

ABMU ACCOUNTABILITY REPORT 2016/17

This Accountability Report includes a number of key documents, namely:

- A Corporate Governance Report. This sets out the composition and organisation of ABMU's governance structures and how these support the achievement of the entity's objectives. This detail is contained within our AGS attached at **Annex 'A'**
- A Directors' Report and a Statement of Accounting Officer's Responsibilities attached at **Annex 'B'**
- A Remuneration and Staff Report attached at **Annex 'C'**
- A Parliamentary Accountability and Audit Report attached at **Annex 'D'**.



Annual Governance Statement – 2016/17

1. Introduction

This Annual Governance Statement covers a period of challenge for the Abertawe Bro Morgannwg ('the Health Board'). In September 2016 the Health Board was escalated to "targeted intervention" status by Welsh Government under the NHS Wales Escalation Framework arrangements.

The Board recognised that there are a number of important areas of performance where significant improvement is required; particularly: unscheduled care particularly at Morriston Hospital, cancer, referral to treatment times, infection control and the financial position. The Board regrettably accepted that in absolute terms these performance areas are grounds for escalation.

The Board immediately put in place a de-escalation taskforce to respond to this enhanced scrutiny and expectation. It has further expanded this to become a major change programme to embed sustainable services within the health board. To support this, a Recovery and Sustainability Director has been appointed to:

- secure efficiency
- reduce variation
- identify cost improvements,
- identify service change proposals and
- increase financial discipline throughout the organisation

In 2016/17 the Health Board breached its statutory duty by not securing approval from Welsh Ministers of its Integrated Medium Term Plan (IMTP) for the period 2016/17 – 2018/19. The Health Board was also unable to deliver financial balance by the end of March 2017 and therefore breached the statutory duty to achieve financial balance over a three-year period ending 31st March 2017.

2. Scope of Responsibility

The Board is accountable for Governance, Risk Management and Internal Control. As Accountable Officer and Interim Chief Executive of the Board, I have responsibility for maintaining appropriate governance structures and procedures as well as a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives, whilst safeguarding the public funds and the organisation's assets for which I am personally responsible. These are carried

out in accordance with the responsibilities assigned by the Accountable Officer of NHS Wales.

In discharging this responsibility I, together with the Board, am responsible for putting in place arrangements for the effective governance of the Health Board, facilitating the effective implementation of the functions of the Board and the management of risk.

During 2016/17 the Health Board had two different Accountable Officers in post. Paul Roberts was Accountable Officer until 29th January 2017 following which I was then appointed as Accountable Officer with effect from 30th January 2017.

ABMU health Board was formed on 1st October 2009 and serves a population of approximately 500,000 people. In 2016/17 it had a budget of £1.3 billion employing just over 16,000 staff, 70% of who are involved in direct patient care.

A core element of the health board's strategic focus is our *Values and Behaviour Framework*. Our values are:

- **Caring for each other** – *in every human contact in all of our communities and each of our hospitals.*
- **Working together** – *as patients, families, carers, staff and communities so that we always put patients first*
- **Always improving** – *so that we are at our best for every patient and for each other.*

The Board also has a clear purpose from which its strategic aims and priorities have been developed to fulfil our civic responsibilities by improving the health of our communities, reducing health inequalities and delivering prudent healthcare in which patients and users feel cared for, safe and confident.

The Board has the following six strategic aims:

- Excellent Patient Outcomes;
- Healthier Communities
- Fully Engaged & Skilled Workforce
- Sustainable & Accessible Services;
- Strong Partnerships; and
- Effective Governance

For 2017/18 these have been reviewed and amended to five corporate objectives, aligned to our Annual Plan priorities:

- Promoting and Enabling Healthier Communities
- Delivering Excellent Population Outcomes
- Demonstrating Value and Sustainability
- Securing a Fully Engaged and Skilled Workforce
- Providing Effective Governance and Partnerships

We recognise that successful delivery of these is underpinned by the modernisation and redesign of services. This in turn requires us to engage with patients, carers and families to ensure that any proposals reflect the needs of all individuals who either use or engage with our services. In 2016/17 we continued to build on our engagement activities to incorporate these critical views in our plans. Examples of how we did this will be set out in our performance report due to be published on our website www.abm.wales.nhs.uk in July 2017.

3. The Health Board's Governance/Assurance Framework

The Health Board has been constituted to comply with the Local Health Board (Constitution, Membership and Procedures) (Wales) Regulations 2009 and comprises the Chair, Vice Chair, Chief Executive, nine Independent Members and seven Executive Directors. There are also three Associate Members.

Our governance structure operates within the Welsh Government's *Governance e-manual & Citizen Centred Governance Principles* in that the seven principles together with their key objectives provide the regulatory framework for ABMU's business conduct and define its 'ways of working'. These arrangements support the principles included in Her Majesty's Treasury's *Corporate Governance in Central Government Departments: Code of Good Practice 2011*.

The Board functions as a corporate decision-making body with executive directors and independent members (also known as non-officer members) being equal members sharing corporate responsibility by the Board. Details of Board members is set out in **Appendix 1**.

During 2016/17 there were a number of changes were put into place within Executive Team in terms of interim appointments to ensure continuity of governance. These changes related to the Director of Finance (DoF) and the Director of Therapies and Health Science (DoTHS) both of which have since been resolved by new appointments. The Director of Public Health retired at the end of March 2017 and a new appointment has also made in this respect.

ABMU's Chief Executive left in March 2017 resulting in the former Chief Operating Officer becoming Interim Chief Executive. Finally it was also necessary to address a need for long-term sickness absence cover for the Director of Human Resources.

The Board is supported by the Director of Corporate Governance/Board Secretary who provides advice on Corporate Governance.

The principal role of the Board is to exercise effective leadership, direction and control which includes setting the overall strategic direction for the organisation (within Welsh Government policies and priorities) and establishing and maintaining high levels of corporate governance and accountability including risk management and internal control. It is also there to:

- Ensure delivery of aims and objectives through effective challenge and scrutiny of performance across all areas of responsibility.

- Ensure delivery of high quality and safe patient care.
- Build capacity and capability within the workforce to build on the values of the Health Board and creating a strong culture of learning and development.
- Enact effective financial stewardship by ensuring the Health Board is administered prudently and economically with resources applied appropriately and efficiently.
- Instigate effective communication between Health Board and its community to ensure its services are planned and responsive to identified needs.
- Appoint, appraise and oversee arrangements for the remunerating executives.

The Board has approved Standing Orders for the regulation of proceedings and business which translates the statutory requirements set out in the Local Health Board (Constitution, Membership and Procedures) (Wales) Regulations 2009 into day to day operating practice. Together with the adoption of a scheme of matters reserved for the Board, a detailed scheme of delegation to officers and an earned autonomy framework and Standing Financial Instructions, they provide the regulatory framework for the business conduct of the Health Board and define “its ways of working”. The Standing Orders and Standing Financial Instructions are regularly reviewed and updated, with any changes being approved by the Board. These documents are supported by a suite of corporate policies and, together with the Values and Standards of Behaviour Framework and Board Assurance arrangements, form the Health Board’s Governance Framework.

4. The Board and its Committees

The Board provides leadership and direction to the organisation and has a key role in ensuring that the organisation has sound governance arrangements in place. It also ensures that we have an open culture and high standards in the ways in which its work is conducted. Board members share corporate responsibility for all decisions and play a key role in monitoring the performance of the organisation. Each Board meeting begins with a patient story which sets out an individual’s personal experience of the service. Such feedback is invaluable and is used to learn lessons, further improve services and is channelled into the future planning of services.

The Board generally meets on alternate months in public and comprises individuals from a range of backgrounds, disciplines and areas of expertise. Details of those who sits on the Board is published on our [website](http://www.abm.wales.nhs.uk) at: www.abm.wales.nhs.uk.

Details of when the Board met during 2016/17 and its Board members are set out in **Appendix 1** along with the level of attendance at such meetings. All Board and Board Committee meetings held in 2016/17 were quorate and the details of these are also included at **Appendix 1**.

Whilst there are also usually three associate members who sit on the Board, during 2016/17, ABMU operated with two. This was due to the third associate member (who is also the Chair of the Health Professionals Forum) completing their term of office. Arrangements are in place to seek a replacement during the 2017/18.

The Board has the following committees:

- Audit Committee
- Quality & Safety Committee
- Workforce & Organisational Development Committee
- Remuneration & Terms of Service Committee
- Strategy Planning & Commissioning Group (this changed from a board committee during 2016/17 to recognise it as a time-limited task and finish group)
- Charitable Funds Committee
- Mental Health and Capacity Act Legislative Committee
- Pharmaceutical Applications Committee.

Until March 2016 we operated a Performance Committee which was stood down due to a need for the Board to focus on issues of performance. We plan to establish a Performance and Finance Committee in the first quarter in 2017/18 to provide additional focus on key performance issues. We also operated a Strategy, Planning & Commissioning Committee for part of 2016/17 when a decision was taken to change its terms of reference to a 'group' given it acted as a forward thinking forum rather than a committee providing assurance to the Board. Whilst no longer having the status of a Board committee, the group continues to report key issues it considers to the Board.

Dates when Board committees met, their membership and attendance levels are set out at **Appendix 1** These committees and sub committees were in addition to the Health Board's three Advisory Groups (details of which are set out on page 9-10) and three joint committees, as illustrated overleaf.

There are also a range of other boards and groups that report to the Board such as the Recovery & Sustainability Programme Board, the Welsh Language Strategy Group, and the ARCH (A Regional Collaboration for Health) Programme Board.

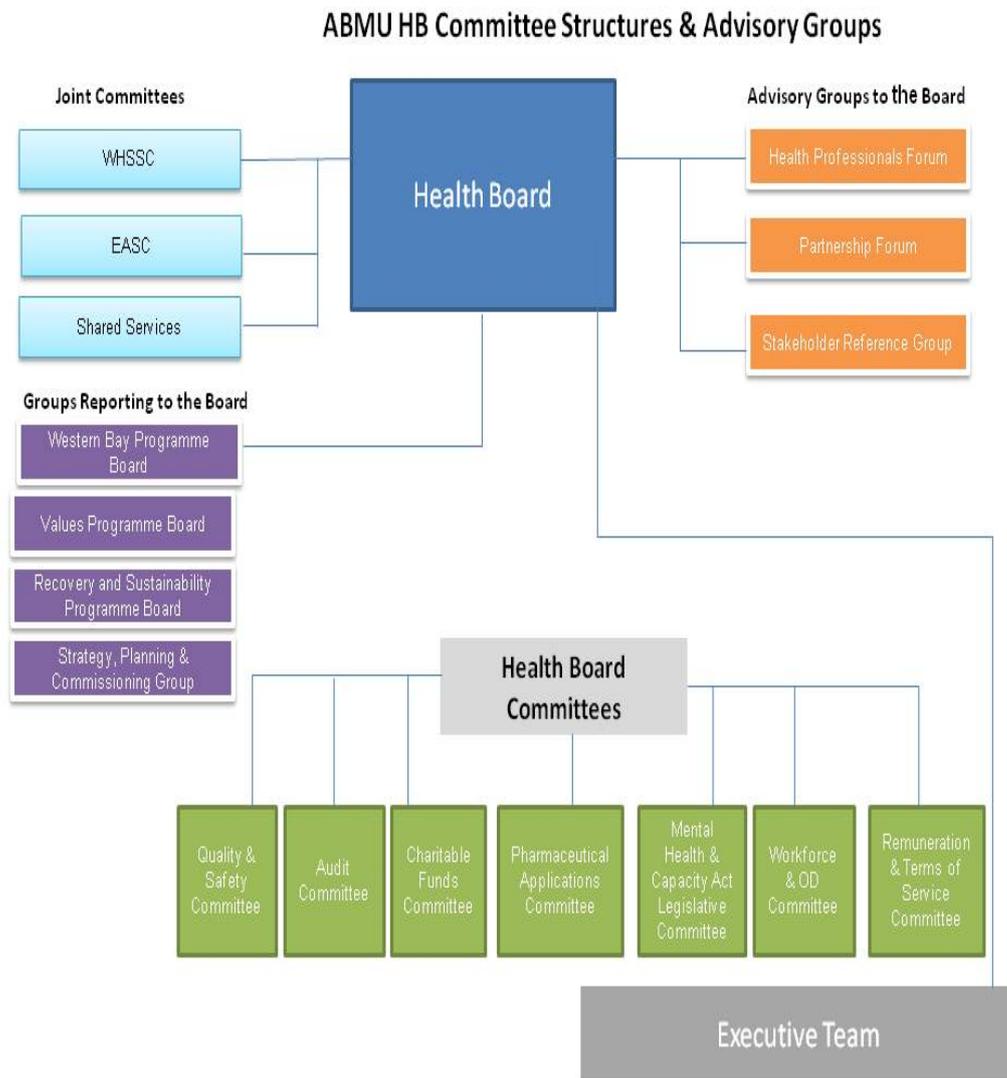
Board committees are chaired by independent board members (also known as non-officer members) and have key roles in relation to the system of governance and assurance, decision making, scrutiny, development discussions, an assessment of current risks and performance monitoring.

The Audit Committee is the committee which supports the Board in obtaining assurance that the governance and risk management frameworks are effective.

Committees provide regular reports to the Board to contribute to its assessment of assurance and to provide scrutiny on the delivery of objectives.

The Chairs Advisory Group, consisting of the Board Chairman and the chairs of Board committees meets on a bi-monthly basis to support the connection between the business of key committees and also to seek to integrate assurance reporting. In particular, this group has received regular reports around the review of Board committee structures undertaken during the year. The chair of each committee submits a report to each Board meeting held in public (once every two months).

Each committee also produces an annual report for submission to the health Board. These are generally received in the spring/summer in respect of the previous financial year.



Key: WHSCC – Welsh Health Specialist Services Committee / EASC – Emergency Ambulance Services Committee

Board members are also involved in a range of other activities on behalf of the Board, such as development sessions (at least six a year), service visits and a range of other internal and external meetings. The Board also meets in public in June each year (to formally approve its annual accounts following detailed consideration by the Audit Committee) and July (to approve its annual report, the annual report of the Director of Public Health and the Annual Quality Statement). All these documents are available via www.abm.wales.nhs.uk.

The Audit Committee supports the Board by critically reviewing governance and assurance processes on which the Board places reliance. It undertakes these duties by providing advice and assurance to the Board on the effectiveness of arrangements in place around strategic governance, assurance framework and processes for risk management and internal control. The Committee independently monitors, reviews and reports to the Board on the processes of governance and where appropriate, facilitates and supports the attainment of effective processes. In discharging its duties, the Audit Committee, working to an agreed annual work programme, reviewed the assurance and prepared an Annual Report highlighting the following areas:

- Internal financial control matters, such as safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information;
- Adequacy of disclosure statements which are supported by the Head of Internal Audit Opinion and other opinions;
- The adequacy of relevant policies, legality issues and the Codes of Conduct, underpinned by review of the health Board 's Hospitality Register and Single Tender Actions summary;
- The policies and procedures related to fraud and corruption, together with information on particular cases and outcomes;
- That the system for risk management is robust in identifying and mitigating risks, providing assurance to the Board that the risks impacting on the delivery of the Board's objectives are being appropriately managed;
- Assurances as to governance arrangements for the operation of any 'hosted' agencies such as the Emergency Medicine Retrieval and Transportation Service (EMRTS)*.

*EMRTS Cymru is an all Wales pre-hospital emergency medical service run as a partnership between NHS Wales and the Welsh Air Ambulance Charity. ABMU acts as the host for this service which is commissioned by the Emergency Ambulance Service Committee (EASC) on behalf of all Health Boards in Wales. The National Director provides a regular governance and activity report to the Medical Director and ABMU's Chief Executive and also to the Commissioner (Chief Ambulance Service Commissioner) at EASC. This report is considered at ABMU's Hosted Agencies Committee and at the Delivery Assurance Group (EASC) which has representation from all Health Boards. The Medical Director also shares the regular reports with all other Medical Directors in Wales and the service has presented to the all-Wales Medical Directors Group. Welsh Government commissioned an external evaluation of EMRTS Cymru and this reported favourably about the delivery of the key objectives. An external review of the governance processes was also commissioned by ABMU which confirmed that the clinical governance arrangements were of very high quality and were working well.

