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Summary report

Context

- 1 Structured assessment examines the Powys Teaching Health Board (the Health Board) arrangements that support good governance and the efficient, effective and economic use of resources. In previous years, the work assessed the robustness of financial management arrangements, the adequacy of governance arrangements, the management of key enablers that support effective use of resources, and the progress made in addressing previously identified improvement issues. Our 2015 work found that arrangements to support good governance and the efficient, effective and economical use of resources have strengthened considerably. Our conclusion for 2015 was that the Health Board is in a stronger position to achieve financial balance and drive forward transformation, providing resilience and pace of change can be sustained.
- 2 Structured assessment work in 2016 has again reviewed the Health Board's financial management arrangements and the progress made in addressing the previous year's recommendations. This year, we have also carried out comparative work in three areas. The selected areas and the scope has been informed by our own analysis of all-Wales issues and discussion with board secretaries. The areas of comparative work include:
 - the format of financial reporting to boards;
 - arrangements for developing Integrated Medium-Term Plans (IMTPs) and monitoring and reporting on the delivery of these plans¹; and
 - approaches for mapping risks and assurances and developing a board assurance framework².
- 3 This report details our local audit findings for the Health Board. On finalisation of local audit reporting, we will complete all-Wales analyses on the three areas of comparative work, to share with NHS organisations and relevant all-Wales fora, such as directors of finance, directors of planning and board secretary groups. This approach is intended to support learning, by sharing approaches and good practice across NHS organisations. Publication of our comparative analysis of IMTP development and reporting will be coordinated with that of the Auditor General's national report on the National Health Service Finance (Wales) Act 2014, planned for early in 2017.
- 4 Our findings are based on interviews, committee observations, review of documents and performance data, information returns from board secretaries and directors of planning and the results of a survey of board members from across Wales. We received 12 responses from the Health Board, a 57% response rate,

¹ Where there is no approved IMTP, we have considered the annual plan.

² A board assurance framework sets out the risks to achieving corporate objectives, the internal controls for mitigating those risks and the assurances the board needs to know that controls are effective and risks are being managed.

and have reflected some of the findings in this report³. We would like to thank those board members who responded to our survey for their time and input.

Key findings

- 5 Our overall conclusion from 2016 structured assessment work is that the Health Board has strengthened its strategic planning, financial position and board functioning, although further work is required to improve financial management and finalise board assurance arrangements.
- 6 The reasons for reaching this conclusion are summarised below.

Financial planning and management

- 7 In reviewing the Health Board's financial planning and management arrangements we found that the Health Board has successfully delivered significant savings, but there is a need to further strengthen important aspects of financial management in order to comply with Standing Orders and to be well placed to respond to the challenging external financial environment.

Financial planning

- 8 The Health Board needs to strengthen its strategic financial planning so that the long term strategy of the Health Board can be achieved. Arrangements for revenue and capital budget setting need to be strengthened in several important respects to ensure the Health Board complies fully with Standing Orders. Whilst financial planning roles and responsibilities are clear and understood with appropriate processes and budgetary activities documented in the budgetary controls procedures, we identified a number of weaknesses which the Health Board needs to address.
- 9 Whilst the budgets are prepared to the same timescale as the IMTP, and therefore have links into it, they do not appear to be shaped by a long term strategy because budgets were not considered when drafting the delivery plans that are the foundation of the IMTP.

Financial control and stewardship

- 10 Arrangements for financial control and stewardship could be enhanced further to ensure that the Health Board continues to meet its financial duty. Roles and responsibilities for financial control and accountability are clear, although there was a two-month period when the Director of Finance role was vacant. This exposed the Chief Executive, as the Accountable Officer, to a risk that appropriate

³ Some 119 board members responded to our survey in total across Wales, a response rate of 59%.

assurances were not being received. In the absence of an Assistant Director of Finance, short term measures were introduced to cover key aspects of the Director of Finance role by other members of the finance team although the planned review of succession planning arrangements needs to be completed.

- 11 The Health Board can strengthen financial controls by ensuring Standing Orders and Standing Financial Instructions are updated and reviewed periodically and by reviewing the financial control environment to ensure that appropriate processes in place are being adhered to.

Financial monitoring and reporting

- 12 Whilst strong financial monitoring arrangements are in place, financial reporting needs improvement to ensure that the Board receives timely information for decision making purposes. Each month there is a series of meetings between the Director of Finance and the Executive Leads where financial monitoring and savings plans are discussed. The output from these meetings is the financial monitoring report, which is produced to a good standard.
- 13 However, financial reporting needs to be enhanced to provide sufficient information to better inform service design and decision making. As there is no real time tracking of the delivery of savings plans, the Health Board needs to improve the reporting of the achievement of the saving plans.

Financial performance

- 14 The Health Board has delivered against its annual financial aims for 2015-16 and performance in the current year indicates that a balanced financial position will be achieved at the end of 2016-17. There is a track record of delivery against budget since the Welsh Government addressed historical financial deficit and increased the Health Board's funding allocation. The Health Board has responded well to the new funding position and is forecasting to break even in 2016-17.
- 15 We found no evidence that organisational delivery or quality and safety of services could, or has been, compromised to achieve successful in-year financial performance, although Equality Impact Assessments have not always been completed on savings made.

Governance and assurance

- 16 In reviewing the Health Board's corporate governance and board assurance arrangements we found that the Board and its committees are functioning well and planning processes are significantly improved, but key assurance requirements are still developing and some issues from previous structured assessments are yet to be fully addressed.

Strategic planning and reporting

17 The Health Board successfully produced its IMTP for a second year and continues to strengthen planning processes, although monitoring and reporting on delivery needs further development. The IMTP was produced in the required timeframe, received board scrutiny and approval and was approved by the Welsh Government's Cabinet Secretary for Health Well-being and Sport in July 2016. The Health Board has implemented a comprehensive strategic planning model and is taking steps to strengthen planning capability and capacity. There are effective and evolving assurance arrangements to monitor and report progress on the delivery of the IMTP although reports could make better use of summaries, milestones and forecasts. The Health Board is well placed to develop its longer term Health and Care Strategy.

Board effectiveness and assurance

- 18 Overall, the Health Board has made steady progress developing its board assurance framework and strengthening Board and committee effectiveness although issues with information governance have yet to be resolved. In reaching this conclusion we found:
- **board assurance framework development:** While the process of developing a comprehensive board assurance framework has been prolonged, the board now understands its assurance requirements and further work is in progress to finalise and effectively implement it.
 - **board and committee effectiveness:** The Health Board has undertaken extensive work to strengthen its board and committee effectiveness, although more can be done to deliver effective counter fraud services and clinical audit.
 - **information governance:** Information governance remains a concern although recent changes have strengthened strategy development, leadership and assurance arrangements.
- 19 Once the board assurance framework has been approved by the Board, it will be necessary for the Health Board to ensure that the system of assurance is understood and effectively implemented by embedding the arrangements across the organisation; undertaking a programme of self-assessment; and revising the assurance framework based on lessons learned.

The Health Board has strengthened its reporting arrangements on the implementation of recommendations. Actions to address the issues and recommendations identified in previous structured assessments are on track but not yet complete

20 The Health Board is making good progress to address the issues and recommendations identified in previous years' structured assessments with 7 recommendations completed while a further 8 are on track but not yet complete. While an exception report on progress against audit recommendations is taken to

every other Audit and Assurance Committee, the committee should review the full recommendations tracker at least annually.

Recommendations

- 21 Recommendations arising from 2016 structured assessment work are detailed in **Exhibit 1**. The Health Board will also need to maintain focus on implementing any previous recommendations that are not yet complete.
- 22 The Health Board’s management response detailing how it intends responding to these recommendations is in **Appendix 1**.

Exhibit 1: 2016 recommendations

2016 recommendations	
Financial planning	
R1	Strengthen current arrangements for financial planning by: <ul style="list-style-type: none"> a) Implementing succession planning arrangements, underpinned by a robust process of skills evaluation and gap analysis of key competencies for those staff that may be required to deputise in periods of absence. b) Reviewing budget approval procedures, ensuring that appropriate approval and formal sign off is achieved at the correct stage of the process. c) Reviewing the process in place for the development of the savings plans whilst ensuring that the detailed plans support the long term strategy of the Health Board. d) Re-prioritising the budget to align it more closely with the Health Board’s long term strategy. e) Strengthening the evidence so that the workforce, financial, estates and ICT implications are robustly considered when developing the delivery plans and providing details for each within the Integrated Medium Term Plan.
Financial control and stewardship	
R2	Strengthen current arrangements for financial control and stewardship by: <ul style="list-style-type: none"> a) Ensuring Standing Orders and Standing Financial Instructions are updated and reviewed periodically. b) Reviewing the financial control environment to ensure that appropriate processes in place are being adhered to.
Financial monitoring and reporting	
R3	Strengthen current arrangements for financial monitoring and reporting by improving reporting of the achievement of the saving plans.

