s) makes fully informed decisions is dependent on the quality and accuracy of the information presented and considered by those making decisions. Informed decisions are more likely to impact favourably on the quality, safety and experience of patients and staff.		
<b>Financial Implications</b>		
There are no direct financial implications arising from this report.		
<b>Legal Implications (including equality and diversity assessment)</b>		
Ensuring the board carries out its business appropriately in accordance with the governance and legal frameworks as set down by Welsh Government.		
<b>Staffing Implications</b>		
No staffing implications arising from this report.		
<b>Long Term Implications (including the impact of the Well-being of Future Generations (Wales) Act 2015)</b>		
The Act requires the Health Board to think more about the long term, how we work better with people and communities and each other, look to prevent problems and take a more joined up approach with partners. There will be long term risks that will affect both the delivery of services, therefore, it is important that you use these five ways of working (Long Term Thinking, Prevention, Integration, Collaboration and Involvement) and the wellbeing goals identified in the Act in order to frame what risks the Health Board may be subject to in the short, medium and long term. This will enable The Health Board to take the necessary steps to ensure risks are well managed now and in the future.		
<b>Report History</b>	Annual report to the board	
<b>Appendices</b>	Appendix one - annual audit report 2022 Appendix two – structured assessment 2022 Appendix three – structured assessment management response	