In providing the above assurance to the Board, the Audit Committee has specifically:

- Approved risk-based Internal Audit plans and considered the opinions given on reports with Executive/Assistant Directors held to account where appropriate;
- Considered the Head of Internal Audit Opinion for 2016/17 on the overall adequacy and effectiveness of the organisation’s risk management, control and governance processes;
- Discussed and approved for recommendation to the Board, ABMU’s audited financial statements and Auditor General’s Opinion;
- Reviewed and approved the ABMU’s Governance Framework, including Standing Orders, Standing Financial Instructions and Scheme of Delegation and the System of Assurance set out in **Appendix 2**.

A list of key issues considered by the Board, the Audit Committee and Quality & Safety Committee during 2016/17 is set out in **Appendix 3**. At each meeting, the Board receives a key issues summary report from each of its committees and or advisory groups which have met since the previous meeting. These set out details of key topics considered and any decisions made. Reports on specific topics received by the Board during the course of the past 12 months and the relevant minutes indicating the resultant action are available at www.abm.wales.nhs.uk.

Three advisory groups support the Board. These are:

- **Stakeholder Reference Group (SRG)**

The SRG provides a forum to facilitate full engagement and active debate. Its membership includes representatives from specific groups of the community, such as children and young people, sexual orientation, older people, ethnic minorities etc. Members also include statutory bodies such as Police, Fire and Rescue, Environment Agency, etc. This group therefore has excellent links to the wider general public and each representative’s role is to highlight the issues raised by their particular groups. The Chair of the SRG is an associate Board member.

- **Health Professionals Forum (HPF)**

The HPF’s role is to provide a balanced, multidisciplinary professional advice to the Board on local strategy and delivery. The HPF has responsibility for facilitating engagement and debate amongst the wide range of clinical interests within the ABMU’s area of activity. The Chair of the HPF is an associate member of the Board.

- **Local Partnership Forum (LPF)**

The LPF’s role is to provide a formal mechanism whereby AMBU, as the employer, and trade unions/professional bodies representing employees work together to improve health services. Key stakeholders engage with each other to inform debate and seek to agree local priorities on workforce and health service issues. The chairmanship of the LPF is alternated between management and staff side.

The Board has two other all-Wales ‘joint committees’ as follows, the outputs from which are reported to the Board:

– **Welsh Health Specialised Services Joint Committee (WHSSC)**

The Chief Executive is the designated representative for ABMU and attended four of six meetings during 2016/17.

– **The Emergency Ambulance Services Joint Committee**

ABMU is also represented by the Chief Executive who attended four of six meetings during 2016/17.

The Board is also represented on the all-Wales Shared Services Partnership Committee. The Director of Finance is the ABMU representative and during 2016/17 he nominated a deputy to attend four of five meetings.

The Health Board works in partnership with a number of organisations including:

- Local Authorities, mainly through Western Bay
- Swansea University, through the Collaboration Board
- A Regional Collaboration for Health (ARCH)
- The NHS Collaborative and Acute Care Alliances

Some of these arrangements are still developing and some will change as a result of the Health, Social Care and Well-Being Act and Future Generations Act. Areas of partnership working are reported directly to the Board.

5. Health Board's Structure

In order to ensure that the values and behaviours drive a caring, supportive and ambitious culture within the organisation, the Board changed our operational management arrangements in 2015 and establish six delivery units. Each delivery unit is lead by a core 'triumvirate' which consists of the Service Director, Unit Medical Director and Unit Nurse Director. They are as follows:

- Neath Port Talbot Hospital
- Mental Health & Learning Disability Services
- Morriston Hospital
- Princess of Wales Hospital
- Singleton Hospital
- Primary Care and Community Services

6. The Purpose of the System of Internal Control

Our systems of internal control are designed to manage risk to a reasonable level rather than to eliminate all risks; it can therefore only provide reasonable and not absolute assurances of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place for the year ended 31st March 2017 and, up to the date of approval of the annual report and accounts.

We have continued to develop and embed our approach to risk management over the last year to ensure risk systems continue to be streamlined and inter-connected. The understanding of risks actively informs the Board's key priorities and actions and its overall approach to risk governance. We see active and integrated risk management as key elements of all aspects of our functions and responsibilities especially in order to support the successful delivery of our business. This assists in ensuring high quality and safe health care is provided to local people, that we contribute to improving the health and well being of our population and that a safe and supportive working environment is provided for our staff.

The Chief Executive has overall responsibility for the management of risk. The executive lead for risk management is the Director of Nursing & Patient Experience who has delegated responsibility for ensuring that arrangements are in place to effectively assess and manage risks across the organisation, including maintaining and co-ordinating a ['Corporate Risk Register'](#) and the corporate reporting of risks.

During 2016/17, the Director of Nursing & Patient Experience led on the review of ABMU's Risk Strategy which was approved by the Board at its meeting in March 2016. The Risk Management Policy was approved in September 2016 which reflects the revised operational management arrangements. A risk management workshop was held for the Executive Directors in November 2016 and a further workshop is planned for Non Officer Members and delivery unit management teams in 2017/18 at which point the Risk Management Strategy and Policy will be reviewed and updated.

We are committed to ensuring staff throughout the organisation are trained and equipped to appropriately assess, manage escalate and report risks and further work continues to embed good risk management throughout the organisation. This work is being informed by best practice examples and through advice from the Internal Auditors, the Wales Audit Office and the Welsh Government's Delivery Unit.

The delivery of healthcare services carries inherent risk and our risk profile is continually changing. The key risks that emerge which can impact upon our achievement of objectives is documented within ABMU's ['Corporate Risk Register'](#). This was most recently received by the Board as part of its Annual Plan at its meeting in March 2017 and is updated quarterly. Risk Registers are used to identify and manage significant risks within an organisation. In addition internal and external reports/reviews are used to inform the framework and register in terms of new risks or amendments to existing risks.

In acknowledging that effective risk management is integral to the successful delivery of its services, we have systems and processes in place which identifies and assesses risks, decides on appropriate responses and then provides assurance that the responses are effectual. The implications of risks taken by management in pursuit of improved outcomes in addition to the potential impact of risk-taking on and by its local communities, partner organisations and other stakeholders, is understood by the Board.

The overall assurance arrangements are set out in the Systems of Assurance, regularly reviewed by the Audit Committee most recently in March 2016. The document is kept under regular review to ensure it reflects any changed arrangements as a result of the operational management restructuring. During 2016/17 serious risks have been identified from the register and in March 2017 contained risks linked to the ABMU's objectives (aims and priorities) and included within ABMU's Annual Plan for 2017/18.

Achieving financial balance has been a high risk for the organisation and remains high at the end of 2016/17. Subject to audit, the draft end-of-year financial position shows a £39.317m overspend against a £20.1m deficit forecast in the 2016/17 financial plan. This includes a £5.1m penalty for not achieving 'referral to treatment targets'. The reported position is £4.717m above the previously forecast position of £34.6m.

The risk of financial balance at the start of 2017/18 remains a high risk and is a priority for the organisation to reduce the level of risk. The financial risk plans in place to mitigate the risk is reported to each Audit Committee meeting and also to each Board meeting. Actions being taken to manage the risk include:

- Monitoring and reporting financial performance;
- Regular financial performance meetings between service delivery units management teams, the Chief Executive and Director of Finance;
- Appointment of a Recovery and Sustainability Director and the engagement of external consultants to support the identification of savings opportunities;
- Establishment of a Recovery and Sustainability Board chaired by the Chairman to support the delivery of service efficiency improvements.

At the end of March 2017 there were a number of high risks set out in the risk register the main issues are highlighted below:

- **Unscheduled Care Tier 1 target (Risk Ref 1) linked to Health Board Objectives Excellent Patient Outcomes & Experience and Sustainable & Accessible Services – Risk level 20**

The performance and improvement actions identified are reported to each Board meeting together with actions and issues. A summary of the actions taken include:

- Delivery units utilise surge capacity as required on a targeted basis as part of our winter capacity plans;
- There is an ongoing and increased focus on implementation of patient flow bundles which help decrease the number of days patients need to remain in hospital;
- Increased capacity and space for ambulatory emergency care has been put into place at both the Princess of Wales and Morriston hospitals from January 2017;
- Following a review of emergency care at Morriston Hospital we have implemented their recommendations to help make systems more efficient and effective;

- There has been a focus on managing clinical variation and standardisation operational protocols, and further work to maximise the benefit of ambulatory emergency pathways.

– **Workforce planning and ensuring appropriate levels of skilled staff are in place within the Health Board (Risk Ref 3) linked to the Health Boards objective Sustainable & Accessible Services – Risk level 20**

The controls in place and actions being taken to decrease the risk are provided within the entry on the Corporate Risk Register for the risk identified. The risk was 16 in 2015/16, although has increased to 20 during the current financial year. The Board has a series of controls in place to manage and mitigate these risks which are documented within the register.

Key actions include:

- ABMU's Workforce and Organisational Development (OD) Committee meets on a bi-monthly basis to provide assurance on workforce and OD issues including staffing levels and recruitment;
- The redesign of services and clinical roles that take account of recruitment difficulties in key specialties;
- Both overseas recruitment and various medical training initiatives have been pursued to help address junior doctor recruitment and the Medical Workforce Board continues to monitor recruitment and junior doctors rotas;
- A number of nurse and health care assistant recruitment days have been held along with a focus on both European and international recruitment;
- Nurse commissioning numbers have been increased;
- Work is underway to improve retention of nurses with exit interviews being offered and enhanced preceptorship.

In addition to the three key risks set out above, the following issues were also considered a significant concern during 2016/17:

- Infection Prevention and Control (risk level 16);
- Access to Services (risk level 16);
- Clinical Information Systems (risk level 16).
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It is recognised that additional work in these areas is required to reduce the risk further and detailed action plans are in place to support this work. The risks and controls in place and planned actions are set out in the '[Corporate Risk Register](#)'.

In enacting the risk appetite of the organisation, the Board has given consideration to its principle objectives, both strategic and operational, and identified the principal risks that may threaten the achievement of those objectives. In doing so, the Board is aware that the process involves managing potential principal risks and not merely being reactive in the event of any risk exposure. It acknowledges that the modernisation of delivery of healthcare services cannot be achieved without risks being taken, the subsequent consequences of taking those risks and mitigating actions to manage any such risks.

The risk management arrangements enable the principal risks to be identified whilst also ensuring that these risks are not considered in isolation as they are derived from the prioritisation of all risks flowing through the organisation. Effective risk management is integral in enabling us to achieve our objectives, both strategic and operational in delivering safe, high quality services and patient care.

We manage risk within a framework that devolves responsibility and accountability throughout the organisation. Each executive director is responsible for managing risk within their area of responsibility and they ensure that:

- there are clear responsibilities for clinical, corporate and operational governance and risk management
- staff are appropriately trained in risk assessment and manage
- there are mechanisms in place for identifying and managing significant risks through regular, timely and accurate reports to the executive team, relevant Board committees and the Board itself.
- there are mechanisms in place to learn lessons from any incidents or untoward occurrences and that corrective action is taken where required.
- details of the key risks within their area of responsibility are reported to the Board .
- there is compliance with ABMU policies, legislation and regulations and professional standards for their functions.

Executive directors consider, evaluate and address risk and actively engage with and report such matters to the Board and its committees. They are supported in these duties by assistant directors, delivery unit triumvirate. Together, they ensure that robust systems are in place for risk management. In addition, the Director of Nursing & Patient Experience has specific responsibility for progressing compliance with the Health & Care Standards framework as specific strategic responsibility for key areas of patient safety. The Director of Finance also has specific responsibility for financial risk management and for providing regular, timely and accurate financial reporting to the Board in-line with requirements and professional standards.

Service delivery unit directors are responsible for the management of risk within their Units and must ensure that they have effective arrangements to carry this out. Any risks outside their control are communicated to the Chief Operating Officer. Professional issues are relayed to the relevant executive lead e.g. Medical Director and Director of Nursing & Patient Experience.

Transitional arrangements have ensured business continuity during the transition to new management structures and the establishment of revised governance arrangements within the six delivery units in 2016/17. These are supported by legacy statements from the previous directorate/locality structures so that key issues and risks are managed. Units have also undertaken a self-assessment against the *Health and Care Standards* and have attended the ABMU Health and Care Scrutiny Panel to discuss performance. Finally, each unit has attended an end-of-year Performance Review with the Executive Team to discuss performance and governance arrangements. Each unit is developing structures to ensure the

appropriate management of risk which has been confirmed within their mid-year and end-of-year performance reviews.

There are two levels of risk management training available within ABMU - Level 1; and Level 2. Level 1 risk management training is available to all grades of staff and is part of mandatory/statutory training. It provides an overview of risk management as well as how to complete a risk assessment and highlights the importance of identifying mitigating actions to reduce and manage those risks. Level 2 risk management training is aimed at enabling managers to identify and take mitigating action to reduce risks where risks cannot be eliminated.

A three-year training programme, delivering level 2 training, commenced in May 2016, to conclude in April 2019 which follows on from the previous three year training programme which achieved 94% of the target of staff identified as requiring training being met.

The Board recognises that there is risk associated with every decision it takes and within any proposed change in service. Therefore the Board is keen to engage and consult with staff, the public and stakeholders to identify areas of concern and solutions. Working with partner organisations is critical to successful integrated working and delivering services with partners can bring significant benefits and innovation. It is recognised that working in this way can also lead to risks around failing to align agendas and ineffective communication.

Examples of how we engaged with the public in terms risk areas are as follows:

- Changing for the Better – considerable engagement recognised by Welsh Government as good practice;
- Patient Surveys;*
- Engagement on service delivery;
- The Internet;
- Information Screens;
- Care Pathways;
- Concerns (Service Experience)

*these included 'iwantgreatcare' and the use of the SNAP 11 which enable us to gather feedback from patients about their impression of the care and treatment they received.

7. Quality Governance Arrangements

Our Quality Strategy gives a clear direction to everyone who works for, or on behalf of, ABMU and emphasises the importance we place on quality and the experiences of our patients. It sets out a vision of what we can, and will achieve through a focus on delivering high quality services by addressing those matters that will contribute to the achievement of the following strategic objectives:

Quality Objective 1: To plan and deliver our services with the people living in the communities we serve, so that they are person centred, caring and responsive to need;

Quality Objective 2: To deliver excellent, effective and efficient services based on evidence and standards;

Quality Objective 3: To make sure that everything we do is as safe as possible; and

Quality Objective 4: To organise the Health Board for excellence and continuous improvement.

Progress in terms of the strategy is reported to the Quality & Safety Committee. In 2015/16 the following priorities were identified:

- Improving the way we collect and use Patient Reported Experience Measures (PREMs) and Patient Reported Outcome Measures (PROMs).
- Further developing our stroke services by reconfiguring the patient pathway.
- Improving the way we identify and manage a patient whose condition deteriorates by spreading across all hospitals and wards the 'spotting the sick patient' initiative.
- Improving end of life care by implementing the new all-Wales Do Not Attempt Cardiopulmonary Resuscitation (DNACPR).
- Reducing medication errors by implementing electronic prescribing and administration (EMPA).
- Spreading the 'Big Fight' campaign – Targeting *clostridium Difficile* infection and antibiotic resistance in primary care.

In 2016/17, an additional three priorities were agreed:

- The prevention of patient falls;
- Tissue viability and the prevention of pressure ulcers;
- Transfer of care with a focus on the completion of timely discharge summaries.

Our Quality & Safety Committee met six times during 2016/17. Its main responsibilities are to provide:

- evidence based and timely advice to the Board to assist it in discharging its functions and meeting its responsibilities with regard to the quality and safety of healthcare; and
- assurance to the Board in relation to the arrangements for safeguarding and improving the quality and safety of patient centred healthcare in accordance with its stated objectives and the requirements and standards determined for the NHS in Wales.
- Reports submitted to the committee are available at the following link:
<http://www.wales.nhs.uk/sitesplus/863/page/75780>.

The committee is supported by the Health and Care Standards Scrutiny Panel and provides evidence based and timely advice to the Board to assist it in discharging its functions and meeting its responsibilities with regard to the quality and safety of

healthcare. Internal audit reports on quality & safety issues are received by the committee on a regular basis which include actions to address findings. These are in turn reported to the Board as part of the key issues report this committee submits following each of its meetings.