2016 recommendations

Board assurance

- R4 Once the board assurance framework has been approved by the Board, it will be necessary for the Health Board to ensure that the system of assurance is understood and effectively implemented by:
- a) embedding the arrangements across the organisation;
 - b) undertaking a programme of self-assessment; and
 - c) revising the assurance framework based on lessons learned.

Board and committee effectiveness

- R5 While it is recognised that a range of clinical audits have taken place over the last 12-months more robust coordination of the Health Board's clinical audit programme is needed. The Health Board needs to develop and implement a strategy for clinical audit to ensure that it plays a full role for quality improvement and its contribution to board assurance is clear.
- R6 While counter fraud services became well established during 2015 and early 2016, they have subsequently deteriorated. The Health Board should establish a robust and sustainable counter fraud service.
- R7 While an exception report on progress against audit recommendations is taken to every other Audit and Assurance Committee, the committee should review the full recommendations tracker at least annually.

Detailed report

The Health Board has successfully delivered significant savings, but there is a need to further strengthen important aspects of financial management in order to comply with Standing Orders and to be well placed to respond to the challenging external financial environment

23 Our structured assessment work in 2016 has considered the action that the Health Board is taking to achieve financial balance and create longer-term financial sustainability. We have assessed the financial position of the organisation, the approach to financial planning, financial controls and stewardship, and the arrangements for financial monitoring and reporting. We have also considered the progress made in addressing previous recommendations relating to financial management. We are aware that the Health Board has undertaken a range of audits and reviews of financial management arrangements and the findings from these are being used to inform an improvement plan. Our findings are set out below.

The Health Board needs to strengthen its strategic financial planning so that the long term strategy of the Health Board can be achieved

24 Our conclusion on the effectiveness of financial planning arrangements is based on the following findings:

- Arrangements for revenue and capital budget setting need to be strengthened in several important respects. Whilst financial planning roles and responsibilities are clear and understood with appropriate processes and budgetary activities documented in the budgetary controls procedures, we identified a number of weaknesses which the Health Board needs to address, as follows:
 - in 2015-16, additional savings of £2.3 million above the target were achieved but the Executive team decided that the further savings requirement would be carried forward into 2016-17 and allocated on a notional basis across the directorates. This was not discussed with budget holders lower than executive level with the consequence that budget holders' morale was reduced as they felt that they did not have ownership of the savings targets;
 - the paper which set out the draft budget for 2016-17 was presented to Independent Members in February; this was after the draft budget had been approved as part of the IMTP and submitted to Welsh

Government. It is recognised that the 2017-18 paper was taken earlier in the process;

- the Project Status Reports (or savings plans) include an overall savings target, but do not give a detailed breakdown of savings against each action and how these will be achieved;
 - the level of detailed narrative to support cost pressures should be expanded to provide further context and analysis;
 - there was a delay in Executive sign off of the 2016-17 budgets and some have not been formally signed off. This is a breach of Standing Orders. We understand that the main reason for the delay was due to the timing of the Executive portfolios being amended after the budget had been prepared, but before these were formally signed.
- Whilst the budgets are prepared to the same timescale as the IMTP, and therefore have links into it, they do not appear to be shaped by a long term strategy because budgets were not considered when drafting the delivery plans that are the foundation of the IMTP. We have formed this view on the basis that:
 - some delivery plans have been presented late into the financial year (September and November 2016). Therefore, these would not have been incorporated into the IMTP, which was approved by the Cabinet Secretary for Health Well-being and Sport in July 2016;
 - the delivery plans do not contain financial breakdowns of the resources needed to achieve the actions stated.
 - the summary delivery plans within the IMTP contain four categories of ‘implications’: workforce, finance, estates and information and communications technology (ICT). Of the twenty summary delivery plans noted within the IMTP, 90% had considered the workforce implication, 75% for both the estate and ICT and 65% the financial implication. The remainder are noted as ‘TBC’ (to be completed). Of the 15 delivery plans that contained detail around the financial implications, only one of these (prevention and health improvement) had included a financial value, the others merely contained a narrative statement.
 - there is limited evidence that the delivery plans, and in particular the financial aspects, were scrutinised by Independent Members prior to their adoption. We recognise that the level of scrutiny has subsequently improved during the year.
 - the starting point for budget setting is to roll forward the prior year budget and then update these by adding in local cost pressures and savings targets. However, we have not seen any evidence to demonstrate how the Health Board considers the funding needed to deliver the long term strategy when setting the budget. A clearer re-

- prioritisation of the budget to align it more closely with the Health Board's long term strategy is likely to support its successful delivery.
- financial flexibilities available under the National Health Service Finance (Wales) Act 2014 (for bodies with an approved IMTP) allow the Health Board to apply for an advance on future years funding. The Health Board has not utilised these flexibilities.

Arrangements for financial control and stewardship could be enhanced further to ensure that the Health Board continues to meet its financial duty

- 25 Our conclusion on arrangements for financial control and good stewardship is based on the following findings:
- roles and responsibilities for financial control and accountability are clear, although there was a two-month period when the Director of Finance role was vacant. This exposed the Chief Executive, as the Accountable Officer, to a risk that appropriate assurances were not being received. For example, the month five monitoring report submitted to Welsh Government contained an error although this was rectified in the following month.
 - in the absence of an Assistant Director of Finance, short term measures were introduced to cover key aspects of the Director of Finance role by other members of the finance team. The planned review of succession planning arrangements needs to be completed, underpinned by a robust process of skills evaluation and gap analysis of key competencies for those staff that may be required to deputise in periods of absence.
 - whilst we have found that, in general, appropriate control activities and processes are in place, there has been a breach of the Standing Orders relating to the approval of expenditure for legal costs without a purchase order or appropriate alternative procurement procedures being in place. The approval for this expenditure occurs outside of the financial control environment, leaving the Health Board exposed to inappropriate expenditure and a potential risk of fraud. We have been told that a strengthened procedure is now in place.
 - the Standing Orders and Standing Financial Instructions at the Health Board are dated June 2014 and are based on the Welsh Government model version. The Audit and Assurance Committee received an updated version of the Standing Orders at the November 2016 meeting although the Independent Members decided to defer the scrutiny of these as the papers until the updated Standing Financial Instructions and a Scheme of Delegation are also available;
 - historical concerns with capital and estates has led to an external review of the controls in place, followed up by a subsequent Internal Audit review. The controls operating, and in particular the arrangements between the Capital Control Group and the Capital Investment Board, are now working well.

- the Finance, Planning and Performance Committee has improved its scrutiny during the year over the financial control framework, for example by challenging Executives over how delivery plans were to be funded in the November 2016 meeting.
- while Internal Audit's overall opinion for 2015-16 was 'limited assurance', the reviews completed in the domain of financial governance and management resulted in a rating of 'reasonable assurance'. We recognise the benefits of the Health Board being self-aware and proactively seeking the independent assurances that Internal Audit can bring to those areas which the Board have highlighted as potentially being of concern. It is important that once any concerns are highlighted, that the Health Board completes the actions set out in management responses to address any weaknesses identified, with appropriate progress made prior to an agreed follow up review.

Whilst strong financial monitoring arrangements are in place, financial reporting needs improvement to ensure that the Board receives timely information for decision making purposes

26 Our conclusion on the effectiveness of financial reporting and monitoring is based on the following:

- the arrangements for financial reporting need to be strengthened, although an area of good practice has also been noted with regard to the financial monitoring arrangements:
 - each month there is a series of meetings between the Director of Finance and the Executive Leads where financial monitoring and savings plans are discussed. The output from these meetings is the financial monitoring report, which is produced to a good standard.
 - savings plans and their delivery are a regular item on the Delivery and Performance meetings of the Executive Committee. The Chief Executive holds Executive Directors to account for the delivery of their savings plans.
 - a review of financial information that is reported to the Board has identified that the Health Board provides a good level of information on staff numbers, pay and revenue in comparison to others. However, the Health Board could improve its financial reporting of key cost drivers and the achievement of savings.
 - the Audit and Assurance Committee raised concerns early in 2015 regarding the number of single tender waiver actions and whether these are being used to circumvent the procurement process. Management have strengthened the process in response to these concerns and the number being reporting has reduced over the last year.

- internal financial reporting and external reporting to Welsh Government are easily reconciled and consistent with each other, with root causes of any variances identified and acted on.
- the Board responds openly and transparently to any issues that are identified through its financial reporting.
- financial reporting needs to be enhanced to provide sufficient information to better inform service design and decision making:
 - clinical and service professionals, who are budget holders, receive timely financial information and have live access to the financial system and are fully engaged in service level monitoring, although this is driven by the Finance Team.
 - there is no real time tracking of the delivery of savings plans, for example the month two financial reporting report contained very little detail on savings plans and performance of these to date.
 - the Board does not consider financial costing/implications in its scrutiny of new delivery plans as no financial data is typically included within those service plans.
 - an area where the Health Board is performing well is around service line reporting which is used to evaluate performance and decision making.