A summary of key reports titles considered by the committee during 2016/17 is set out in **Appendix 3**. These are received from a broad range of specialist groups such as the *Infection Control Committee*, *Decontamination Committee* and *Medical Exposure Committee*. Each meeting begins with a patient story and presentation on governance and performance management arrangements from a service delivery unit team.

Key items regularly reported to the committee include:

i. Performance Reports

In terms of quality and safety this is triangulated through a Quality & Safety Dashboard which is presented to the committee at each meeting. It contains a number of key measures such as:

- never events
- medicines management, nutrition, hydration, continence
- discharge summaries
- National Early Warning System (NEWS) reporting

ii. Assurance Mechanisms

Ward to Board assurance is a key requirement and our service delivery units are developing frameworks that will complement an approach that is being considered on an All-Wales level. An example of this is the *First Friday* initiative at Morriston Hospital where the senior team work alongside clinicians on the first Friday of every month undertaking audit and gaining patient and staff feedback using bespoke methodology that is linked to the Health and Care Standards. In addition to this, a programme of peer review spot-checks have been carried out both inside and outside normal working hours.

We have systems in place which facilitate non officer members and executive directors to make unplanned visits to service areas as part of our 15 Step Challenge Programme. The methodology considers aspects of the clinical care environment to confirm if it was welcoming, safe, staff were caring, well organised and calm. The findings of such reviews are recorded and any required action is taken forward locally and overseen by the respective management team.

The committee also values the reports produced as a result of Internal Audit Reviews which help to ensure that we continue to make improvements in our systems and practices.

Various inspections from external agencies including Health Inspectorate Wales (HIW) and the ABM Community Health Council (CHC) also take place

iii) Patient Experience

Such feedback is a key part of the delivery of quality services and ABMU has achieved a great deal in terms of broadening the scale of engagement with both staff and service users. A report is presented to the Quality and Safety Committee at every meeting that outlines feedback gathered from our *Friends and Family* initiative, the all-Wales Patient Experience Framework results, complaints, compliments, incidents, risk management and patient safety alerts. The Board has established six commissioning Boards which provide a means by which our strategic priorities and clinical services strategy are translated into service change plans. They lead the development of individual commissioning plans culminating in the production of proposals to create models of care which increase standards of care, meet the needs of the population, improve outcomes, quality and patient experience and eliminate interventions which cause harm or provide no clinical benefit.

ABMU continues to work with partner agencies such as, the Bevan Commission to improve the quality and effectiveness of services that are provided to our patients. We have also continued to engage with the *1000 Lives Improvement Programme* team to promote and deliver improvement across a wide number of areas including both National (N) and more Local (L) improvement initiatives:

– **Prudent Health Care (N) /Co-Creating Health (L)**

We are contributing to the growing body of work under this umbrella through walk-in clinics in podiatry and physiotherapy. A comprehensive work plan has been developed to ensure that further staff will be trained, and an e-learning programme is also in development. Therapy staff have rolled-out 'Making Every Contact Count' (MECC) training and are currently collaborating with Public Health Wales to incorporate this training within the co-production plan as a means of first line self management support. Co-production PROMS have also been developed and shared nationally by podiatry staff. As part of the roll-out of remote access to clinical systems to facilitate reductions in time from referral to treatment, radiotherapy physics have introduced remote radiation dose prescribing for clinical oncologists.

– **Planned Care(N) - Clinical Priority Areas**

The ABMU Eye Care Collaborative Group continues to oversee the key priorities in the National Ophthalmic Implementation Plan and Eye Care Plan. Subgroups in areas such as cataract and glaucoma have developed multi-disciplinary care pathways taking patients from initial referral in primary care through all hospital interventions and discharge. This approach is being extended to other sub specialty areas incorporating prudent principles and national guidance. We have also developed specific sustainability plans in urology, ENT, ophthalmology and orthopaedic planned care specialties to improve efficiency. We have supported the principles of the national programmes and integrated Prudent Healthcare into plans with work continuing to embed these changes into everyday practices.

– **Enhanced Recover after Surgery (ERAS) (L)**

Our ERAS project manager is working with clinical leaders in the delivery units to support enhanced recovery after surgery in-line with best practice.

– **Rapid Response to Acute Illness/Sepsis (N) – Identifying the Sick Patient(L)**

We have developed programme to support the more rapid identification and response to deteriorating patients which has been rolled-out across the organisation during 2016/17.

8. Integrated Medium Term Plan (IMTP)

Each year ABMU refreshes its three-year forward looking plan. This aims to align the public health, service, quality, financial and workforce objectives of the organisation, to ensure that its purpose is fulfilled. It also seeks to ensure we meet national priorities set by Welsh Government, locally determined priorities and also national and professional standards throughout the conduct of our business. Reporting and monitoring against these objectives and the risks associated with their delivery and achievement is a matter for the Board and its committees.

The IMTP which ABMU submitted to the Welsh Government in the summer of 2016 (for the years 2016-19) was not approved and therefore it was agreed that a one year Annual Plan would be developed for 2016/17. A further Annual Plan has since been developed for 2017/18. This describes a year of 'recovery' to provide sustainable foundations to support the development of new IMTP. As part of the action to address this duty in future IMTPs, the Board has put into place a major change programme to embed sustainable services within ABMU. To support this, a Recovery and Sustainability Director has been appointed to secure efficiency, reduce variation, identify cost improvements, identify service change proposals and increase financial discipline throughout the organisation.

Progress against the key priorities of the IMTP in 2015/16 was mixed in that we did not achieve some of the key performance targets (known as IMTP approval conditions). Whilst we made good progress against planned care targets and improvements in our rates of healthcare acquired infections, our progress in the areas of cancer, unscheduled care and stroke did not achieve the improvements set out in our plans. Further details of the key issues arising from the year-end performance are available in our Performance Report which will be available on the ABMU website at the end of July 2017.

Performance against our Annual Plan for 2016/17 was monitored through the IMTP Performance Report (known as the IMTP Tracker) which was reported directly to the Board. The 2016/17 financial plan within the Annual Plan forecast a deficit of £20m however the year-end position significantly exceeded this at £39.3m. Through the Recovery and Sustainability Programme we plan to develop a joint finance and service plan that addresses the in-year deficit for 2017/18 as well our underlying financial position going forward.

9. Corporate Governance

For the NHS in Wales, governance is defined as “a system of accountability to citizens, service users, stakeholders and the wider community, within which healthcare organisations work, take decisions and lead their people to achieve their

objectives". In simple terms this transposes to the way in which NHS bodies ensure that they are doing the right things, in the right way, for the right people, in a manner that upholds the values set for the Welsh public sector. An assessment of compliance with the *Code of Corporate Governance* is informed by:

- The review of Board effectiveness, taking account of Unit based self assessments against the Health and Care Standards;
- The outcome of the *Wales Audit Office Structured Assessment*;
- The Internal Audit In-Year Review of Governance Arrangements, which reviews the role of the Board , its effectiveness, and risk management.

The Board is clear that it is complying with the main principles of the *Code*, is following the spirit of the *Code* to good effect and is conducting its business openly and in line with the *Code*. The Board recognises that not all reporting elements of the *Code* are outlined in this Governance Statement but are reported more fully in the ABMU Annual Report published each year.

We use *Health and Care Standards* as our framework for gaining assurance on its ability to fulfil its aims and objectives for the delivery of safe, high quality health services. The current standards came into effect as of April 2015, incorporating the *Standards for Health Services in Wales (2010)* and the *Fundamentals of Care Standards (2003)*. The standards place the person at the centre and emphasise the importance of strong leadership, governance and accountability and form the Welsh Government's common framework of standards to support the NHS and partner organisations in providing effective, timely and quality services across all healthcare settings.

Service directors, unit medical directors and unit directors of nursing are collectively responsible for ensuring that the *Health and Care Standards* are embedded across their particular service delivery unit and they self-assess against each of these including the new Governance, Leadership and Accountability standard to ensure there is effective scrutiny. The ABMU (Health & Care Standards) Scrutiny Panel is comprised of three non officer members (including the chairs of the Audit Committee and Quality & Safety Committee) together with the Director of Nursing and Patient Experience. Panel meetings are framed around the three key themes set out in the *Governance and Accountability Module*. The Board completed the *Module* and has openly assessed its performance using the maturity matrix and deliberations included a review of the WAO's *Structured Assessment* referencing the individual responses to the following survey and received a report from the members of the Scrutiny Panel. This took place on 27th April 2017, the results of which are set out in a table below.

Governance & Accountability Module	does not yet have a clear, agreed understanding of where they are (or how they are doing) and what / where they need to improve (1)	are aware of the improvements that need to be made and have prioritised them, but are not yet able to demonstrate meaningful action (2)	are developing plans and processes and can demonstrate progress with some of their key areas for improvement. (3)	have well developed plans and processes and can demonstrate sustainable improvement throughout the organisation / business (4)	can demonstrate sustained good practice and innovation that is shared throughout the organisation/ business, and which others can learn from (5)
Setting the Direction			X		
Enabling Delivery			X		
Delivering results achieving excellence			X		
Overall Level			X		

This concluded that the overall maturity level should remain at three, the same level as in 2015/16. Following the Board assessment an improvement plan will be developed, aligned to the IMTP/Annual Plan.

10. Other control framework elements

- i. Control measures are in place to ensure that all of our obligations under equality, diversity and human rights legislation are complied with. We have a Strategic Equality Plan 2012-2016 that sets out our equality objectives to ensure that everyone is treated fairly. (We are currently seeking to develop our next Strategy Equality Plan for 2016-2020). We engaged and consulted with individuals and organisations to review our equality objectives in 2016/17. Feedback was used to refresh our equality objectives together with the strong evidence base within 'Is Wales Fairer' (Equality and Human Rights Commission, 2015). Our equality objectives were reflected within our IMTP 2017-2020 (although this was not approved by Welsh Government). We report annually on progress against the objectives. Assurance is provided to the Board through the Workforce and Organisational Development Committee.
- ii. Any breaches in Standing Orders are reported to the Audit Committee; none were reported in 2016/17.
- iii. As an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations

contained within the Scheme regulations are complied with. This includes ensuring that deductions from salary, employer's contributions and payments into the Scheme are in accordance with the scheme rules and that member's records are accurately updated in accordance with regulation rules.

- iv. In accordance with emergency preparedness and civil contingency requirements (as based on UKCIP 2009 weather projections to ensure that the organisation's obligation under the Climate Change Act and the Adaptation Reporting requirements are complied with), we have contingency plans for extreme weather conditions. We have also secured ISO14001 accreditation for our environmental management systems and through our Environment Committee, (chaired by ABMU's Chairman and attended by the Director of Strategy). This committee oversees ABMU's long-term carbon reduction strategy which is set to align with the objectives determined within the Environmental (Wales) Act 2016 and the Well-being of Future Generations Act 2015.
- v. We have also secured ISO14001 accreditation for our environmental management systems and through our Strategic Environmental Management Group and have plans in place to reduce our carbon footprint by reducing energy consumption. With the exception of vehicle usage, these plans address scopes 1 and 2 of the Green House Gas Protocol (as set by World Resources Institute and World Business Council on Sustainable Development).

Scope 1 – Direct emissions are emissions from sources that are owned or controlled by the company. For example, emissions from combustion in owned or controlled boilers, furnaces and vehicles carbon footprint through reducing its energy consumption.

Scope 2 – Accounts for emissions from the generation of purchased electricity. New buildings are designed to be energy efficient, complying with the energy standards for new buildings and where cost-effective energy saving systems are installed on new builds.

- vi. In respect of significant data security lapses in 2016/17 there have been three significant incidents reported and these have warranted notifying the Information Commissioner's Office (ICO):
 - a) Staff disclosed patient's sensitive confidential information without consent.
 - b) Patient information sent to wrong address. Information shared with a partner organisation. Internal investigation showed mitigating circumstances for both.
 - c) A third party acting as data processor on behalf of NHS Wales (via Velindre NHS Trust) had a security breach leading to the breach of staff information for a large group of staff. In all cases, an internal investigation was completed and actions followed through.

The ICO has taken no further action on (a), and the outcome is awaited on (b) and (c).

- vii. In reviewing governance arrangements as outlined earlier in this statement and taking into account its assessment against the *Governance & Accountability Module*, the Board is clear that it is operating in accordance with the Corporate Governance Code and that there have been no departures from the Code.
- viii. vii The Welsh Government has issued Non-Statutory Instruments and reintroduced Welsh Health Circulars in 2014/15. Details of these and a record of any ministerial directions given is available at:
<http://gov.wales/legislation/subordinate/nonsi/nhswales/2016/?lang=en>

Ministerial Directions

A number of Ministerial Directions and Welsh Health Circulars were issued during the year, this information being available by accessing the following links:

<http://gov.wales/legislation/subordinate/nonsi/nhswales/2016/?lang=en>
<http://gov.wales/legislation/subordinate/nonsi/nhswales/2017/?lang=en>

These related to NHS dental contract payments, GP pay and expenses, eye examinations and the purchase of expensive lenses, primary medical services, healthcare for public sector prisons, financial entitlements and the Quality and Outcomes Framework.

Details of Welsh Health Circulars (WHCs) issued during the year are reported at each Board meeting and are available on our website at www.abm.wales.nhs.uk

11. Review of Effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the system of internal control is informed by the triangulation of a wealth of information arising from the work of the internal and external auditors, independent reviews, feedback from the Welsh Government's Delivery Unit, Health Inspectorate Wales, Health and Care Standards assessments, the ABM Community Health Council, service users, staff and the public. Executive directors and delivery unit triumvirates also have a responsibility for the development and maintenance of the internal control framework and for continually improving effectiveness within the organisation.

Work has continued to improve the performance information provided to the Board and its committees so that it can be assured on the accuracy and reliability of the information it receives as well as ensuring this is focussed on the achievement of organisational objectives. A decision was made at the beginning of 2016 that matters around information governance would be submitted (by ABMU's Information Governance Board) to the Audit Committee which addressed the *Wales Audit Office Structured Assessment* findings that there was a need to review board committee reporting arrangements around issues of information governance.

As part of its revised committee arrangements ABMU established a Performance Committee in late 2014/15 and its work programme included a review of the Board's performance management framework and data quality. The committee oversaw the development of a tool to track progress in terms of the delivery of our IMTP. This Committee was stood down in 2016/17 due to a need to ensure there was a whole Board focus on performance following the decision taken by Welsh Government in September 2016 to escalate ABMU to "targeted intervention" status under the NHS Wales Escalation Framework arrangements.

Also in the second half of 2016/17 the Welsh Government increased ABMU's escalation status to 'Targeted Intervention' as a result of a number of important areas of performance where significant improvement is required; particularly: unscheduled care particularly at Morriston Hospital, cancer, referral to treatment times, infection control and the financial position.

The Board functioning as a corporate decision making body, has regularly considered assurance reports, whilst also receiving updates on key issues. Full details of Board reporting arrangements are set out in Section 1. The Board is accountable for maintaining a sound system of internal control that supports the achievement of the organisation's objectives and is primarily supported in this role by the work of the Audit Committee and the Quality & Safety Committee. Further information about both these committees can be found at **Appendix 1**.

External / Independent Assurance

We are continuing to develop and embed policies and procedures in the organisation to enable successful delivery of its governance and assurance arrangements. The Board along with its internal sources of assurance also uses sources of external assurance and reviews to inform and guide our development. These comprise reports from the Wales Audit Office, such as the comprehensive annual *Structured Assessment* which examines the arrangements that support good governance and the efficient, effective and economical use of resources. As in previous years, the work in 2016 assessed the robustness of the financial management arrangements, the adequacy of its governance arrangements and the management of key enablers that support effective use of resources. The outcome of the assessment was received by the Board in January 2017 along with the Annual Audit Letter which was presented to the Board at the same meeting and both are publicly available at on the WAO website at: <http://www.wao.gov.uk/>

The outcome of the *Structured Assessment* is used by the organisation to further inform our improvement planning and the embedding of effective governance.

We have put in place a scheduling tool providing a process for the reporting of planned inspections from external assessors to the Audit Committee and Quality & Safety Committee identifying any risks prior to the inspection taking place and advising of actions to be taken as appropriate. The process also provides for the retrospective reporting of any unplanned inspections. Systems are monitored through the Audit Committee in terms of the tracking of audit recommendations and the agreed management actions arising from them. This mechanism is overseen on

a routine basis by the executive team to ensure appropriate and timely responses to audit recommendations.

We use reports from Healthcare Inspectorate Wales (HIW), the Welsh Risk Pool (WRP) and other inspectorates and regulatory bodies to inform the governance and assurance approaches established by the organisation. HIW provides us with independent and objective assurance on the quality, safety and effectiveness of the services it delivers. This includes unannounced spot-checks, themed reviews and follow-up reviews.

All this work is reported to the relevant Board committee with an accompanying action plan to ensure standards are continuously improved and that any lessons learned are shared throughout the organisation. The Board has also undertaken an annual self-assessment for 2016/2017 and the outcome of this assessment undertaken by Board members on 27th April 2017 (see pages 22-23).

Welsh Risk Pool (WRP) is a mutual self-assurance scheme for all health bodies in Wales. The Risk Pool Scheme covers all risk relating to NHS activity, subject to Welsh Health Circular (2000) 04, Revised WRP management arrangements from 1st April 1999 and WHCs (2000)12 and 51, Insurance in the NHS in Wales. WRP undertake annual reviews the outcomes of which are reported to the Quality & Safety Committee and the Audit Committee as appropriate. At the time of writing a date has not been set for the 2016/17 assessment.

In order to fully discharge its responsibilities, the Board draws on a wide range of information sources to assure itself of the quality and safety of the services ABMU provides and commissions. Such information sources includes outcome data, performance against local and national targets, clinical and internal audit reports, internal spot checks and the findings of external regulators and inspectorates such as [Medicines and Healthcare Products Regulatory Agency](#) and Healthcare Inspectorate Wales (HIW).

Underpinning assurance arrangements facilitate and support the assessment and addressing of quality and safety issues at a local level and appropriate escalation and highlight reporting. They provide assurance to the Board that those delivering and leading services understand what good looks like, that the right measures and indicators are in place to ensure the timely identification of issues that require addressing as well as to measure progress, those leading services address issues in a timely, open and appropriate manners, escalating concerns and reporting progress as and where necessary.

Internal Audit and Assurance

The service provided from Internal Audit operates within the terms of an Internal Audit Charter setting out the purpose, authority and responsibility of Internal Audit. The role of Internal Audit is to provide an independent and objective opinion on the system of control. The opinion considers whether effective risk management, control and governance arrangements are in place in order to achieve the Board's objectives. The work of Internal Audit is undertaken in compliance with the Public

Sector Internal Audit Standards, and in accordance with an annual audit programme based on the outcomes from an audit risk assessment, discussed with senior management and agreed by the Audit Committee.

The Audit Committee has received progress reports against delivery of the plan at each meeting with a summary of the individual assignment reports also being received. Internal Audit reports the findings of its work to management, and action plans are agreed to address any identified weaknesses. The outcome of each audit, providing an overall conclusion on the adequacy and application on internal controls for each area under review was considered by the Committee. Where appropriate, Executive Directors or other officers of the Board have been requested to attend in order to be held to account. The assessment on adequacy and application of internal control measures can range from “No Assurance” through to “Substantial Assurance”. A schedule tracking the implementation of all agreed audit recommendations is also provided to the Committee.

Wales Audit Office (WAO)

The WAO scrutinises the Health Board’s financial systems and processes, performance management, key risk areas and the Internal Audit function on behalf of the Auditor General for Wales, ABMU’s external auditor.

WAO undertake financial and performance audit work specific to the ABMU and also provide information on the Auditor General’s programme of national value for money examinations which impact on the Health Board, with best practice being shared. During the year, WAO undertook the *Structured Assessment* review the outcome of which was reported to the Audit Committee in January 2017 and to the Board in January 2017. The *Structured Assessment* concluded that:

‘Our overall conclusion from 2016 structured assessment work is that arrangements that support good governance are largely in place and continue to be strengthened, but the financial position is not sustainable and organisational capacity, connections between programmes and maintaining pace of change present challenges’

The full conclusions from the *Structured Assessment* are available via the WAO website <http://www.wao.gov.uk>.

Management actions arising from the *Structured Assessment* are currently being incorporated into the IMTP.

12. Internal Audit

Internal audit provide me as Accountable Officer and the Board mainly through the Audit Committee and Quality & Safety Committee with a flow of assurance on the system of internal control. I have commissioned a programme of audit work which has been delivered in accordance with Public Sector Internal Audit Standards by the NHS Wales Shared Services Partnership. The scope of this work is agreed with the

Audit Committee and is focussed on significant risk areas and local improvement priorities.

The overall opinion by the Head of Internal Audit on governance, risk management and control is a function of this risk based audit programme and contributes to the picture of assurance available to the Board in reviewing effectiveness and supporting our drive for continuous improvement.



The Head of Internal Audit has concluded that the Board can take 'reasonable assurance' that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Some matters require management attention with 'low to moderate impact on residual risk' exposure until resolved.

In reaching this opinion the Head of Internal Audit has identified reasonable assurance in each of the eight assurance domains:

- Financial Governance and Management;
- Corporate governance, risk management and regulatory compliance;
- Strategic planning, performance management and reporting;
- Clinical governance quality and safety;
- Operational services and functional management;
- Information governance and security;
- Capital and estates management;
- Workforce management.

Whilst the above is the case there are a number of individual audit subject areas within some domains where limited assurance has been derived this year, or previously. Management are aware of the specific issues identified and have agreed action plans to improve control in these areas. Progress is monitored by the Audit Committee. These planned control improvements should be referenced in the Annual Governance Statement where appropriate.

During the year, Internal Audit issued seven reports with a conclusion of 'limited assurance' details of which were notified to the Welsh Government:-

- Sickness absence management
- Pressure Ulcers
- Safety Alerts
- Mortality Review – follow up
- Security Framework – follow up
- Funded Placement in Non-NHS setting – follow up
- Data Quality Mental Health

As indicated previously, detailed action plans have been agreed to improve performance in all these areas and this will be monitored through the Audit Committee, with follow up Internal Audit reviews undertaken where necessary.

Copies of Audit Committee reports and the associated management action plans are available via our website www.abm.wales.nhs.uk

An additional two received “limited assurance” but a subsequent follow-up during the year indicated improvement to reasonable assurance. (Patient’s Monies & Property and Home Oxygen Services).

A number of planned audit assignments were deferred following Audit Committee approval, these included:-

- Nurse Rostering (follow-up)
- Pressure Ulcers (follow-up)
- Junior Doctor Bandings (follow-up)
- Organisational Change Policy (OCP) / Contractual Changes

The Audit Committee Chair has met with Executive Director Leads for the subject areas indicating a follow-up above and agreed a firm date when the audit review will be undertaken in 2017/18.

13. Review of Economy, Efficiency & Effectiveness of the Use of Resources

The National Health Service Finance (Wales) Act 2014 came into effect from 1 April 2014. The Act amended the financial duties of Local Health Boards under section 175 of the National Health Service (Wales) Act 2006. From 1 April 2014 section 175 of the National Health Service (Wales) Act places two financial duties on Local Health Boards:

- A duty under section 175 (1) to secure that its expenditure does not exceed the aggregate of the funding allotted to it over a period of 3 financial years;
- A duty under section 175 (2A) to prepare a plan in accordance with planning directions issued by the Welsh Ministers, to secure compliance with the duty under section 175 (1) while improving the health of the people for whom it is responsible, and the provision of health care to such people, and for that plan to be submitted to and approved by the Welsh Ministers.

The first assessment of performance against the three-year statutory duty under section 175 (1) will take place at the end of 2016/17, being the first three year period of assessment.

Subject to audit, ABMU has met its financial duty to break-even against its Capital Resource Limit over the three years 2014/15 to 2016/17.

ABMU did not meet its duty to break-even against its Revenue Resource Limit over the three years 2014/15 to 2016/17.

Whilst ABMU met its duty to secure an approved IMTP in 2014/15 and 2015/16 it did not meet its statutory duty to secure an approved financial plan for the period 2016/17 to 2018/19.

14. Conclusion

As Accountable Officer and based on the review process outlined above I have reviewed the relevant evidence and assurances in respect of internal control. The Board and its Executive Directors are alert to their accountabilities in respect of internal control. The Board has assessed itself against the *Health and Care Standards* to assist with the identification and management of risk.

During the year, there were internal control and governance issues identified which highlighted areas where significant improvement is required (unscheduled care particularly at Morriston Hospital, cancer, referral to treatment times, infection control and the financial position), Welsh Government took a decision to escalate ABMU's monitoring status 'targeted intervention' during quarter three of 2016/17.

In response to this, the board immediately put in place a de-escalation taskforce to respond to this enhanced scrutiny and expectation. It has further expanded this to become a major change programme to embed sustainable services within the health board. To support this, a Recovery and Sustainability Director has been appointed to:

- secure efficiency
- reduce variation
- identify cost improvements,
- identify service change proposals and
- increase financial discipline throughout the organisation

The Board accepts the need to make sustainable improvements in the above areas as a priority in 2017/18 along with both a robust workforce model and financial framework. Details of our key areas of risk are set out on page 11-16. We have series of controls in place to manage and mitigate these risks which are documented within our ['Corporate Risk Register'](#).

My review confirms that the Board has a generally sound system of internal control that supports the achievement of its policies, aims and objectives and through the Internal Audit work programme. Internal Audits identified areas requiring action to strengthen systems and processes as listed on pages 30-31.

Detailed action plans have been agreed to improve performance in all these areas and this will be monitored through the Audit Committee, with follow-up internal audits undertaken where necessary.

Signed by:

Date:

Rory Farrelly (Interim Chief Operating Officer/Director of Nursing & Patient Experience) on behalf of Alex Howells (Interim Chief Executive)

Appendix 1

Board/Committee	Dates of meetings in 2016/17							
Board	26 th May	1 st June	28 th July	29 th September	24 th November	26 th January	30 th March	
Audit	25 th April	19 th May	1 st June	1 st August	23 rd September	17 th November	19 th January	16 th March
Charitable Funds	13 th June	5 th September	4 th January	14 th March				
Quality and Safety	21 st April	22 nd June	1 st September	20 th October	7 th December	23 rd February		
Mental Health and Capacity Act	4 th May	3 rd August	28 th September	22 nd February				
Workforce and Organisational Development	9 th May (cancelled)	11 th July	27 th September	8 th November	24 th January	15 th March		
Remuneration & Terms of Service	28 th April	30 th June 2016 (cancelled)	28 th July 2016 (special meeting)	25 th August	27 th October	15 th December	12 th January (special meeting)	30 th January (special meeting)
Remuneration & Terms of Service (continued)	3 rd February (special meeting)	8 th February (special meeting)	23 rd February (special meeting)	17 th March				
Strategy, Planning and Commissioning	27 th April	4 th July (cancelled)	24 th August	14 th November	19 th December (special meeting)	9 th March		
Partnership Forum	18 th May	20 th July	28 th September	30 th November	1 st February			
Stakeholder Reference Group	4 th May	6 th July	7 th September	2 nd November	4 th January	1 st March		

Name	Position & Area of Expertise	Health Board (inc AGM) (7)	Q&S (6)	Audit (8)	W&OD (5)	RATS (12)	Strat (5)	MHLC (4)	CFC (4)
Andrew Davies	(Chair) Independent Member	6				10	5		
Charles Janczewski	Vice-Chairman	7		8		12		4	4
Chantal Patel	Independent Member (Community)	4	4		3			1	
Ceri Phillips	Independent Member (University)	7	4				2		
Paul Newman	Independent Member (Legal)	7	6		5	12			4
Melvyn Nott	Independent Member (Local Authority)	3		5	5				
Gaynor Richards	Independent Member (Third Sector)	6			5	9			1
Sandra Miller	Independent Member (Trade Union)	5		3	5			1	
Maggie Berry	Independent Member	6	3	5			4	4	

Debra Williams	Independent Member	6	1	2	1		0		
Sue Cooper	Associate Member	2							
Alison James	Associate Member	6							
Paul Roberts	Chief Executive	4				5	4		
Alexandra Howells	Chief Operating Officer	6			2			1	
Eifion Williams	Director of Finance (Seconded from November 2016)	3		5					2
Paul Gilchrist	Acting Director of Finance (From November 2016)	3		2					2
Hamish Laing	Medical Director	6	3				3		
Rory Farrelly	Director of Nursing & Patient Experience	7	5	8	5			2	
Siân Harrop-Griffiths	Director of Strategy	6					5		3
Beverley Edgar	Director of Human Resources	3			1	2			

Kate Lorenti	Acting Director of HR (from September 2016)	4			4	7			
Amanda Hall	Interim Director of Therapies and Health Sciences (until Feb 2017)	5	1						
Sara Hayes	Director of Public Health	4	3				3		
Christine Morrell	Director of Therapies and Health Sciences (From Feb 2017)	1	1		1				

- Sandra Miller kindly attended particular Audit committee meetings at the request of the Chairman
- Debra Williams kindly attended a meeting of the Quality and Safety Committee at the request of the Chairman
- Maggie Berry kindly attended the Quality and Safety Committee at the request of the Chairman before becoming a member in September 2016.
- Paul Newman kindly attending the Workforce and OD Committee at the request of the Chairman.
- Following a review of membership, Sandra Miller ceased attending the Mental Health and Learning Disabilities Legislative Committee from September 2016.
- Charles Janczewski kindly became chair of the hosted agencies governance sub-committees at the request of the Chairman.
- Debra Williams joined the Audit Committee, Workforce and OD Committee and Strategy, Planning and Commissioning Group in November 2017.

Key to Acronyms:	
W&OD = Workforce & Organisational Development Committee	RATS = Remuneration & Terms of Service Committee
Q & S = Quality & Safety Committee	AGM= Annual General Meeting
MHCA = Mental Health and Capacity Act Legislative Committee	CFC = Charitable Funds Committee
	Strat = Strategy, Planning & Commissioning Committee / Group

The Health Board also operates a Pharmaceutical Applications Committee the chairmanship of which alternates between Charles Janczewski and Paul Newman and meets on an ad hoc basis when Pharmacy Applications need to be considered and such meetings are reported to the Board.