The Health Board has delivered against its annual financial aims for 2015-16 and performance in the current year indicates that a balanced financial position will be achieved at the end of 2016-17

- 27 Our conclusion on the delivery of financial performance is based on the following:
- there is a track record of delivery against budget since the Welsh Government addressed historical financial deficit and increased the Health Board's funding allocation. The Health Board has responded well to the new funding position and is forecasting to break even in 2016-17.
 - we found no evidence that organisational delivery or quality and safety of services could, or has been, compromised to achieve successful in-year financial performance, although Equality Impact Assessments have not always been completed on savings made.

The Health Board is on track but has not yet completed previous financial planning and management recommendations

- 28 Our 2014 and 2015 structured assessments contained recommendations relating to financial management. [Exhibit 2](#) describes the progress made against these recommendations.

Exhibit 2: progress on 2014 and 2015 financial management recommendations

Year	Recommendation	Description of progress
2014	<p>R1 Some savings schemes are unrealistic and the lead-in time required to deliver on some of the more complex savings schemes can be significant. Approaches to securing savings alongside the financial planning and delivery processes still needed to be strengthened. Strengthen the financial planning, delivery and monitoring processes to support the achievement of the annual savings plans.</p>	<p>On track but not yet complete</p> <p>Work is on-going to strengthen financial planning, delivery and monitoring processes to support the achievement of the annual savings plans. Over the previous 12 months there have been some improvements to their format and content.</p> <p>Savings plans and their delivery are a regular item on the Delivery and Performance meetings of the Executive Committee. The Chief Executive holds Executive Directors to account for the delivery of their savings plans.</p> <p>Steps have been taken to strengthen arrangements and there is evidence of progress in terms of delivery. The Finance, Planning and Performance Committee provide challenge and scrutiny, holding Executive Directors to account for delivery.</p>
2015	<p>R1 Historically financial management at the Health Board has needed to focus heavily on securing financial balance. Whilst this will need to remain a priority, the Health Board will also need to ensure that it has the necessary capacity and skill sets to support the more strategic financial planning and transformational change set out in the Integrated Medium Term Plan.</p>	<p>On track but not yet complete</p> <p>The Health Board has undertaken a range of audits and reviews of financial management arrangements. The findings from these are being used to inform an improvement plan. However, due to the changes of Director of Finance, a full review of capacity and skill sets has not yet commenced. The new Interim Director of Finance, who commenced at the end of October, will be asked to undertake an assessment to establish whether any further review work is needed.</p>

The Board and its committees are functioning well and planning processes are significantly improved, but key assurance requirements are still developing and some issues from previous structured assessments are yet to be fully addressed

29 Our structured assessment work in 2016 has examined the Health Board's arrangements for developing an IMTP and reporting its delivery. The approach for developing and reviewing a board assurance framework has also been reviewed along with a consideration of the overall effectiveness of the Board and its governance structures, and the progress made in addressing previous structured assessment recommendations and improvement issues. Our findings are set out below.

The Health Board successfully produced its IMTP for a second year and continues to strengthen its planning processes, although monitoring and reporting on delivery needs further development

30 The findings underpinning this conclusion are based on our review of the Health Board's approach to strategic planning⁴, monitoring and reporting on delivery of the IMTP. We have also considered the arrangements which support delivery of strategic change programmes underpinning the IMTP. Our key findings are set out below.

The IMTP was produced in the required timeframe, received board scrutiny and approval and was approved by the Cabinet Secretary

31 The vision, strategic aims and objectives of the Health Board were first developed a few years ago; they have subsequently been reviewed each year and are still regarded as current. Independent Members have been involved in eight board development sessions on the IMTP and longer term health and social care plan in 2016. A board development session was held in October 2016 to review the current vision against the Well-being of Future Generations (Wales) Act 2015. Further visioning workshops will bring together different stakeholders to provide the strategic direction for the IMTP and longer term vision required for the Health and

⁴ Audit work has not duplicated Welsh Government's IMTP scrutiny work, but has considered actions taken by NHS bodies in response to any Welsh Government feedback on the plan or plan approval conditions.

Care Strategy development. This work will be led by the redefined strategic change programme which changed from the Transformation Programme Board to become the Change Programme Board. The Change Programme Board's focus is on the following projects: developing the Health and Care Strategy; strengthening primary and community care delivery; strengthening the commissioning of services from other providers; and working on the enabling programmes of workforce and organisational development, technology, business intelligence and estates.

- 32 Our survey reveals that board members are generally positive about IMTP development. Comments reveal that while there are improvements in planning there remains a planning skills deficit in some part of the organisation which requires further focus. In addition, due to the integration agenda with Powys County Council, the Board recognises that the requirement for Local Authorities to have Corporate Plans means that it would be very helpful to have planning frameworks aligned to support a joined up approach.
- 33 The 2016-2019 IMTP was approved by the full Board on 29 March 2016. For the second year in a row the Health Board received approval for its IMTP from the Cabinet Secretary for Health, Well-being and Sport in July 2016. The approval letter sent to the Chief Executive set out a number of conditions and ongoing requirements in respect of the IMTP. These conditions relate to:
- progressing prevention priorities;
 - continuing commitment to partnership arrangements with other NHS organisations and Powys County Council;
 - meeting the targets and profiles set in the IMTP for year 1 (2016-17) in order to achieve the improved position in line with national priorities and targets and local service change proposals;
 - implementing national informatics solutions and the Digital Health and Social Care Strategy for Wales; and
 - having robust delivery, monitoring and performance management arrangements.
- 34 The Health Board has allocated each condition an owner and progress is monitored by Welsh Government at the Joint Executive Team (JET) meetings. Although the IMTP is lengthy at some 300 pages the Health Board has produced accessible stakeholder and staff summaries.

The Health Board has implemented a comprehensive strategic planning model and is taking steps to strengthen planning capability and capacity

- 35 The Health Board's processes for developing the IMTP have steadily improved. In developing the revised and refreshed IMTP for 2016-2019 the Health Board reviewed the processes used for the 2015-2018 IMTP, learning from the internal audit review and recommendations. The process was led by the Director of Planning and Performance. They used a 'content toolkit' outlining the content required and the information to support the development of sections of the IMTP by

designated services leads. The IMTP sections from the previous year were circulated with the toolkit for updating with support available from the project team. The sections were approved by Executive Director leads. The Executive Team and the full Board reviewed and provided input throughout the process through to final draft and approval.

- 36 As part of this year's work, we have considered the change management approaches used by health bodies. The Health Board has made significant progress training Executives and all programme managers in Managing Successful Programmes or the Association of Project Management five day course to Associate level. There is an ongoing commitment to provide internal project management training to support delivery of the change programme and staff are currently being recruited to support the re-development and delivery of this training to provide basic skills across both Powys County Council and the Health Board.
- 37 The environment in which the Health Board is working is complicated by its reliance on commissioning services from providers in Health Boards and NHS Trusts in Wales and England. Each of these organisations has its own transformation agenda that the Health Board needs to influence, such as Future Fit in Shrewsbury and Telford and the Sustainability and Transformation Plan for Herefordshire and Worcestershire. The Health Board has ensured that it has representation in the planning process in each area as well as on the Mid Wales Collaborative and South Wales Programme. In addition the Health Board is working closely with Powys County Council as part of the integration agenda. They jointly appointed a Director of Transformation, although this post was not extended beyond three months.
- 38 The Health Board has engaged external stakeholders within Powys in various engagement activities in the last two years, with events for secondary care providers, representatives from the third sector, and through patient fora. There is no indication that any engagement is seen as a hindrance. However, the Health Board acknowledged at the Board meeting in March 2016 that there was a need for a more joined up approach to prevent engagement confusion and overload.
- 39 Following a review of the Planning and Performance Directorate, the Health Board has taken positive steps to strengthen this function. Earlier in the year the interim Director of Planning and Performance was made permanent and four assistant directors were appointed. The governance arrangements are clearly set out in the document IMTP Production 2016 Project Team – Governance. The project team consists of senior staff from within the Health Board who hold responsibility for the development of key areas of the IMTP. The Programme Management Office is in place and has a Planning and Project Manager who has responsibility for the co-ordination of the production of the IMTP, editing and oversight of content and developing processes for reviewing delivery against plan.
- 40 While the strategic objective of the IMTP has been developed top down, the content and priorities are produced from the bottom up. A report, The Powys THB Approach to the Management of the Together for Health: National Delivery Plans,

was discussed at the Finance Planning and Performance Committee in November 2016 and is a thorough response to the Welsh Government's requirements. The National Delivery Plans are an integral part of the IMTP process and are managed in line within the medium term corporate planning cycle. The plans therefore are developed from the core business intelligence of the Health Board in line with the organisation's strategic vision. The Health Board has established a National Delivery Plan steering group that is directing the development and management of delivery plans to ensure consistency and integration between plans where appropriate. Each major plan has been allocated an executive lead and an officer lead to provide planning and leadership.