Declaration of Interests - ABMU Board Members 2016/17

Name/Title	Interests Declared
Andrew Davies, Chairman	<ul style="list-style-type: none"> - Localist Limited (not-for-profit company running hyper-local media sites (non-remunerated)) – director; - National Dance Company for Wales (non-remunerated) – chairman; - Ospreys in the Community (non-for-profit body managing the Ospreys’ community activities (non-remunerated)) – board member; - Swansea Early Years Strategy Steering Group (non-remunerated) – chairman; - Welsh Government TATA Task Force (non-remunerated) – member.
Charles Janczewski, Non-Officer Member	<ul style="list-style-type: none"> - Dasi Business Solutions – proprietor.
Paul Newman, Non-Officer Member	<ul style="list-style-type: none"> - MP properties – partner; - MPJ properties – partner; - Bexmoor Ltd - director and shareholder; - Penman Properties Ltd - director and shareholder; - Copper Court Ltd – director; - Rivalslot Ltd – director; - Longpark Ltd – director; - Maysouth Ltd – director; - Magnettrade Ltd – director; - Melin Property Partnership – partner; - Winch Wen Industrial Estate Management LTD – director; - Flowlong LTD – director; - Legrocco (No 5) LTD – director and shareholder; - Vivian Court (Swansea) LTD – director; - Neath Rugby LTD – director and shareholder; - Llys Felin Newydd Management LTD – director.
Ceri Phillips, Non-Officer Member	<ul style="list-style-type: none"> - Welsh Wound Innovation – director (non-remunerated);

	<ul style="list-style-type: none"> - Mundipharma – honorarium for attending meeting.
Chantal Patel, Non-Officer Member	<ul style="list-style-type: none"> - Swansea University – head of inter-professional studies at CHHS; - Indian Society of South West Wales – secretary; - Pobl & Tai Gwalia (Housing Group) – board member; - Glamorgan Family Development Centre – chair; - More Green Recycling Charity – board member; - Clinical Ethics Committee at ABMU Health Board – member from university perspective.
Mel Nott, Non-Officer Member	<ul style="list-style-type: none"> - Bridgend County Borough Council – leader; - National Adoption Service – chair; - Welsh Local Government Association – presiding officer.
Gaynor Richards, Non-Officer Member	<ul style="list-style-type: none"> - Neath Port Talbot Council for Voluntary Service – executive director; - BIG Lottery Wales Committee – board member; - NPTC Group of Colleges – chair of board of governors; - Neath Port Talbot Children’s Rights Unit – company secretary/co-director.
Sandra Miller, Non-Officer Member	<ul style="list-style-type: none"> - Neath Port Talbot County Borough Council – cabinet member/councillor; - Neath Port Talbot Council for Voluntary Service – elected member interest.
Maggie Berry, Non-Officer Member	<ul style="list-style-type: none"> - Cardiff and Vale Care and Repair – chair (board member)
Debra Williams, Non-Officer Member	<ul style="list-style-type: none"> - Careers Wales – chair; - Swansea University – trustee; - Alacrity Foundation – trustee; - Wireless Group GB - paid consultant; - Swansea Sound/The Wave - consultant
Susan Cooper, Associate Board Member	<ul style="list-style-type: none"> - Nothing to declare
Alison James, Associate Board Member	<ul style="list-style-type: none"> - Neath Port Talbot Carers’ Service
Paul Roberts, Chief Executive (left March 2017)	<ul style="list-style-type: none"> - NHS Confederation– trustee of the national organisation and vice-chair of the Welsh Confederation; - Association of UK University Hospitals – vice-chair.
Alex Howells, Chief Operating Officer (until February 2017)	<ul style="list-style-type: none"> - Nothing to declare
Alex Howells, Interim Chief Executive	<ul style="list-style-type: none"> - Nothing to declare

(from February 2017)	
Eifion Williams, Director of Finance (until October 2016)	<ul style="list-style-type: none"> - Swansea University – member of finance committee; - Wales Quality Centre – non-officer director; - CIPFA – member of health panel; - Hywel Dda Health Board – wife is Carmarthen locality director; - Yorath Chapel – Deacon and treasurer; - ABMU Health Board – son works as an F2 doctor at Princess of Wales Hospital (Sept '15 until Aug '16).
Paul Gilchrist, Acting Director of Finance (from November 2016)	<ul style="list-style-type: none"> - Nothing to declare
Hamish Laing, Medical Director	<ul style="list-style-type: none"> - Maggie's Cancer Centre Charity (national) – professional advisory board member; - Swansea University – honorary professor (school of medicine).
Rory Farrelly, Director of Nursing and Patient Experience	<ul style="list-style-type: none"> - Association of British Paediatric Nurses (ABPN) – chair and president; - University of Swansea – honorary professorial post in nursing; - Royal College of Nursing – member.
Rory Farrelly, Chief Operating Officer/ Director of Nursing & Patient Experience (from March 2017)	<ul style="list-style-type: none"> - Association of British Paediatric Nurses (ABPN) – chair and president; - University of Swansea – honorary professorial post in nursing; - Royal College of Nursing – member.
Bev Edgar, Director of Human Resources	<ul style="list-style-type: none"> - ABMU bank – son has a contract.
Kate Lorenti, Acting Director of Human Resources (from October 2016)	<ul style="list-style-type: none"> - Nothing to declare.
Siân Harrop-Griffiths, Director of Strategy	<ul style="list-style-type: none"> - Nothing to declare.
Amanda Hall, Interim Director of Therapies	<ul style="list-style-type: none"> - British Psychological Association – national lead co-ordinator of training and exam board member and examiner (remunerated)

and Health Sciences (until February 2017)	<ul style="list-style-type: none"> - Swansea University – contracted lecturer for MSc module annually (remunerated) - Private practice – small practice for non-NHS appropriate clients
Christine Morrell	<ul style="list-style-type: none"> - Nothing to declare
Sara Hayes, Director of Public Health	<ul style="list-style-type: none"> - Nothing to declare
Steve Combe, Director of Corporate Governance	<ul style="list-style-type: none"> - ABMU Health Board – wife and daughter are employees.

**ABERTAWE BRO MORGANNWG UNIVERSITY
HEALTH BOARD**

SYSTEM OF ASSURANCE

Revised February 2016

1. INTRODUCTION

The Welsh Government's Citizen Centred Governance principles embody what the Welsh Government wants public services to be focused on the needs of citizens, with citizens who are engaged and involved in the development of services and who receive services which are efficient, effective and innovative in their design and implementation. The principles are:

- **Putting the citizen first** – Putting the citizen at the heart of everything and focusing on their needs and experiences; making the organisation's purpose the delivery of a high quality service
- **Knowing who does what and why** – making sure that everyone involved in the delivery chain understands each other's roles and responsibilities and how together they can deliver the best possible outcomes
- **Engaging with others** – working in constructive partnerships to deliver the best outcome for the citizen
- **Living public sector values** – being a value-driven organisation, rooted in Nolan principles and high standards of public life and behaviour, including openness, customer service standards, diversity and engaged leadership
- **Fostering innovative delivery** – being creative and innovative in the delivery of public services – working from evidence, and taking managed risks to achieve better outcomes
- **Being a learning organisation** – always learning and always improving service delivery
- **Achieving value for money** – looking after taxpayers' resources properly, and using them carefully to deliver high quality, efficient services.

These principles establish the standards of good governance for the NHS in Wales and are designed to ensure:

- **Clarity** for everyone working within the NHS system, those working in partnership with the NHS, those receiving NHS services themselves; and carers and relatives of those receiving NHS services;
- **Responsibility** is placed with those who are best equipped to meet those responsibilities;
- **Recognition** for those achieving their objectives; and
- **Action** to ensure activities remain on track.

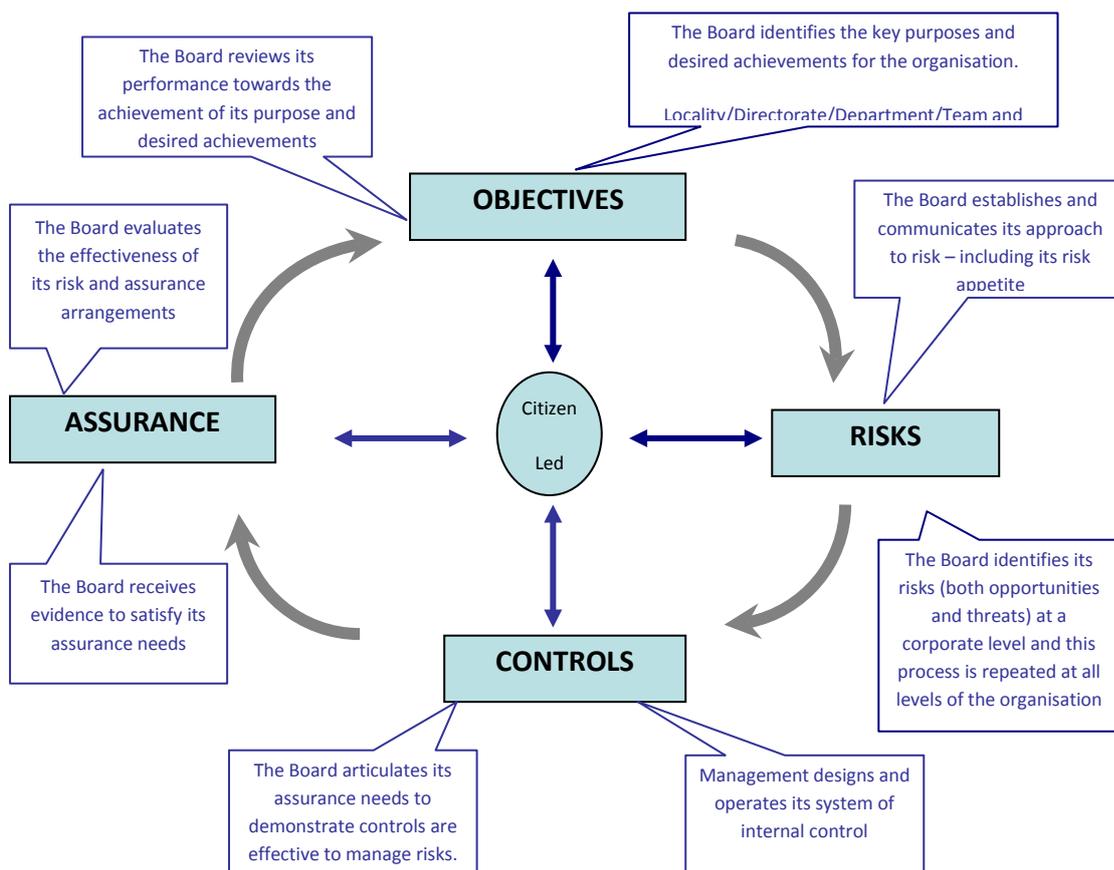
The extent to which individual NHS organisations are able to demonstrate their alignment with the citizen centred governance principles will contribute to the annual review of the performance of NHS bodies.

2. WHAT IS ASSURANCE?

There are many definitions of assurance, most of which centre around common themes of confidence and certainty. Assurance in respect of Abertawe Bro Morgannwg University Health Board can be defined as follows:

Assurance provides Board members with the evidence that the Health Board is operating effectively, achieving desired outcomes, delivering on its strategic vision, meeting its strategic objectives through effective risk management, in a manner which upholds the Citizen Centred Principles and is in accordance with all statutory requirements.

Welsh Government has issued guidance for Boards on Risk /Assurance , This is summarised as follows:-



In February 2011, Health Inspectorate Wales (HIW) set out its expectations that the “*Standards for Health Services should be the main framework through which NHS organisations seek to gain and provide assurance on their ability to fulfil their aims and objectives for the delivery of safe, high quality services*”. An overarching Governance and Accountability module and supporting guidance was issued for Boards to undertake a self-assessment against three key themes:

- setting the direction;
- enabling delivery;
- delivering results, achieving excellence.

Welsh Government have recently indicated that, following the issuing of revised Health and Care Standards (WHC(2015)015 refers), Boards are no longer required to complete this module. However there is currently a lack of clarity as to what will replace this module so it will continue to be used as the outcome of this self-assessment is a fundamental component of the Annual Governance Statement.

Reasonable Assurance

It should be recognised that any assurance, whatever its source, will not be a guarantee that offers absolute certainty. As such the Board must look to gain ‘*reasonable*’ assurance that the organisations ways of working enable it to perform effectively across the full range of its activities (*the “breadth” of assurance*) in order to deliver its strategic vision. Defining what is considered ‘reasonable’ provides the Board with the opportunity to discuss and debate the importance of assurance in a meaningful way, taking into account the nature of the Health Board’s activities and its core values, as well as the views of its citizens, community partners and other stakeholders on what ‘reasonable’ might mean to them. The result of the Board’s deliberations will determine the level of assurance that it requires (*the “depth” of assurance*) in relation to particular activities. Specifying both the breadth and depth of assurance required is sometimes described as ‘risk appetite’.

3. WHAT IS A SYSTEM OF ASSURANCE?

This sets out the systems, processes and staff that enables the organisation to focus on its overall priorities and the risks associated with their achievement so these can be mitigated/managed effectively through

- **Systems, processes and staff** are operating in a safe and effective manner, focused on the delivery of the organisation’s strategic objectives

- There is a **framework for reporting key information to the Board** which provides a structured level of assurance in respect of the management of risks in relation to the achievement of the Board's objectives
- There is a structured process in place to provide evidence to support the **Annual Governance Statement and Annual Quality Statement.**

The overall system of assurance operating within the Health Board is set out diagrammatically at **Appendix I**. This provides an overview of ward/department to Board assurance arrangements.

4. BASIS FOR THE SYSTEM OF ASSURANCE

Organisational Values

During 2014/15 the health board developed its values and behaviour framework. Our values are:

- **Caring for each other** in every human contact in all of our communities and each of our hospitals.
- **Working together** as patients, families, carers, staff and communities so that we always put patients first
- **Always improving** so that we are at our best for every patient and for each other.

Organisational Aims and Objectives

The first stage in developing a system of assurance involves setting out the principal aims and objectives against which the Board requires assurance. These are set out in the Integrated Medium Term Plan (IMTP) which indicates the purpose of ABMU is

“To fulfil our civic responsibilities by improving the health of our communities, reducing health inequalities and delivering prudent healthcare in which patients and users always feel cared for, safe and confident.”

We wish to be an excellent healthcare, teaching and research organisation for the Abertawe Bro Morgannwg region and the wider regions that we serve. This means that:

- We will respect people's rights in all that we do and plan our services and their care with them. Wherever it is provided, care will be safe and compassionate, meeting agreed national standards, providing excellent outcomes and an experience that is as good as it could be.
- We will make it easy for everyone to get the information and advice they need to be in control of their own health and to live healthier lives.
- We will work in partnership with our communities, our staff and other agencies to meet our citizens' health and social care needs in an integrated way, usually in or near to where they live.

- We will support high-quality research, education and innovation that benefit our patients and staff and we will encourage everyone to share their care experiences with us so that we can learn how we can do even better.

We have six strategic aims:-

- Healthier communities;
- Excellent patient outcomes and experience;
- Sustainable and accessible services;
- Strong partnerships;
- Fully engaged and skilled workforce;
- Effective governance.

For each strategic aim we identified objectives, outcome measures and delivery mechanisms, which set out what we intend to do and how we will measure and deliver success. These are set out in the IMTP. For 2017/18 these have been reviewed and amended to five corporate objectives, aligned to our Annual Plan priorities:

- Promoting and Enabling Healthier Communities
- Delivering Excellent Population Outcomes
- Demonstrating Value and Sustainability
- Securing a Fully Engaged and Skilled Workforce
- Providing Effective Governance and Partnerships

5. OBTAINING ASSURANCE

One of the tasks of the Board is to provide assurance to the public, Welsh Government and other bodies that it is operating effectively and is providing safe and effective services. All Board Members, both Executive and Non Officer Members will have ways of seeking and gaining assurance from a variety of sources to help them discharge this function. These will include receipt of reports, informal walkrounds and asking critical questions. This section sets out the formal arrangements in place within the Board to provide assurance and provide more detail on the arrangements set out in **Appendix I**. These are:

IMTP and progress reports

The IMTP sets out the organisational objectives for the years ahead, together with the risks associated with their achievement. This includes quality objectives based on the Health Boards Quality Strategy. Progress against the Plan and any areas of emerging risk are reported to the Board / Board Committees. This includes the IMTP tracker tool and regular performance management reporting (which were until March 2016 considered by our Performance Committee) and the Board, linked to the Performance Management Framework. From the first quarter of 2017/18, we will be establishing a Performance & Finance Committee which will report to the Board.

Unit and Corporate Department Objectives

The organisational objectives will form the backbone to individual Unit and corporate department objectives.

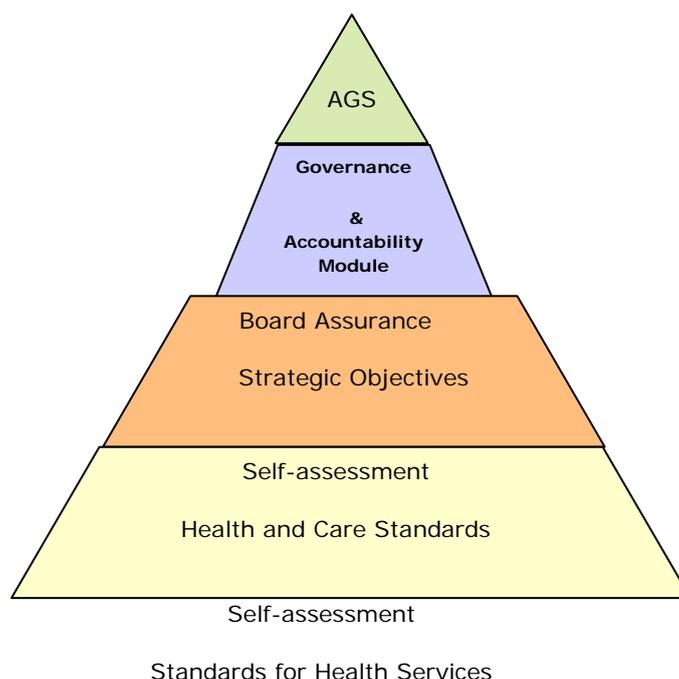
Personal Objectives

Once organisational objectives have been approved by the Board through the IMTP they should be used as the basis of the objectives of the Chairman and Chief Executive. The Chairman will then use these as the basis for Non Officer Member (NOM) objectives and the Chief Executive will do the same for the Executive Team. These will then be cascaded through the organisation using the Personal Development Review (PDR)/job planning process so everyone sees how their role helps meet the objectives of the organisation.