- 41 The process for approving the delivery plans is through the Delivery and Performance Group; the Finance Planning and Performance Committee; and final approval by the board. As at November 2016, five major condition plans, out of the 11 required for 2016-17, have been approved by the Board, the first of which was the diabetes plan in September 2016. However, there have been difficulties with this process as the Finance Planning and Performance Committee have expressed concerns about the content and structure of some of the reports. The National Delivery Plan steering group has subsequently revised the template to provide greater oversight and clarity on the delivery of actions and forward plans also taking into consideration the commissioning aspect of the Health Board's portfolio. The remaining six plans are being developed with an expected delivery date of March 2017.
- 42 The Health Board understands the capacity it needs to deliver the IMTP as set out by the Chief Executive's Operating Model for the redesign of the Executive workforce which was shared with the Workforce and Organisational Development Committee in July 2016. There has been good progress made towards appointing to all senior posts and the Health Board has continued to deliver an ambitious agenda.
- 43 Our survey of Board members drew generally positive responses to the following statements:
- The Health Board has quantified the benefits that it expects the current IMTP to deliver.
 - The Board and relevant committees set enough time aside for effective scrutiny of the current IMTP.
 - The Board receives appropriate information to support effective scrutiny of IMTP progress.

There are effective and evolving assurance arrangements to monitor and report progress on the delivery of the IMTP although reports could make better use of summaries, milestones and forecasts

- 44 The Director of Planning and Performance is responsible for monitoring the delivery of the IMTP work streams and projects although on a day to day basis this

is led by the Project Manager. There are capacity issues within the performance team that the Health Board is taking steps to address.

- 45 The Health Board's Annual Plan, which is the first year of the IMTP, has aligned to the Welsh Government's NHS Outcomes Framework 2016-17 targets and measures priorities at a high level. This will be further developed and strengthened this year through the quarterly review and planning process and the development of the first year of the IMTP for 2017-18. The Health Board reports on a quarterly basis on delivery against Annual Plan. The most recent is the Quarter 2 report which was scrutinised by the Finance, Planning and Performance Committee in November 2016.
- 46 The Health Board reports against the National Outcomes Measures on a monthly basis through its Monthly Integrated Performance Reports (IPR). The Health Board is currently developing Powys Outcomes Measures to sit alongside the national measures providing trajectories and targets for delivery. The IPR provides a progress update on the implementation of the IMTP but the detailed project management tracking is not visible at board level. Scrutiny of the IPR is provided by Independent Members at the Finance, Planning and Performance Committee. Detailed performance management of the IMTP is undertaken at the Delivery and Performance Group which is a sub group of the Executive Committee.
- 47 Exception reports are produced for any area where performance requires greater explanation and these are considered by the Finance, Planning and Performance Committee. The Committee has expressed concerns about these reports and the Director of Planning and Performance is working to improve the escalation process and what the Health Board can do to resolve any issues highlighted. Some issues may need more resources or more time but this process needs to be clarified.
- 48 Annual reports are produced for each of the condition specific delivery plans and these are taken to the Finance, Planning and Performance Committee for review. However, there have been concerns raised that of the four annual reports for 2015-16 taken so far that they were too technical and difficult to understand and scrutinise effectively if the Executive Director is not available to present it. The Health Board is making changes to these reports to clarify them and align them more closely to the IMTP process and will ensure that the appropriate Executive is present.
- 49 We have also made an assessment on the content of the IMTP progress report to the Board as part of the integrated performance report. This analysis indicates that there is good use of graphics, colour coding to report performance, and trend information to help the reader understand the progress being made in the delivery of the IMTP. It also makes clear who is responsible for resolving issues identified. However, the analysis also highlighted that the more detailed report to the Finance, Planning and Performance Committee could better show:
- an overall summary of progress, including a scorecard or similar;
 - milestones to show progress;

- actual delivery versus planned delivery and also the degree of completeness of a programme of work;
- forecasts to predict the future position with the programme; and
- continuity with previous reports to allow readers to track themes over time.

50 In addition to the above, our survey of Board members drew generally positive responses to the following statements:

- The Health Board has quantified the benefits that it expects the current IMTP to deliver.
- The Board and relevant committees set enough time aside for effective scrutiny of the current IMTP.
- The Board receives appropriate information to support effective scrutiny of IMTP progress.

The Health Board is well placed to develop its longer term Health and Care Strategy

51 The NHS Planning Framework for 2017-20⁵ was issued in October 2016 and contains some new requirements including the need to have a long term strategy and specific IMTP monitoring and reporting requirements, specifically:

- Welsh Government will require quarterly updates on delivery of the IMTP from all organisations.
- NHS bodies must have arrangements to monitor quality and delivery against plan on a monthly basis. As a minimum, there should be:
 - an executive group to oversee plan delivery; and
 - a Board sub-committee or group to scrutinise and challenge progress and performance on a regular basis.
- The Board should receive an overall assessment of progress against the plan in public session at least bi-annually.

52 The Health Board already has arrangements in place that meet the new requirements. As a refresh of an approved plan, the content of the IMTP 2017-2020 will be more robustly developed based on the quarterly performance reviews of delivery of the current plan, annual plan and directorate plans. The arrangements for monitoring and reporting the IMTP described earlier should ensure that the Health Board is well placed to meet the requirements.

53 The 2017-20 planning framework will for the first time, require all organisations to develop long term strategies setting the direction of travel for IMTPs. This should be a separate document to the 2017-20 IMTP, which will demonstrate how the actions to be taken in the three year period help achieve the long-term vision of the organisation set out in the strategy. The Health Board is well placed to develop its longer term strategy as its strategic change programme already has a Health and

⁵ Welsh Government, [NHS Planning Framework 2017/20](#), WHC/2016/044

Care Strategy Development Programme in place drawing on its earlier Strategic Delivery Model programme together with enabling programmes for workforce, technology, business intelligence and estates. The Board has also undertaken development sessions on developing the Health and Care Strategy.

- 54 Our structured assessment work in 2014 and 2015 included recommendations relating to strategic planning. **Exhibit 3** describes the progress made and shows steady progress on formulation and scrutiny of plans but slow progress establishing the Stakeholder Reference Group.

Exhibit 3: progress on 2014 and 2015 strategic planning recommendations

Year	Recommendation	Description of progress
2014	<p>R2 While the Health Board doesn't yet have an approved IMTP it has identified high-level strategic themes and challenges. However, these have not yet been translated into a prioritised delivery plan or programme, making transformation to future models and pathways of care unclear.</p> <p>a) Formulate strategic and operational plans that support the transformation to future models and pathways of care.</p> <p>b) Develop a corporate-level approach for monitoring and scrutiny of delivery of strategic plans and organisational objectives.</p>	<p>Complete</p> <p>The IMTP is approved and an annual plan is in place. Directorate plans are also in place.</p> <p>The delivery of directorate plans is monitored on a quarterly basis. The Finance, Planning and Performance Committee was established to provide regular scrutiny of plans. Formal performance meetings are held with Directorates where the delivery of operational plans is monitored.</p>
2015	<p>R7 In order to secure strong community engagement through robust, independent advice and participation drawn from across the community, the Health Board needs to establish a stakeholder reference group.</p>	<p>On track but not yet complete</p> <p>The Health Board has developed terms of reference for the Stakeholder Reference Group. The membership is being finalised. While it has proven difficult to arrange, it is intended that the first meeting will take place before the end of the financial year.</p>

Overall, the Health Board has made steady progress developing its board assurance framework and strengthening Board and committee effectiveness, although issues with information governance have yet to be resolved

55 The findings underpinning this conclusion are based on our review of the Health Board's approach to mapping assurances and developing its board assurance framework, the effectiveness of the Board and its governance structures and the review of progress in addressing previously identified improvement issues. Our key findings are set out below.

While the process of developing a comprehensive board assurance framework has been prolonged, the board now understands its assurance requirements and further work is in progress to finalise and effectively implement it

56 All health boards and trusts have governance structures and processes in place to seek and provide assurance on the services provided, that risks are being managed and that the organisation is acting in accordance with legal and other requirements. NHS bodies are complex organisations and operate within a dynamic environment. It is, therefore, important that boards keep their governance and assurance arrangements under review and satisfy themselves that the assurances they rely on are proportionate, appropriately targeted and cover the breadth of the organisation's overall risk portfolio.