Progress against these objectives will be monitored through mid year and end of year PDR reviews

Annual Governance Statement (AGS)

This is the overarching vehicle used to provide assurance and is included in the Annual Accounts each year. The draft Statement will be prepared by the Board Secretary and shared with the Chairman of the Audit Committee, Internal Audit and the Wales Audit Office. The final draft will be considered by the Audit Committee and Board as part of the approval of the Annual Accounts each year. The overall approach is set out in the diagram below:



Annual Quality Statement

The Annual Quality Statement aims to provide assurance on the quality of services provided by the Health Board. The draft Statement is considered by the Quality and

Safety Committee and Audit Committee prior to being submitted to the Board. The Quality Assurance reporting Framework is attached at **Appendix II**.

Health and Care Standards

The organisations self assessment against the Health and Care Standards are a critical element of the governance and risk management arrangements and help underpin the AGS.

The Governance and Accountability module which in itself is the subject of an annual self-assessment by the Board is a key and over arching element supplementary to the Standards (see comments above).

At the same time the annual Structured Assessment undertaken by the Wales Audit Office provides levels of assurance regarding governance arrangements and the action plan following the Structured Assessment is integrated into the Governance and Accountability module, which forms part of the overall Health and Care Standards improvement plan. Regular progress against this action plan will reduce gaps in assurance each year.

The Director of Nursing and Patient Experience is the Executive lead for the Standards and will arrange for the Standards to be considered by a Scrutiny panel made up of Non Officer members. The outcomes of the Scrutiny Panel will be reported to the Board as part of its consideration of the Governance and Accountability module.

The improvement plan following the self assessment against the Standards will be reported to the Quality and Safety Committee

Governance in Year Reviews

Each year Internal Audit undertake an in year review of governance to assess progress and report key findings to the Audit Committee, together with an agreed action plan.

Board Business Cycle

The Board considers reports throughout the year as part of the business cycle and many of these reports will provide the Board with assurance. These include:

- **Annual Accounts**

The Annual Accounts process is well established and provides assurance to the Board each year on financial governance

- **Annual Report**

Each September the Board receives the Annual Report that sets out the main achievements within the Health Board for the previous financial year

- **Board Committee reporting**

The key Board Committees that provide assurance to the Board regarding risk management arrangements are the:

- Audit Committee
- Quality & Safety Committee
- Workforce and OD Committee

(From the first quarter of 2017/18 we will also be establishing a Performance & Finance Committee).

In addition there are all Wales joint committees (WHSSC and EASC) and the All Wales Shared Services Committee. The outputs from these meetings are reported to the Board and the Chair/Chief Officer of each of these Committees attends the board meeting once a year

The terms of reference of all Board Committees are set out in Standing Orders

In addition the Chairs Advisory Group co – ordinates Board Committee arrangements and assists with assurance functions.

Each Committee produces an Annual Report setting out areas of assurance and risk. A summary of these reports will be considered by the Audit Committee/Chairs Advisory Group as part of the annual review of the Board and its Committees

Each Board Committee routinely provides reports to the Board setting out its activities and issues it wishes to bring to the attention of the Board.

- **Performance Management Framework**

An Integrated Performance Management Framework has been agreed and can be accessed separately. This is based on regular performance review meetings with Units and corporate departments. This then feeds into the Board Integrated Performance reports which sets out current performance against agreed indicators and is cross referenced to the risk register.

- **Partnerships**

The Health Board works in partnership with a number of organisations including:

- Local Authorities, mainly through Western Bay
- Swansea University, through the Collaboration Board
- A Regional Collaboration for Health (ARCH)
- The NHS Collaborative and Acute Care Alliances

Some of these arrangements are still developing and some will change as a result of the Health, Social care and Well Being Act and Future Generations Act. Areas of partnership working are reported directly to the Board.

4.3 EXTERNAL ASSURANCE

As already indicated, the Board will also receive assurance from external sources. A key vehicle for receiving external assurance will be through the Structured Assessment undertaken by the Wales Audit Office, which will be used to inform the annual governance and accountability review.

Alongside this assurance will be received through Health inspectorate Wales assessment of progress against the Standards for Health and Care and other reports.

The key sources of evidence currently available and routinely used to provide assurance are:

Internal Sources of Assurance	External Sources of Assurance
KPIs, Performance Dashboard & management reports	External audit reports/reviews
Standards for Health and Care and the HB's self assessment of performance	Healthcare Inspectorate Wales
Clinical Audit reports	Welsh Risk Pool
Internal Audit reports	Licensing & Regulatory body reports
Adverse and serious incident reports	Welsh Government reports and reviews
Counter fraud reports	Royal College visits
Quality and Outcomes Framework Assessments	Deanery visits
Staff appraisals	External audit reports/reviews
Complaint reports	Feedback from service users
Infection Control reports	Feedback from clinical networks
Internal Sources of Assurance	External Sources of Assurance
Caldicott Guardian reports	External benchmarking
Cleanliness reports	Community Health Councils
Staff satisfaction surveys	Ombudsman reports
Training records	Information Commissioner reports
Internal investigations	Older Peoples, Childrens and Welsh Language Commissioner reports
Workforce/HR Reports	External advisors/peer review reports

Patient satisfaction surveys	
IMTP tracker reports	

Details of Executive leads for these areas and Board/Committee reporting arrangements are set out in **Appendix III**

6. RISKS AND CONTROLS

Against each strategic objective, there will be a need to assess the risk of achievement prospectively as a fundamental part of the planning process. This should be undertaken in a structured way and in accordance with the Risk Management Strategy

This will form the basis of the corporate risk register at the beginning of the year.

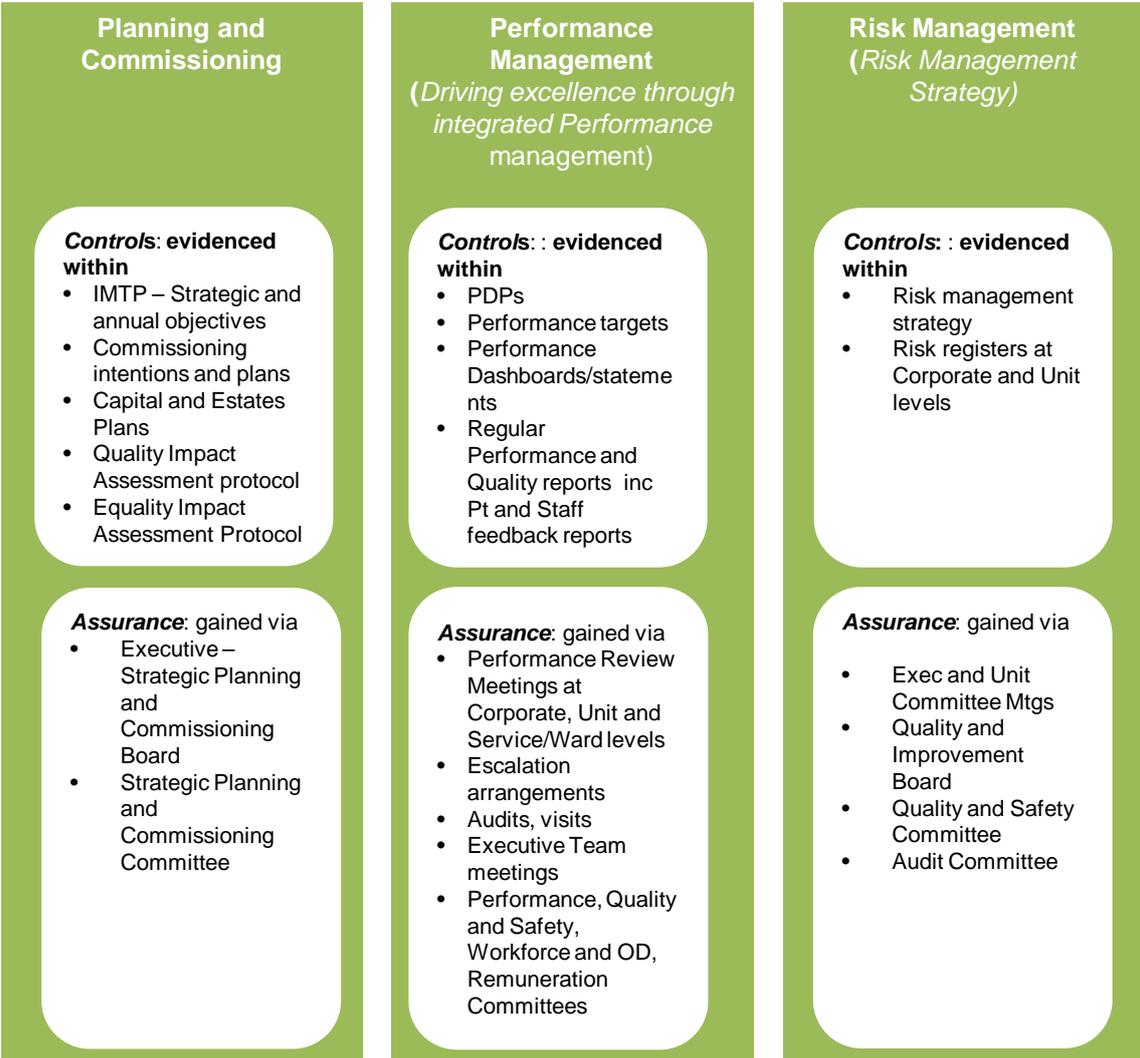
Operational risks will be managed by Units in accordance with the Risk Management Strategy. High level risks will be discussed with Units as part of the monthly performance review meetings. Where these risks are of a level to impact on the ability of the Health Board to meet its objectives, it will be reported to the Board/Board Committee.

Major risks to the delivery of the IMTP will be reported to the Board either through the regular performance reports or through exception reports.

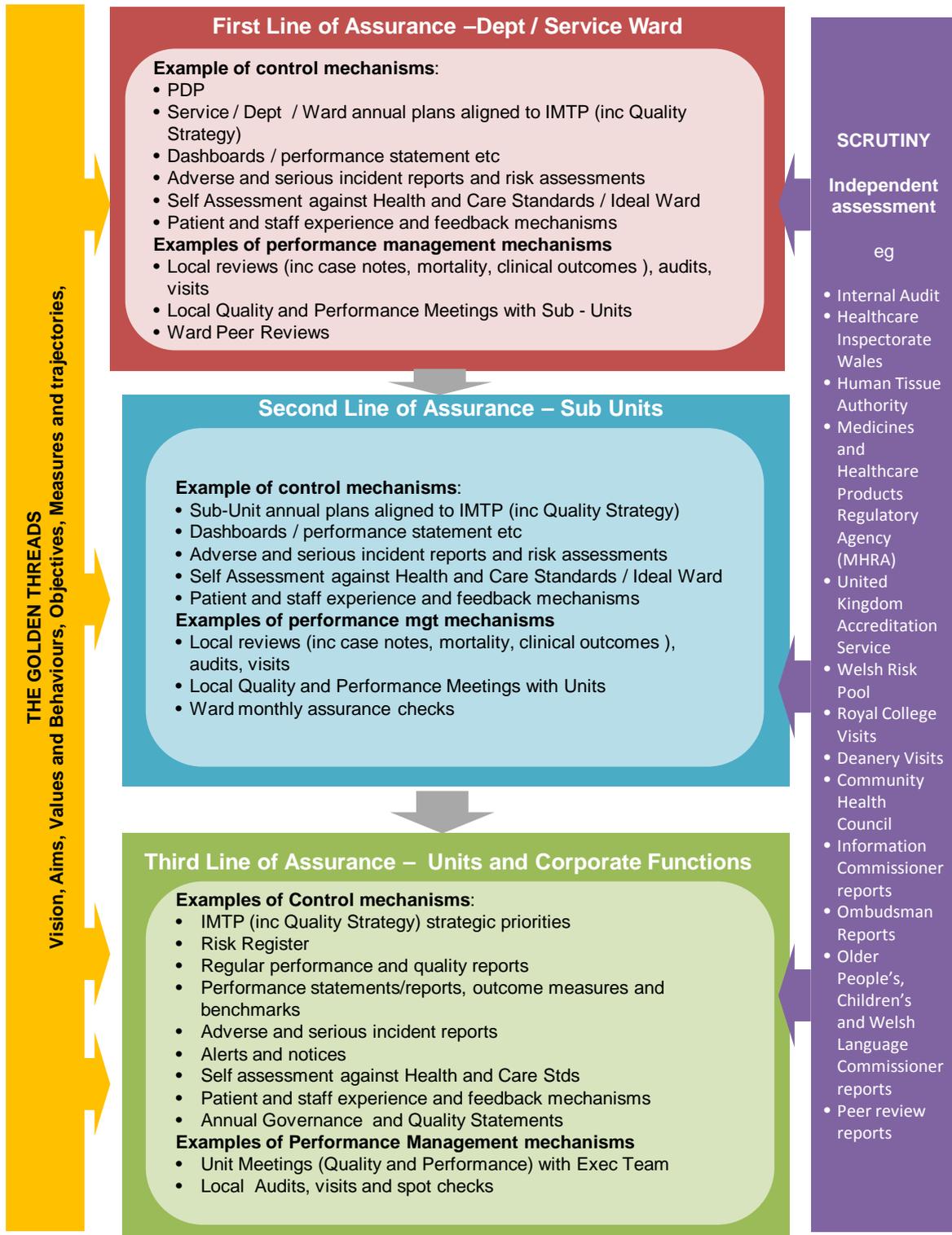
ABMU BOARD ASSURANCE MAP

Delivery of ABMU Vision, Aims, Values and Behaviours, Objectives, Measures and Trajectories and management of associated risks