57 Assurance mapping⁶ is an increasingly used tool for systematically identifying and mapping the assurances needed over key risks to achieving organisational objectives. The mapping process can help organisations to highlight any gaps in their assurances, or unnecessary duplication of assurance processes. Such mapping aids the design of an effective assurance framework, which aligns risks and assurances to the appropriate control systems and scrutiny arrangements.

58 We have examined the Health Board's approach for developing and reviewing its board assurance framework and how this compares to the approaches adopted by other health boards and trusts in Wales. We have also assessed the progress made in addressing previous recommendations relating to the Health Board's board assurance framework. Our key findings are set out below.

59 The Health Board has been endeavouring to produce an effective board assurance framework for some time. The board assurance and risk strategy work is being led by the Board Secretary, who was made permanent during the year. The process has gone through a few iterations since the board assurance system was first issued in December 2014 and a first draft of the board assurance framework was presented to the June 2015 board meeting. In February 2016 the Board agreed to the current approach to develop the assurance framework and the principles that

⁶ HM Treasury, [Assurance Frameworks](#), December 2012

will underpin it, including that the Audit and Assurance Committee is delegated responsibility for the oversight of development and the monitoring of assurance arrangements.

- 60 During this year, the Health Board has been following a clear process to develop the board assurance framework. The Health Board set the 12 strategic objectives and their underpinning activities in the IMTP. The Board Secretary has regularly reported to the Audit and Assurance Committee and the Board on progress during the year. The most recent report went to Board in September 2016. It highlighted that between June and September, a series of development sessions were held to help the Board to identify and understand the risks that may affect the achievement of the 12 strategic objectives, and the Board's role in ensuring appropriate steps are taken to mitigate and manage them.
- 61 Work on developing the corporate risk appetite has been ongoing since November 2015's workshop. The Board approved their risk appetite statement in February 2016 and agreed to put it onto the internet. It is available and states that it will be a living document and shared around the organisation. In September, the Board approved the update and agreed to the risks developed in June to be used to inform the Health Board's corporate risk register and assurance framework. They also agreed the template provided being used to formally document the controls and assurance information.
- 62 In addition to the work on the corporate risk register the Health Board has been developing its risk strategy. The recent Internal Audit review of localities highlighted an issue around the management of risks at service level and the escalation of risks. However, the risk strategy was not available for the November 2016 Board meeting as anticipated. At the moment there is a disconnect between the corporate risk register and directorate risk registers which is being addressed.
- 63 However, despite the activity described above, deadlines have slipped and the Health Board still does not have a fully functioning board assurance framework in place due to the additional work that is being undertaken to ensure that Independent Members are fully engaged in the assurance mapping process. Furthermore, the Chief Executive has recognised that additional resources are needed to support the Corporate Governance Directorate. Additional posts have been approved and recruitment is underway.
- 64 Positively, our survey of Board members found that all respondents agreed or strongly agreed that they have been fully engaged in the development of the board assurance framework and that the Health Board effectively reviews its governance structures and adapts them to focus on the areas that matter most to organisational success. However, respondents were less confident when answering the question 'My organisation effectively identifies the assurances it requires to ensure achievement of strategic objectives'. In this case two-thirds agreed but one third neither agreed nor disagreed. This is a realistic response given the stage at which the Health Board is in developing its board assurance framework.

- 65 The picture that is emerging from our review of the board assurance frameworks is that while Powys does not yet have a board assurance map, there is clearly some thinking already taking place to determine what the threats are to achieving the corporate objectives. More could be done to explain the corporate objectives to make it clearer what the success criteria are, and then this will assist the thinking on the threats and events that may impact on the ability to achieve the objective. Clearly more work needs to be done, but it is promising to note that the assurance framework is starting from the thinking about achievement of corporate objectives. The Health Board also ought to think about how it separates presentation of operational risk through a corporate risk register, and the board assurance mapping process.
- 66 The Chief Executive is keen for the board assurance framework to be completed in time for the January 2017 board meeting. It is expected that the risk strategy, revised Standing Orders, Scheme of Delegation and Standing Financial Instructions will be available at the same time. Once the assurance framework has been approved by the Board, it will be necessary for the Health Board to ensure that the system of assurance is understood and effectively implemented across the organisation. This should be followed by a process of self-assessment and lessons learnt to inform revisions to the assurance framework design.
- 67 In 2014 and 2015 structured assessment work we made the following recommendations relating to board assurance framework development. **Exhibit 4** shows that the Board agreed its risk appetite statement in February 2016 and the development of a robust board assurance framework is on track but not yet complete.

Exhibit 4: progress on 2014 and 2015 board assurance framework recommendations

Year	Recommendation	Description of progress
2014	R4 In 2012, I recommended that the Health Board develops a board assurance framework to help it assess its overall risks and develop and design the required programme of assurances and oversight. The Health Board has not yet finalised such a framework. Finalise and implement a robust board assurance framework.	On track but not yet complete While it has taken a long time, the process of developing a robust board assurance framework has in itself been part of the process of gaining assurance. The Health Board anticipates that the board assurance framework will be complete by early 2017.

Year	Recommendation	Description of progress
2015	R5 To support effective risk management the Health board needs to better understand and state its risk appetite.	Complete The Board agreed its risk appetite statement in February 2016. Board members have attended a series of workshops to help them identify and most importantly understand the risks that may affect the achievement of corporate objectives and the Board's role in ensuring appropriate steps are taken to mitigate/manage them.

The Health Board has undertaken extensive work to strengthen its Board and committee effectiveness, although more can be done to deliver effective counter fraud services and clinical audit

- 68 Our observations of Board and committee meetings have found high levels of scrutiny and challenge with generally good responses from Executives. Board members strongly believe there is a culture of transparency in the Health Board. In response to the statement in our survey 'The organisation has made a concerted effort to ensure openness and honesty of all those involved in providing assurance to board and its committees', all respondents strongly agreed or agreed.
- 69 The Independent Members are working well, providing appropriate challenge and improving chairing of meetings. The Chair is also providing one to one support to members to help with their individual development needs. It is positive to note that succession planning is underway to replace the two members who will be leaving next year. Our survey found a very positive response to the following statement that all respondents agreed or strongly agreed with:
- There is a sufficient number of board members with the skills to effectively scrutinise whether risks are being managed.
- 70 While a formal board development programme is not currently in place, the Health Board has undertaken extensive board development work on a wide range of planning, assurance and information sharing topics. Our survey of board members showed a generally positive response to the statement 'The programme of board development supports board member skills and confidence in effectively handling assurance and scrutinising delivery against objectives', with the majority choosing strongly agree or agree, although there were two who selected neither agree nor disagree. The Board Secretary is developing a more formal Board and committee development programme for 2017 although it will also need to allow time for ad hoc sessions as circumstances change.
- 71 The Health Board has undertaken a programme of work to improve board and committee effectiveness. As reported to the Audit Committee in July 2016, the Board Secretary led on work during the first part of the year to increase the effectiveness of the Board and its committees. All committees were reviewed to

ensure that the Board and its committees have sufficient coverage and that there are no gaps in terms of assurance. The following committees have changed their names and terms of reference:

- Audit and Assurance Committee (formerly Audit Committee);
- Patient Experience, Quality and Safety (formerly Quality and Safety Committee);
- Finance, Planning and Performance Committee (formerly Finance and Performance Committee);
- Information Management, Technology and Governance Committee (formerly the Information Governance Committee);
- Mental Health and Learning Disabilities Committee (formerly Mental Health Assurance Committee);
- Executive Committee (formerly Executive Team) has been set up as a formal committee producing minutes and reporting to the Board. It has three sub-groups:
 - Delivery and Performance Group to ensure appropriate scrutiny and review to a level of depth and detail in respect of Health Board performance.
 - Strategic Planning Group focusing on strategic planning issues.
 - Change Programme Board overseeing all core and enabling programmes of the IMTP.

- 72 A revised board report template has been in place since July 2016. A review of board papers since July shows that all papers and front covers have completed all sections fully which helps the reader to quickly understand the key points.
- 73 The committees' terms of reference have been changed so that there is an agenda item at the end of each meeting to remind members of the items they would like escalated. A review of Board minutes shows that committees are making use of the power to refer key risks and issues/matters of concern to the Board. There were a total of 30 key risks and issues/matters of concern highlighted in five Board meetings between December 2015 and July 2016. For example, the Finance, Planning and Performance Committee in May escalated to the Board their concerns in relation to the adequacy of the arrangements put in place to develop and oversee the implementation and delivery of savings plans.
- 74 The Board receives reports from each committee. The timing of these reports has improved with the rescheduling of board and committees during 2016. All committees and board are generally working well and it is important that papers continue to be issued in time for members to read them ahead of committee meetings. This process could be streamlined if the Health Board moved from paper based to digital board papers.
- 75 The Health Board has improved transparency in public reporting. We undertook a review of the Health Board's website to assess compliance with the Welsh Health

Circular⁷ regarding the publication and accessibility of information. The Circular contains both action which requires compliance and also recommendations for consideration:

- action which requires compliance – the Health Board meets the requirements for all items; and
- recommendation for consideration – of the four items we could not find evidence of two (Flexible visiting times policy and Patient, safety and quality plan).

- 76 The Health Board produced its own report on WHC 2016-033 – Publication of Information on Health Board Website for the Audit and Assurance Committee in November 2016. The Board Secretary wrote to Welsh Government to confirm that the Health Board is fully compliant with the requirement, set out in WHC 2016/033, to publish the required information on our public facing internet website. They reported that information is available on the website for each hospital's visiting times and that the patient safety and quality plan is part of the IMTP.
- 77 Committee papers are now all available on the Health Board's public internet site unless there is a need for them to be kept private. The website is very accessible and it is easy to find committee papers. Transparency has been further improved by 'live blogging' of Board meetings using Twitter and Facebook which enables anyone to remotely link in and follow the key points of the Board meeting. This was used to good effect at the Annual General Meeting in September 2016.
- 78 Further work is underway to revise the Standing Orders, Standing Financial Instructions and Scheme of Delegation. These are expected to go to Board in January 2017.
- 79 The internal control environment has improved considerably during the year although challenges remain in making better use of clinical audit and counter fraud services. Internal audit is taken seriously and the Health Board has invested in additional reviews. The Health Board was disappointed to get an overall Internal Audit opinion rating of 'limited assurance' but it is working hard to address areas of challenge to improve this.
- 80 In 2015's structured assessment we reported that the Health Board has a clinical audit plan to support its improvement agenda. We said that the plan reported to the Quality and Safety Committee in June 2015 provided clear information on progress in delivering the range of local clinical audits and All Wales National Audit and Outcome Reviews. The Clinical Audit Strategy 2013-14 – 2015-16 was approved in 2013. Further work was underway to review and develop this strategy. Whilst not making a formal recommendation we said that clinical audit was not yet playing a full role for quality improvement and its contribution to board assurance was not

⁷ Welsh Government, **Publication of Information on Local Health Board and NHS Trust Websites**, WHC/2016/033. The purpose of this Welsh Health Circular is to require the publication of information on Local Health Board and NHS Trust public facing internet websites and to ensure that published information is easily accessible.

established; in reviewing the clinical audit strategy the Health Board should consider how clinical audit links to strategic risks and objectives.

- 81 While it is recognised that a range of clinical audits have taken place over the last 12-months, more robust coordination of the Health Board's clinical audit programme is needed. The Audit and Assurance Committee received a 'limited assurance' Internal Audit report on clinical audit in November 2016. The report highlights there is a lot of audit activity being undertaken but it needs better co-ordination and reporting with a particular focus on how best to contribute to board assurance through the Audit and Assurance Committee and the Patient Experience, Quality and Safety Committee. As there has been no full time Medical Director for two years, clinical audit is an area that has not had a suitable level of attention. The Chief Executive told the committee that the incoming Medical Director will take this agenda forward.
- 82 In 2015's structured assessment we reported that the Health Board had a much improved counter fraud service with higher visibility of the counter fraud officer resulting in staff confidence to report concerns and an increase in investigative work. We found that counter fraud services continued working well earlier in 2016 but following the retirement of the lead officer the service provided by Hywel Dda University Health Board has reduced, which is of concern. The Chief Executive told the Audit and Assurance Committee in November 2016 that she will review the counter fraud service level agreement and decide if they need to procure the service in a different way.
- 83 The Audit and Assurance Committee has worked well during 2016 with the Chair settling in well to his role. Its terms of reference were reviewed and revised to strengthen the assurance function. The Chair and Independent Members have challenged well and executives have attended and responded positively to reports to support the Health Board's improvement agenda.
- 84 **Exhibit 5** describes the progress made against recommendations relating to Board and committee effectiveness we made in 2014 and 2015. The recommendations to develop a programme of organisational development for operational managers, for Independent Members to improve scrutiny, and to improve the quality of Board and committee papers have been completed. The recommendations to review the changes to Directorate portfolios, clarify responsibilities of Directorates and localities, and the Scheme of Delegation are on track but not yet complete.

Exhibit 5: progress on 2014 and 2015 Board and committee effectiveness recommendations

Year	Recommendation	Description of progress
2015	R2 The Health Board has a small Executive team who carry large portfolios. The challenge is now to ensure there is sufficient resilience, capacity and experience within the Executive team to maintain a sustainable pace of change. It is recommended that an assessment of the resilience, capacity and experience of the Executive team is undertaken to ensure that a sustainable pace of change is maintained.	<p>Complete</p> <p>The Executive team is currently at full strength. Interim appointments of Director of Planning and Performance and Board Secretary were appointed to permanent posts and a new Medical Director and Director of Therapies and Health Sciences have started. There have been some changes in Director of Finance during the year although a new interim appointment has recently been made.</p> <p>The implementation of the changes to Directorate portfolios were reviewed as part of the development of the Operating Framework. The Health Board will revisit this annually to ensure they continue to refresh and strengthen.</p>
2014	R3 While the Health Board has delegated accountability for delivery into its localities, there is a need to design a performance accountability model that mirrors the delegated management approach. The locality model is evolving, but there have been some issues such as the degree to which accountability and processes are centralised or devolved. Clarify the lines of accountability for localities in a documented performance management framework.	<p>On track but not yet complete</p> <p>The Health Board has been undertaking work to clarify responsibilities held by the new Directorates and the localities. A recent Internal Audit of Localities has highlighted the need for further work to clarify the lines of accountability for localities.</p>

Year	Recommendation	Description of progress
2015	<p>R3 The Health Board has undertaken necessary changes to the leadership and management structures for its Localities and Directorates under the Director of Primary and Community Care. However, the balance of responsibilities between the centre and the localities is not yet clear and require further attention. The accountabilities and responsibilities between the centre and the localities need to be clarified, and where appropriate, reflected in the Health Board's scheme of delegations.</p>	<p>Complete</p> <p>During the year the Health Board clarified the reporting arrangements into ten Directorates. Executive portfolios have been realigned and a review of roles and responsibilities of localities commissioned.</p> <p>The operating model was produced to clarify the balance of responsibilities while the organisational development evaluation of the restructuring of 2015 has now reported.</p> <p>The scheme of delegation is being revised with the intention of going to the January 2017 Board for approval.</p>
2015	<p>R4 The Health Board is taking considerable steps to strengthen operational capacity and accountability through investing in leadership development for operational managers and creating an Executive and Management Group. We recommend that the Health Board undertakes further work to support the development of the capacity and capability of operational managers.</p>	<p>Complete</p> <p>The programme of organisational development for operational managers is in place across the Health Board and Powys County Council. The Workforce and Organisational Development Committee received a presentation in June 2016 setting out action taken across Powys developing the Leadership Development Framework including a Leadership Talent Pipeline. Training is being rolled out to interested staff.</p> <p>The realignment of portfolios and the review of roles and responsibilities will inform the development and implementation of an organisational development programme.</p>

Year	Recommendation	Description of progress
2014	R5 Observations at board and committees indicate that Independent Members collectively demonstrate challenge. However, there is variation in the depth of challenge, scrutiny and questioning. Develop a programme of support for Independent Members to improve their ability to scrutinise the Health Board.	Complete The quality of challenge, scrutiny and questioning by Independent Members has improved significantly during 2016. The Board has undertaken a broad programme of development sessions. While it is currently reactive and responsive rather than planned, it will be further formalised over the coming months. The Board Secretary meets with Independent Members regularly and provides feedback and support while the Chair is providing ongoing support on a one-to-one basis for Independent Members.
2014	R6 The Board and its committees can only function effectively if they have appropriate information to allow them to discharge their duties. This year's work indicates that information generally supports effective management and governance but improvements are needed in some areas. Improve committee support by ensuring papers are of good quality, and ensuring papers and minutes are always distributed in an appropriate timeframe.	Complete The Health Board's committees generally work well with improvements over the last year in the quality of papers presented. The timetabling of Committees changed in 2016 to support better reporting to the Board.

Information governance remains a concern although recent changes have strengthened strategy development, leadership and assurance arrangements

85 In 2014 our structured assessment reported that the Information Governance Committee was not yet providing the right level of oversight and assurance to ensure the organisation had effective arrangements to comply with key information legislation. We made a recommendation to strengthen the arrangements of the Information Governance Committee.

86 Our 2015 structured assessment reported that the Health Board had made improvements to its scrutiny of information governance issues. This included a stronger focus on key assurances and managing risks:

- The Information Governance Committee had developed a clearer work programme. This covered areas such as progress reports against the strategy and compliance against national standards.
- The Health Board had updated its Information Governance Strategy and Implementation Plan 2015-18. This set out a clear implementation plan and sought to address any internal/external concerns.