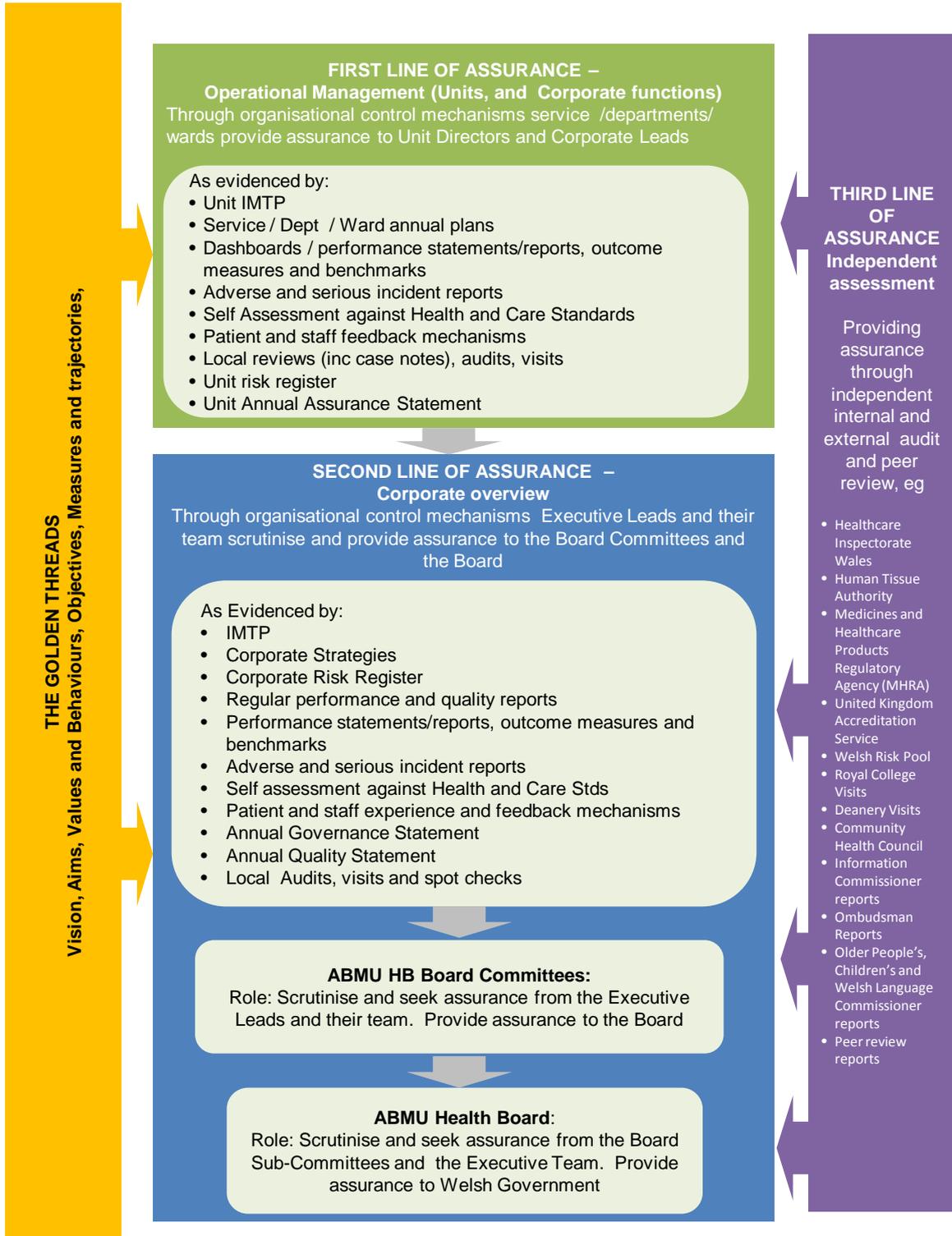
Controls and Assurance Mechanisms



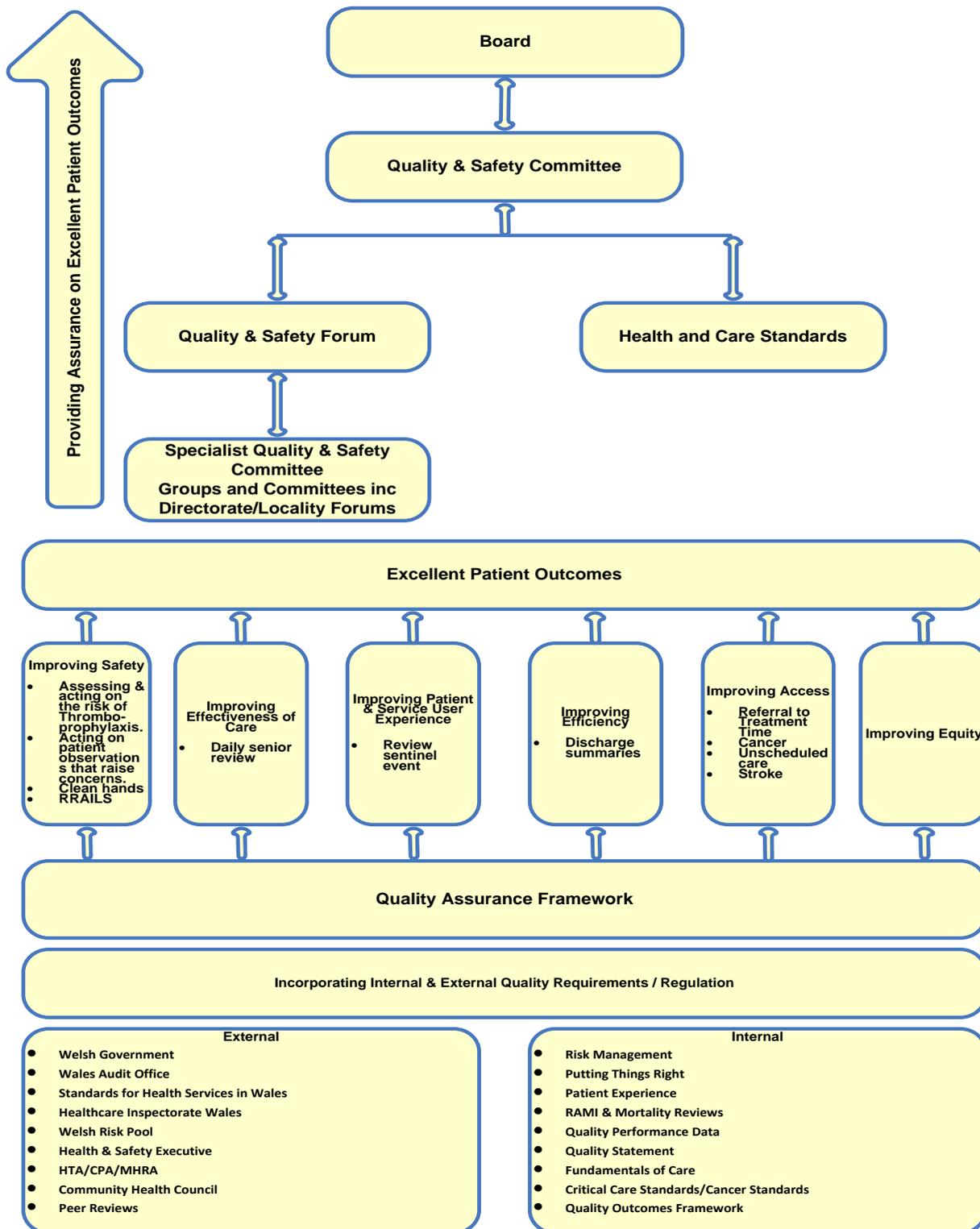
ABMU – OPERATIONAL LEVELS OF ASSURANCE



ABMU – CORPORATE LEVELS OF ASSURANCE



Annex A – Quality Assurance Framework



E Woodrow

Source of Evidence for Assurance	Executive Lead	Board / Committee Reporting
Performance dashboard and supporting reports	Director of Strategy	Board/ Performance Committee/Quality and Safety Committee
Standards for Health and Care	Director of Nursing and Patient Experience	Quality & Safety
Clinical Audit reports	Medical Director	Quality & Safety
Internal Audit reports	Director of Finance	Audit
Adverse and serious incident reports	Director of Nursing and Patient Experience	Quality & Safety
Counter fraud reports	Director of Finance	Audit
Quality and Outcomes Framework Assessments	Deputy Chief Executive	Quality & Safety
Staff appraisals	Director of HR	Workforce and OD
Complaints records and trends	Director of Nursing and Patient Experience	Quality & Safety
Infection Control	Director of Nursing and Patient	Quality & Safety

	Experience	
Information governance reports	Medical Director	Audit
Cleanliness reports	Director of Nursing and Patient Experience	Quality & Safety
Staff satisfaction survey	Director of HR	Workforce and OD
Training records	Director of HR	Workforce and OD
Internal Investigations	Chief Executive	Board or Committee Depending on matter
External audit reports/reviews	Chief Executive	Audit
Healthcare Inspectorate Wales	Director of Nursing and Patient Experience	Quality & Safety
Welsh Risk Pool	Director of Nursing and Patient Experience	Quality & Safety
Licensing and Regulatory bodies	Director of Nursing and Patient Experience	Quality & Safety
Royal College visits	Medical Director	Quality & Safety
Deanery visits	Medical Director	Quality & Safety

Feedback from service users	Director of Nursing and Patient Experience	Quality & Safety
Feedback from clinical networks	Director of Strategy	Quality & Safety
IMTP tracker reports	Director of Strategy	Performance Committee/Board

KEY REPORTS RECEIVED in 2016/17

ABMU Board:

- Patient stories;
- Performance reports;
- Key issues reports from board committees, stakeholder reference group and partnership forum;
- Finance positions;
- Trusted to Care;
- Integrated Medium Term Plan/annual plan;
- Influenza;
- Minutes and summaries of the meetings of the Welsh Health Specialised Services (WHSSC) joint committee, Emergency Ambulance Committee and NHS Wales Shared Services Partnership Committee;
- Changes to primary care contractor arrangements;
- 111 Service;
- Affixing of the common seal;
- Welsh Health Circulars;
- Annual accounts;
- Annual governance statement;
- Tobacco control;
- Physical activity;
- Screening;
- Nurse Staffing (Wales) Act;
- Organ donation;
- Neonatal services;
- Western Bay;
- A Regional Collaboration for Health (ARCH);
- Arts in Health;
- Primary care annual report;
- Annual quality statement;
- Organisational annual report;
- Digital strategy;
- Primary Care Measure for Wales annual report;
- Swansea Bay City Region Deal;
- Grant funding for voluntary sector;
- Smoking cessation delivery plan;
- Research and development;
- Older Person's Commissioner requirements;
- Wales Audit Office structured assessment and annual report 2016;
- Major trauma network;
- Wellbeing assessment and objectives;
- Proposed changes to urgent care services;
- Emergency preparedness resilience and response annual report.

Audit Committee:

- Annual governance statement;
- Risk management system and risk register;
- Annual quality statement;
- Organisational annual report;
- Review of standing orders and financial instructions;
- Minutes and terms of reference of hosted agencies governance sub-committees;
- Declarations of interest register;
- Hospitality register;
- NHS Wales Shared Services Partnership (NWSSP) internal audit assignment summary and progress reports;
- Wales Audit Office performance reports, structured assessment and annual report;
- Post-payment verification reports;
- Procurement of GP out-of-hours IT system;
- Information governance board updates;
- Wales Audit Office reviews, management responses and action plans:
 - Review of follow-up outpatient appointments;
 - Hospital catering and patient nutrition follow-up review;
 - Structured assessment;
 - Consultant contract follow-up;
 - Communications technology follow-up;
 - Local follow-up work – IT audit;
 - Radiology review.
- Internal audit report: data quality – stroke;
- Final internal audit report: continuing NHS healthcare and joint funded care;
- Medical appraisal to support revalidation action plan progress report;
- National Assembly for Wales Public Accounts Committee;
- Continuing healthcare performance reports;
- Medical appraisals to support revalidation: progress report;
- NWSSP accounts payable;
- Annual accounts reports;
- Remuneration and staff report;
- Bridgend trading clinic trading account;
- Summary on capital contracts and consultant appointments;
- Financial control procedure review plan;
- Risk and controls around financial management;
- Losses and special payments;
- Review audit registers and status of recommendations;
- NWSSP single tender actions and quotations;
- NWSSP contract extensions;
- Clinical audit plan, mid-year progress report and annual report;
- Counter fraud reports, annual plan and report and self-assessment;
- Committee self-assessment;
- Annual review of Quality and Safety Committee work;
- Audit Committee annual report and terms of reference;
- Induction programme for new committee members;

Quality and Safety Committee:

- Delivery Units' performance presentation and patient stories;
- Quality and safety dashboard;
- Older person's dashboard;
- Patient feedback report;
- Reports from external review and regulatory bodies;
- Quality and safety priorities;
- Mixed sex ward audit;
- Big fight campaign;
- Moisture lesion report;
- Internal audit and clinical audit reports;
- Pharmacy and medicines management report;
- 111 quality standards;
- Physicians associate role;
- Staying healthy update;
- Annual quality statement;
- Safeguarding;
- Infection control;
- Individual patient funding requests policy;
- Concerns and claims annual report;
- Quality and safety committee annual report, self-assessment and terms of reference;
- Health and care standards annual scrutiny report;
- Clinical coding;
- Controlled drugs accountable officer's annual report;
- Resuscitation policy and training plan;
- Quality and Safety Forum reports and sub-structure of the committee;
- Single sex accommodation operational policy;
- Welsh Government quality division feedback report;
- Improving and maintaining the environment and estates;
- Health and safety polices, safeguarding policies, policy for controlled access/egress, estates policies, falls policy, 'Ask and Act' policy; professional abuse policy; for approval;
- External review of decontamination and theatres reports and action plans;
- Mortality dashboard;
- Influenza immunisation update;
- Radiation protection committee annual report;
- Closure of the burns centre skin bank;
- Role of the medical examiner;
- Ward to board assurance framework;
- Maternity reporting structures;
- Blood Glucometry;
- Children and adolescent mental health services update;
- WHSSC Quality and Safety key matters.

ABMU Director's Report 2016/17 Annex B

In accordance with Financial Reporting Manual (FRM), the Director's Report must include the following, unless disclosed elsewhere in the Annual Report and Accounts in which case a cross-reference is provided:

No.	Requirement	Cross - Reference
1.	The names of the Chair and Chief Executive, and the names of any individuals who were directors of the entity at any point in the financial year	See Appendix 1 in AGS
2.	The composition of the management board (including advisory and non-executive members) having authority or responsibility for directing or controlling the major activities of the entity during the year.	See Appendix 1 in AGS
3.	The names of the directors forming an audit committee or committees;	See Appendix 1 in AGS
4.	Details of company directorships and other significant interests held by members of the management board which may conflict with their management responsibilities. Where a Register of Interests is available on-line, a web-link may be provided instead of a detailed disclosure in the annual report.	See Appendix 1 in AGS
5	Information on personal data related incidents where these have been formally reported to the information commissioner's office. Reporting of personal data related incidents including 'serious untoward incidents' involving data loss or confidentiality breaches and details of how the risks to information are managed and controlled.	See 10v – other control framework elements –AGS

6	Information on environmental, social and community issues and published sickness absence data	See 10iv – other control framework elements – AGS See Remuneration and Staff Report
7	A statement for public sector information holders confirming that they have complied with the cost allocation and charging requirements set out in the HM Treasury guidance	See Financial Statements and Accounts.

Statement of Accountable Officer’s Responsibilities

The Welsh Ministers have directed that the Chief Executive should be the Accountable Officer to the Board. The relevant responsibilities of accountable Officers, including their responsibility for the propriety and regularity of the public finances for which they are answerable, and for the keeping of proper records, are set out in the Accountable Officer’s Memorandum issued by Welsh Government.

To the best of my knowledge and belief, I have properly discharged the responsibilities set out in my letter of appointment as an Accountable Officer.

As Accountable Officer I confirm that, as far as I am aware, there is no relevant audit information of which the entity’s auditors are unaware, and I have taken all the steps that ought to have been taken to make myself aware of any relevant audit information and that the Board’s auditors are aware of that information. As Accountable Officer I confirm that the annual report and accounts as a whole is fair, balanced and understandable and I take personal responsibility for the annual report and accounts and judgments required for determining that it is fair, balanced and understandable.

.....(Rory Farrelly, Interim Chief Operating Officer / Director of Nursing & Patient

Experience) on behalf of Alex Howells) Interim Chief Executive(date)

Statement of Directors' responsibilities of the accounts

The Directors are required under the National Health Service Act (Wales) 2006 to prepare accounts for each financial year. The Welsh Ministers, with the approval of the Treasury, direct that these accounts give a true and fair view of the state of affairs of the Health Board and of the income and expenditure of the Health Board for that period. In preparing those accounts, the directors are required to:

- apply on a consistent basis accounting principles laid down by the Welsh Ministers with the approval of the Treasury
- make judgements and estimates which are responsible and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the account.

The directors confirm that they have complied with the above requirements in preparing the accounts.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the authority and to enable them to ensure that the accounts comply with requirements outlined in the above mentioned direction by Welsh Ministers.

By Order of the Board

Signed:

On behalf of the Chairman.....dated:.....2017

On behalf of the Interim Chief Executive.....dated:.....2017

Director of Finance.....dated:.....2017

Remuneration and Staff Report

Annex C

REMUNERATION AND STAFF REPORT

This report provides information in relation to Executive Directors' and Non-officer Members' remuneration, and outlines the arrangements which operate within the Health Board to determine this. It also includes information on staff numbers, composition, sickness absence data, staff policies applied during the year, expenditure on consultancy, off-payroll engagements and exit packages.

1. The Remuneration and Terms of Services Committee

This Committee considers the remuneration and performance of Executive Directors in accordance with the policy detailed below.

The norm is for Executive Directors and very senior managers' salaries (those outside of Agenda for Change) to be uplifted in accordance with the Welsh Government identified normal pay inflation percentage. There were no pay inflation uplifts in 2016/17 for Executive Directors or very senior managers.

If there were to be an up-lift over and above this level, this would always be agreed as a result of changes in roles and responsibilities and with advice from an independent consultancy with specialist knowledge of job evaluation and executive pay within the NHS. The Remuneration and Terms of Services Committee would receive a detailed report in respect of issues to be considered in relation to any uplift to Executive Directors salaries (including advice from the Welsh Government) and having considered all the advice and issues put before them, would report their recommendations to the Health Board for ratification.

The Committee also reviews objectives set for Executive Directors and assesses performance against those objectives when considering recommendations in respect of annual pay uplifts. It should be noted that Executive Directors are not on any form of performance related pay.

The Remuneration and Terms of Services Committee is chaired by the Health Board's Chairman, and the membership includes three other Non-officer Members (Chairs of Board Committees). The Committee meets as often as required to address business and formally reports in writing its recommendations to the Health Board. Meetings are minuted and decisions fully recorded.

The Committee also recommends to the Board annual pay uplifts in respect of Executive Directors and very senior managers in the Health Board who are not within the remit of Agenda for Change. There were none in 2016/17.