87 However, we also reported that the Committee now needed to ensure that scrutiny focused on the areas of high risk and that traction be gained in addressing persistent issues. There remained some persistent areas where progress was slow:

- reducing the level of Data Protection Act breaches;
- implementing data recovery and business continuity arrangements;
- issues with data quality; and
- low take-up of training on issues such as information handling.

88 In November 2016, Internal Audit issued a 'limited assurance' report to the Audit and Assurance Committee on IT governance and resilience. The review sought to provide the Health Board with assurance that there are sufficient IT governance and resilience arrangements in place to enable the integration of the ICT functions between the Council and Health Board and support the delivery of the Joint ICT Strategy and overarching IMTP. However, concerns were raised, resulting in recommendations regarding: governance; risk management and accountability; recovery and restore procedures; and physical and environmental controls.

89 In order to review progress on our 2014 recommendation, our 2015 findings around information governance concerns, and to take an early view on the Health Board's response to the Internal Audit report, we have undertaken additional fieldwork as part of the 2016 structured assessment. Our conclusions, reported below, reflect our view that information governance remains a concern although recent changes have strengthened strategy development, leadership and assurance arrangements:

- The Health Board now has clear strategies and plans in place for governing information management and technology (IM&T) based on the IMTP's Strategic Objective 7: Secure innovative ICT solutions, built on a stable platform. The Information Management and Technology Programme Board, one of the enablers of the Health Board's overall Change Programme, is responsible for developing the long-term IM&T strategy as well as monitoring delivery of 'business as usual'.
- There are adequate arrangements to report performance and monitor progress in relation to IM&T overseen by the Programme Management Office (PMO). These are linked to the four distinct services for IM&T delivery in the Health Board and the information is collated into reports to the relevant committees on a monthly basis.

- There have been a number of changes of portfolio lead over the past two years for information governance and IM&T. Clearer arrangements are now in place with the Board Secretary responsible for leadership, accountability and governance of information governance. However, responsibility for IM&T moved from the interim Director of Finance to the Director of Transformation but both have now left the organisation. Accountability for the IT strategy and services for the Health Board, including the strategic development of the IT infrastructure and the implementation of major projects, procurement and IT modernisation, need to be clarified.
- Governance arrangements support compliance with legislation and effective data protection. Reporting lines are in place with regular updates provided to the relevant committee, groups and the Board. The Information Management, Technology and Governance Committee (IMTGC) provides scrutiny and review of matters related to information technology, management and information governance, including aspects such as data quality, Freedom of Information and the Caldicott Principles⁸. Its terms of reference were reviewed and revised earlier in this year and were approved by the Board in July 2016. The Committee has a formal work programme in place.
- Observations at IMTGC show that it is now running well, identifying concerns about aspects of information governance across the Health Board. In particular: the need to undertake a complete review of information governance risks; the roll out of the Welsh Community Care Information System (WCCIS); concerns across the Caldicott Guardian portfolio; the level of IT support provided by Powys County Council under the Section 33 agreement; and the level of resources provided to the information governance team to support its efforts to provide champions across the Health Board with tools and support. Further concerns, which warranted escalation to the Board, were in relation to the poor take-up of information governance training and the lack of progress made in relation to the addressing of on-going and long term risk and control issues. One data breach was reported to the Information Commissioner's Office (ICO) and was upheld. There are currently two further Data Protection Act breaches being investigated.
- Delivery of the information governance agenda cannot be carried out by the small central team of staff. The IMTGC was told in October 2016 that the Health Board is revisiting and resetting the remit of the team. The team's responsibilities are now providing expert advice, facilitating and providing training and raising awareness sessions, and monitoring and reviewing

⁸ The Medical Director, as Caldicott Guardian, is responsible for the protection of patient Information and the Senior Information Risk Owner (SIRO) provides an essential role in ensuring that identified information security risks are addressed and incidents properly managed.

compliance. Executives have been asked to identify someone of suitable grade and seniority to lead on the delivery of the information governance agenda within each Directorate.

- The Information Governance Management Group (IGMG) was recently reinstated and its terms of reference and accountabilities are under review. The IGMG is chaired by the Board Secretary and reports to the Executive Team providing them with progress on developing systems and processes, and that the Health Board is discharging its responsibilities on information governance. However, the lines of accountability between the IMTGC and IGMG need to be set out in the IMTGC terms of reference.
- The current IT strategy and operational plans are aligned with the overall corporate objective of joint IT provision with Powys County Council under Section 33 of the Local Government (Miscellaneous Provisions) Act 1982. Delivery is supported by joint working arrangements with Powys County Council under Section 33 with schedules for delivery defined, aiming to provide greater continuity, resilience and skills sharing across the team. Adequate senior management oversight is provided by the Joint Partnership Board, the IGMG and IMTGC. We reported in 2015 that the Powys ICT partnership has improved service resilience and reduced IT risk, and section 33 arrangements provide a good basis for integrated working. However, the IMTGC was told that these joint arrangements have been limited by staff and resources capacity.
- There remain issues with ICT business continuity arrangements. Clinical and business delivery services each have their own business continuity plans but it was unclear who owned the plans and there has been limited testing, however these were tested during 2016 during an emergency planning exercise. The Health Board has provided funds in 2016/17 to address some of the IT business continuity development and delivery is expected early in 2017/18. The Health Board is seeking European and Welsh Government funding to support the joint ICT strategy between the Health Board and Powys County Council, building on successful projects such as Mastermind and Carewell.

90 In 2015 we made the following recommendation relating to information governance which is on track but not yet complete. **Exhibit 6** describes the progress made.

Exhibit 6: progress on 2015 information governance recommendation

Year	Recommendation	Description of progress
2014	R7 The Information Governance Committee is not yet providing the right level of oversight and assurance to ensure the organisation has effective arrangements to comply with key information legislation. Strengthen the arrangements of the Information Governance Committee to ensure effective oversight and assurance for information governance.	On track but not yet complete The Health Board revised the terms of reference this year so that the Information Management, Technology and Governance Committee (IMTGC) incorporates all elements of the technology agenda. A formal work plan is in place. The Information Governance Management Group (IGMG) that underpins the Committee is being strengthened and reviewed. The Committee is more confidently addressing this agenda, providing more effective oversight and assurance although a lot of work remains to address all information governance concerns. The lines of accountability between the IMTGC and IGMG need to be set out in the IMTGC terms of reference.

The Health Board has strengthened its reporting arrangements on the implementation of recommendations. Actions to address the issues and recommendations identified in previous structured assessments are on track but not yet complete

- 91 Our structured assessment work in 2016 has considered the progress made by the Health Board in addressing the 7 recommendations made last year and the 8 recommendations made in 2014. Recommendations relating to financial management, strategic planning, board assurance framework, board and committee effectiveness and information governance have been described in the earlier sections of this report. Overall, 4 of the recommendations from 2015 and 3 from 2014 have been completed. There remain 3 recommendations from 2015 and 5 from 2014 that are on track but not yet complete.
- 92 In addition to reviewing the actions taken to address our 2014 and 2015 structured assessment recommendations, we also considered the effectiveness of the Health Board's arrangements to manage and respond to our audit recommendations. We found that the Health Board has strengthened its reporting arrangements on the implementation of recommendations.
- 93 In September 2015, the Health Board reported to the Audit Committee on effective Internal and External Audit arrangements, responsiveness and compliance as the

Audit Committee had expressed concern at the lack of progress made in relation to the timely implementation of accepted audit recommendations. During 2016, the Audit and Assurance Committee received regular reports on progress addressing all recommendations. Additional reports were presented on areas where progress with long standing recommendations has been slow, for example, capital and estates assurance. In September, the Committee received a report and presentation on those recommendations where the agreed date for implementation has not been met and the recommendation was still outstanding as at 31 July 2016. The Committee stated it preferred this format of the audit recommendations update, and agreed to receive an update report, supplemented by a presentation, every other meeting.

- 94 While an exception report is taken to every other meeting, the Committee has not seen the full recommendations tracker since January 2016. The Health Board has demonstrated to the Committee that it takes the implementation of recommendations seriously although the full tracker needs to be presented at least annually.
- 95 The Health Board has good processes in place to respond to findings from Healthcare Inspectorate Wales inspections through the Patient Experience, Quality and Safety Committee.
- 96 All other recommendations, covering assets and estates are on track but not yet complete and are described in [Exhibit 7](#).

Exhibit 7: progress on all other 2014 and 2015 recommendations

Year	Recommendation	Description of progress
2014	<p>R8 There remain overall weaknesses in the management of assets and estates. Develop a robust estate strategy and ensure key compliance issues are addressed.</p>	<p>On track but not yet complete</p> <p>During 2016 management arrangements within the estates department have been strengthened. The Health Board has continued to address the significant estates compliance issues with funding from Welsh Government. There are currently no active or outstanding internal audit recommendations related to Capital Projects.</p> <p>The Director of Planning and Performance is responsible for capital and estates. As reported to the Finance Planning and Performance Committee, the Health Board recognises that there is a need to progress the Service Strategy work to define the underpinning Estates Strategy to ensure that Welsh Government can be reassured about the short term compliance investment in the estate.</p> <p>The Health Board has made a commitment to Welsh Government to ensure that the capacity and capability of the current resource levels in the Capital and Estates team will support the step change in funding and project activity.</p>

Year	Recommendation	Description of progress
2015	<p>R6 Following structured assessment in 2014, we made a recommendation that the Health Board should develop a robust estate strategy which addresses key compliance concerns. The Health Board's Strategic Outline Programme addresses the compliance works in the short to medium term. Going forward, there is a need to develop a longer term estates strategy to set out how estates and assets will be designed to meet future care pathway model. As recommended in the 2014 structured assessment, the Health Board must develop a longer term estates strategy to set out how estates and assets will be designed to meet future care pathway model.</p>	<p>On track but not yet complete</p> <p>A Capital and Estates Improvement Board has been established to bring greater strategic focus to estates matters. Work is being taken forward to develop the Health and Care Strategy, which will inform the longer term Estates Strategy. A Capital and Estates Strategy is due to be reported to Finance Planning and Performance Committee in March 2017.</p> <p>The Health Board is also taking steps to implement its Primary Care Estates strategy to underpin investment decisions and bids for primary care funding.</p>

Appendix 1

The Health Board's management response to 2016 structured assessment recommendations

The Health Board's management response is set out below. The appendix will form part of the final report to be published on the Wales Audit Office website once the report has been considered by the Board or a relevant board committee.

Exhibit 8: management response

Ref	Recommendation	Intended outcome/benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
R1a	Strengthen current arrangements for financial planning by implementing succession planning arrangements, underpinned by a robust process of skills evaluation and gap analysis of key competencies for those staff that may be required to deputise in periods of absence.	To provide the financial planning function with suitably skilled staff.	Yes	Yes	A new Interim Director of Finance is in post. He is working with the Assistant Director of Finance and Head of Finance to address some immediate succession planning issues. The Interim Director of Finance is also formulating a vision for the delivery of robust financial services across the health board, once finalised related succession and training/development plan will be put in place.	End August 2017	Interim Director of Finance

Ref	Recommendation	Intended outcome/benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
R1b	Strengthen current arrangements for financial planning by reviewing budget approval procedures, ensuring that appropriate approval and formal sign off is achieved at the correct stage of the process.	To ensure budget approval processes are robust.	Yes	Yes	The Budgetary Control policy will be reviewed and the section relating to budget approval procedures will be revised to provide greater clarity in relation to these arrangements.	End April 2017	Interim Director of Finance <i>[delegated to Assistant Director of Finance/ Locality Finance Managers]</i>
R1c	Strengthen current arrangements for financial planning by reviewing the process in place for the development of the savings plans whilst ensuring that the detailed plans support the long term strategy of the Health Board.	To ensure a robust process is in place to develop savings plans that support the Health Board's long term strategy.	Yes	Yes	The Interim Director of Finance is working with the Executive Team to achieve a more robust approach that is owned by senior managers throughout the health board.	End March 2017	Interim Director of Finance

Ref	Recommendation	Intended outcome/benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
R1d	Strengthen current arrangements for financial planning by re-prioritising the budget to align it more closely with the Health Board's long term strategy.	To ensure that the budget is more closely aligned with the Health Board's long term strategy.	Yes	Yes	<p>The process for the development of the health board's Integrated Medium Term Plan (IMTP) for 2017-18 is creating alignment where it can – this will be a continuous programme of work.</p> <p>The health board is currently engaging on the development of a Health and Care Strategy and once this is agreed consideration will be given to the prioritisation of budgets.</p>	End of March 2017 for 2017-18 IMTP	Interim Director of Finance

Ref	Recommendation	Intended outcome/benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
R1e	Strengthening the evidence so that the workforce, financial, estates and ICT implications are robustly considered when developing the delivery plans and providing details for each within the Integrated Medium Term Plan.	To ensure all implications have been considered and documented in delivery plans.	Yes	Yes	Executive Directors have been required to consider the workforce, finance and ICT implications of the actions set out in their directorate plans for 2017-18. The directorate annual plan proforma for 2017-18 includes columns for the setting out of such implications.	Action already taken forward.	Director of Planning and Performance/ Interim Director of Finance

Ref	Recommendation	Intended outcome/benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
R2	Strengthen current arrangements for financial control and stewardship by a) ensuring Standing Orders and Standing Financial Instructions are updated and reviewed periodically and b) reviewing the financial control environment to ensure that appropriate processes in place are being adhered to.	To ensure that arrangements for financial control and stewardship are robust.	Yes	Yes	<p>Standing Orders have been reviewed together with the scheme of delegation – these will go to the Board meeting scheduled for 25 January 2017.</p> <p>A baseline assessment of the financial control environment is being undertaken by the Interim Director of Finance. The outcome of this together with related audit findings will inform a programme of improvement work and spot-checks.</p> <p>The Interim Director of Finance is setting clear expectations for Finance and non-finance staff in relation to the delivery of robust financial control.</p>	<p>End January 2017</p> <p>End June 2017</p> <p>On-going</p>	<p>Board Secretary/ Interim Director of Finance</p> <p>Interim Director of Finance</p> <p>Interim Director of Finance</p>

Ref	Recommendation	Intended outcome/benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
R3	Strengthen current arrangements for financial monitoring and reporting by improving reporting of achievement of the saving plans.	To ensure that arrangements for reporting savings plans are robust.	Yes	Yes	The Interim Director of Finance is currently reviewing and strengthening financial monitoring and the reporting of progress in the relation to the delivery savings plans.	End March 2017	Interim Director of Finance

Ref	Recommendation	Intended outcome/benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
R4	Once the board assurance framework has been approved by the Board, it will be necessary for the Health Board to ensure that the system of assurance is understood and effectively implemented by a) embedding the arrangements across the organisation; b) undertaking a programme of self-assessment; and c) revising the assurance framework based on lessons learned.	To ensure that the board assurance framework is understood and implemented across the organisation.		Yes	<p>The need to ensure that the systems of assurance is fully understood and effectively implemented is recognised and reflected in the Directorate of Governance and Corporate Affairs Annual Plan for 2017-18.</p> <p>Each Directorate will be required to develop and maintain their own assurance frameworks and to facilitate and support this a programme of training, support, spot checks and self-assessment will be rolled-out over the coming months.</p> <p>The Board level Assurance Framework will be considered at each Board meeting.</p>	<p>A programme of training and support will be developed by end April 2017.</p> <p>Directorate level Assurance Frameworks will be in place by end June 2017.</p> <p>A programme of spot checks and self-assessment will be developed and rolled-out from July 2017 onwards.</p> <p>This will start in January 2017.</p>	<p>Board Secretary</p> <p>Board Secretary</p> <p>Board Secretary</p> <p>Board Secretary</p>

Ref	Recommendation	Intended outcome/benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
R5	While it is recognised that a range of clinical audits have taken place over the last 12-months more robust coordination of the Health Board's clinical audit programme is needed. The Health Board needs to develop and implement a strategy for clinical audit to ensure that it plays a full role for quality improvement and its contribution to board assurance is clear.	To ensure the Health Board is making the best use of clinical audit to support quality improvement and board assurance.		Yes	A strategy for clinical audit has been drafted and is currently being consulted upon. The strategy will be finalised and ratified by the end of the financial year.	End March 2017	Nurse Director/ Medical Director
R6	While counter fraud services became well established during 2015 and early 2016, they have subsequently deteriorated. The Health Board should establish robust counter fraud services.	To ensure the Health Board has a counter fraud service that can investigate and reduce the risk of fraud.		Yes	The Interim Director of Finance is exploring opportunities for the provision of strengthened Counter Fraud arrangements with another health board. It is anticipated that these arrangements will be in place in readiness for the new financial year.	End March 2017	Interim Director of Finance

Ref	Recommendation	Intended outcome/benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
R7	While an exception report on progress against audit recommendations is taken to every other Audit and Assurance Committee, the Committee should review the full recommendations tracker at least annually.	To ensure that the Committee understands what progress has been achieved for all recommendations.			The full recommendations tracker will be submitted to the Audit and Assurance Committee at the end of each financial year. The first report of this type will go to the Audit and Assurance Committee meeting scheduled for 14 March 2017.	March 2017	Board Secretary

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