2. Non-officer Members' Remuneration

Remuneration for Non-officer Members is decided by the Welsh Government, who also determines tenure of appointment.

3. Single Remuneration Report

The Single Total Remuneration for each Director and Non-officer Member for 2016/17 and 2015/16 are shown in the table below. Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

The salaries disclosed in the table below reflect new appointments and leavers during the financial years 2016/17 and 2015/16. Whilst the salaries disclosed relate to the period in post during the year, the NHS Pensions Agency is unable to attribute part year pension benefits to post holders and therefore, the full financial year Pension Benefits are shown. It should also be noted that the table below only includes Directors in post at 31st March 2016 since the NHS Pensions Agency is unable to provide the relevant information on pensions for staff who have left or are no longer acting as Executive Directors.

The value of pension benefits is calculated as follows: (real increase in pension¹ multiplied by 20 plus real increase in lump sum) less (contributions made by the individual).

The pension calculation is based on information received from NHS BSA Pensions Agency, included in the Disclosure of Senior Managers' Remuneration (Greenbury) 2017 report. Further details on the Single Total Remuneration figure from Cabinet Office can be found at the following Employer Pension Notices website in EPN 492 (2016-17) www.civilservicepensionscheme.org.uk/.../epn-492-resource-accounts-2016-17/

¹ excluding increases due to inflation or any increase or decrease due to a transfer of pension rights

Names	Titles	2016/17					2015/16				
		Salary (£5k Bands)	Other Remun. £5k Bands	Benefits in Kind (to nearest £100)	Pension Benefits (to nearest £1000)	Total (£5k Bands)	Salary (£5k Bands)	Other Remun. £5k Bands	Benefits in Kind (to nearest £100)	Pension Benefits (to nearest £1000)	Total (£5k Bands)
		£000	£000	£00	£000	£000	£000	£000	£00	£000	£000
A Davies	Chairman	65-70	0	0	0	65-70	65-70	0	0	0	65-70
E Roberts	Vice Chairman						55-60	0	0	0	55-60
C Janczewski	Vice Chairman	55-60	0	0	0	55-60					
P Roberts	Chief Executive	350-355	0	4	0	350-355	200-205	0	2	9	205-210
A Howells	Interim Chief Executive	140-145	0	0	96	235-240	135-140	0	0	18	155-160
E Williams	Director of Finance	80-85	0	0	0	80-85	140-145	0	0	4	140-145
P Gilchrist	Acting Director of Finance	55-60	0	0	144	200-205					
H Laing ²	Medical Director	170-175	35-40	0	0	210-215	170-175	35-40	0	2	210-215
R Farrelly	Acting Deputy Chief Executive, Acting Chief Operating Officer and Director of Nursing & Patient	125-130	0	10	28	150-155	125-130	0	5	28	150-155

² H Laing, Other Remuneration related to payment of a clinical excellence award. He is no longer a current member of the NHS Pension Scheme and therefore, no Pension Benefits are included for 2016/17.

Names	Titles	2016/17					2015/16				
		Salary (£5k Bands)	Other Remun. £5k Bands	Benefits in Kind (to nearest £100)	Pension Benefits (to nearest £1000)	Total (£5k Bands)	Salary (£5k Bands)	Other Remun. £5k Bands	Benefits in Kind (to nearest £100)	Pension Benefits (to nearest £1000)	Total (£5k Bands)
		£000	£000	£00	£000	£000	£000	£000	£00	£000	£000
	Experience										
B Edgar	Director of HR	95-100	0	0	0	95-100	125-130	0	0	105	230-235
K Lorenti	Acting Director of HR	60-65	0	0	138	200-205					
A Phillips	Director of Therapies & Health Sciences						0-5	0	0	0	0-5
A Hall	Interim Director of Therapies & Health Sciences	90-95	0	0	0	90-95	70-75	0	7	123	195-200
C Morrell	Director of Therapies & Health Sciences	15-20	0	0	0	15-20					
S Hayes	Director of Public Health	115-120	0	0	8	120-125	110-115	0	0	7	120-125
S Harrop- Griffiths	Director of Strategy	120-125	0	20	20	145-150	125-130	0	7	164	290-295
CB Goldberg	Non-officer Member						15-20	0	0	0	15-20
C Janczewski	Non-officer Member						15-20	0	0	0	15-20

Names	Titles	2016/17					2015/16				
		Salary (£5k Bands)	Other Remun. £5k Bands	Benefits in Kind (to nearest £100)	Pension Benefits (to nearest £1000)	Total (£5k Bands)	Salary (£5k Bands)	Other Remun. £5k Bands	Benefits in Kind (to nearest £100)	Pension Benefits (to nearest £1000)	Total (£5k Bands)
		£000	£000	£00	£000	£000	£000	£000	£00	£000	£000
P Newman	Non-officer Member	15-20	0	0	0	15-20	15-20	0	0	0	15-20
M Berry	Non-officer Member	15-20	0	0	0	15-20	10-15	0	0	0	10-15
M Nott	Non-officer Member	15-20	0	0	0	15-20	15-20	0	0	0	15-20
G Richards	Non-officer Member	15-20	0	0	0	15-20	15-20	0	0	0	15-20
C Patel	Non-officer Member	15-20	0	0	0	15-20	15-20	0	0	0	15-20
C Phillips	Non-officer Member	15-20	0	0	0	15-20	15-20	0	0	0	15-20
D Williams	Non-officer Member	15-20	0	0	0	15-20					
S Miller	Non-officer Member	0	0	0	0	0	0	0	0	0	0

The following notes provide the dates of the Executive Directors who started or left during the year or previous year, and explanations for either no salary or changes in salary or post between the financial the years:

- E Roberts, Vice Chairman left on 31st March 2016. C Janczewski was Non-Officer Member until 31st March 2016 and Vice Chairman from 1st April 2016.
- P Roberts, Chief Executive left on 7th March 2017. In line with the Settlement Agreement for his departure, the salary reported within the table above includes payment for accrued but untaken annual leave of £3,452, an ex-gratia payment for the termination

of his employment of £113,213 and a payment of £50,000 in respect of his contractual entitlement to payment in lieu of notice. The terms of this exit package were agreed by the Remuneration Committee and made in accordance with Welsh Government guidance.

- A Howells, Chief Operating Officer until 31st January 2017 and Interim Chief Executive from 1st February 2017. The increase in salary for this role was not paid until after 31st March 2017 and therefore, it is not included within the table above.
- R Farrelly, Director of Nursing & Patient Experience was also Acting Deputy Chief Executive and Acting Chief Operating Officer from 20th March 2017. No additional remuneration has been accepted for these additional responsibilities.
- E Williams, Director of Finance was seconded to Powys Teaching Health Board from 1st November 2016 and P Gilchrist was Acting Director of Finance from 27th October 2016.
- B Edgar, Director of Human Resources was on long term sickness absence from 20th July 2016 until 17th January 2017, and seconded to NWSSP from 16th January 2017. K Lorenti became Acting Director of Human Resources from 1st October 2016.
- A Phillips, Director of Therapies & Health Sciences left on 12th April 2015 and A. Hall commenced as Interim Director of Therapies & Health Sciences on 1st July 2015 until 28th February 2017. C Morrell commenced as Director of Therapies & Health Sciences on 6th February 2017.
- V Franklin, Director of Nursing, was seconded on 31st October 2013 to take up a post with the Welsh Government for a period of two years, then to Public Health Wales from 1st November 2015. This arrangement continues but is kept under review by the Remuneration & Terms of Service Committee. C Williams commenced as Acting Director of Nursing on 1st November 2013 until 15th June 2014 and R Farrelly commenced as Director of Nursing and Patient Experience on 16th June 2014.
- M Berry, Non-Officer Member commenced on 30th April 2015.
- D Williams, Non-Officer Member commenced on 1st April 2016.
- C Goldberg, Non-Officer Member left on 31st March 2016.
- S Miller, Non-Officer Member, is a full time employee of the Health Board and as such, she has not received the remuneration that is normally paid to a Non-officer Member.

The former Chief Executive left the Health Board on 7th March 2017, receiving payments in line with the Settlement Agreement. These payments (excluding the payment for accrued but untaken annual leave) are disclosed in this report, and in full within the Annual Accounts within Note 3.3 (Expenditure on Hospital and Community Services) and also within Note 5.5 (Reporting of other compensation schemes – exit packages).

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce. The banded remuneration of the highest-paid director in the LHB in the financial year 2016/17 was £210,000 - £215,000 (2015/16, £210,000 - £215,000). This was 7.7 times (2015/16, 7.5) the median remuneration of the workforce, which was £27,552 (2015/16, £28,180).

As in 2015/16, the highest paid director in the LHB in 2016/17 was the Medical Director. Whilst the remuneration for the post of Medical Director is below that of the Chief Executive, the Medical Director is in receipt of a Clinical Excellence Award, the value of which when added to the remuneration as Medical Director results in the Medical Director becoming the highest-paid director.

The banded remuneration of the Chief Executive in the LHB in the financial year 2016/17 was £200,000 - £205,000 (2015/16, £200,000 - £205,000). This was 7.3 times (2015/16, 7.2) the median remuneration of the workforce, which was £27,552 (2015/16, £28,810).

In 2016/17, 3 (2015/16, 4) employees received remuneration in excess of the highest-paid director. Remuneration for staff ranged from £16,132 to £289,519 (2015/16 £15,350 to £223,472).

Total remuneration includes salary, non-consolidated performance-related pay, and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

The employees who received remuneration in excess of the highest paid director in 2016/17 were all medical staff as in 2015/16. None of these staff are related to the Chairman, Executive Directors or Non-officer Members.

4. Directors Pension Benefits

The NHS scheme requires that employees pay from 5% up to 14.5%, on a tiered scale, of their earnings, into the NHS Pension Scheme, with the employer contributing 14.3% (the employer's contribution to the NHS Pension Scheme is excluded from the salary figures shown below for Executive Directors).

Cash Equivalent Transfer Value

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just

their service in a senior capacity to which disclosure applies. The CETV figures and the other pension details include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS pension scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real Increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another scheme or arrangement) and uses common market valuation factors for the start and end of the period

The disclosures in the table below do not apply to non-officer members as they are not members of the NHS Pension Scheme and do not receive pensionable remuneration. This table excludes titles which remain as disclosed in the table in section 3 above. It should also be noted that the table below only includes Directors in post at 31st March 2016 since the NHS Pensions Agency is unable to provide the relevant information on pensions for staff who have left or are no longer acting as Executive Directors.

Name	Real Increase/ (Decrease) in Pension @ Age 60 (bands of £2,500) £000	Real Increase/ (Decrease) in Pension Lump Sum @ Age 60 (bands of £2,500) £000	Total accrued Pension at age 60 at 31 March 2017 (bands of £5,000) £000	Lump Sum at age 60 related to accrued Pension at 31 March 2017 (bands of £5,000) £000	Cash Equiv. Transfer Value at 01/04/2016 £000	Cash Equiv. Transfer Value at 31/03/2017 £000	Real increase in Cash Equiv. Transfer Value £000	Employer's contrib. to stake-holder pension £000
A Howells	5-7.5	5-7.5	45-50	130-135	697	791	87	0
P Gilchrist	5-7.5	20-22.5	40-45	130-135	835	1012	169	0

Name	Real Increase/ (Decrease) in Pension @ Age 60 (bands of £2,500) £000	Real Increase/ (Decrease) in Pension Lump Sum @ Age 60 (bands of £2,500) £000	Total accrued Pension at age 60 at 31 March 2017 (bands of £5,000) £000	Lump Sum at age 60 related to accrued Pension at 31 March 2017 (bands of £5,000) £000	Cash Equiv. Transfer Value at 01/04/2016 £000	Cash Equiv. Transfer Value at 31/03/2017 £000	Real increase in Cash Equiv. Transfer Value £000	Employer's contrib. to stake-holder pension £000
H Laing ³			90-95	280-285	1,988	1,988	0	0
R Farrelly ⁴	0-2.5		5-10		41	69	27	0
K Lorenti	5-7.5	15-17.5	15-20	50-55	212	334	120	0
S Hayes	0-2.5	2.5-5	35-40	110-115	779	835	48	0
S Harrop-Griffiths	0-2.5	(0-2.5)	40-45	110-115	679	724	39	0

5. Contracts of employment

All Executive Directors are on permanent Contracts of Employment. Executive Directors are required to give the Health Board three months notice and are eligible to receive three months notice from the Health Board. The policy on duration of contracts, notice period and termination periods is that set by the Welsh Government.

³ Despite being requested by the Health Board, the NHS Pensions Agency has determined not to supply information for this former member of the NHS Pension Scheme, as neither the member nor the Health Board made any contributions into the Scheme during 2016/17. Therefore, the latest available pension benefits for this member are those disclosed for the previous financial year to 31 March 2016

⁴ R Farrelly has no lump sum since he is in the 2008 NHS Pension Scheme only.

The only provisions for early termination are as allowed by the NHS Pension Scheme (compensation for premature retirement) regulations. In all other cases of early termination this will be as detailed in individuals' contract of employment.

6. Other information

There are no local pay bargaining initiatives within the Health Board. No payments have been made for Professional Indemnity Insurance for any Officer or Director.

7. Staff Report Section

This section of the report includes information on staff numbers, composition, sickness absence data, staff policies applied during the year, expenditure on consultancy, off-payroll engagements and exit packages.

7.1 Staff Numbers and Composition

The average number of employees by staff group for 2016/17 is set out in the table below, along with the comparison for 2015/16. The average is calculated as the whole time equivalent number of employees under contract of service at the end of each calendar month in the financial year, divided by the number of months in the financial year.

Staff Group	Permanent Staff	Agency Staff	Total 2016/17	2015/16
Administration, Clerical & Board Members	2,390	104	2,494	2,351
Medical & Dental	1,325	51	1,376	1,358
Nursing, Midwifery registered	4,456	84	4,540	4,525
Professional, Scientific & technical staff	472	1	473	455
Additional Clinical Services	2,752	43	2,795	2,706
Allied Health Professions	886	4	890	854
Healthcare Scientists	309	11	320	317

Staff Group	Permanent Staff	Agency Staff	Total 2016/17	2015/16
Estates and Ancillary	1,395	56	1,451	1,420
Students	14	0	14	14
Totals	13,999	354	14,353	14,000

This Health Board has 16,146 employees, of which 8 are Executive Directors. Of these staff, 3,515 are male, including 3 Executive Directors, and 12,631 are female, including 5 female Executive Directors.

There are also 10 Non-officer Members, of which 5 are male and 5 are female.

7.2 Sickness Absence Data

	2016/17	2015/16
Total days lost	290,047.56	274,930.45
Short Term Sickness (27 days or less)	81,514.99	74,236.82
Long Term Sickness (28 days or more)	208,532.56	200,693.64
Total staff years	13,880.68	13,557.84
Average working days lost	13	13
Total staff employed in period (headcount)	15,946	15,520

	2016/17	2015/16
Total staff employed in period with no absence (headcount)	5,916	6,487
Percentage staff with no sick leave	37.76%	41.64%

7.3 Staff Policies applied during the year:

The staff policy on equality was applied during the year to address the following:

- For giving full and fair consideration to applications for employment by the Health Board made by disabled persons, having regard to their particular aptitudes and abilities.
- For continuing the employment of, and for arranging appropriate training for, employees of the Health board who have become disabled persons during the period when they were employed by the Health Board.
- Otherwise for the training, career development and promotion of disabled persons employed by the Health Board.

7.4 Expenditure on Consultancy

As disclosed in Note 3.3 of the Health Board's Accounts, the Health Board incurred expenditure of £0.676m on Consultancy Services in 2016/17. Expenditure on Consultancy Services is incurred when outside expertise is required by the Health Board to support the Health Board in managing its services and functions on a day to day basis. Such examples include:

- Management Consultancy to support performance improvement through independent reviews of the Health Board's Clinical Services and benchmarking of clinical and other performance data.
- Management Consultancy to support the Health Board with staffing and other operational management issues.
- External advice and support to the Health Board in implementing staff development and training programmes including coaching for performance and mentoring.

7.5 Off-payroll Engagements

Table 1: For all off-payroll engagements as of 31 March 2017, for more than £220 per day and that last for longer than six months

No. of existing engagements as of 31 March 2017	31
Of which...	
No. that have existed for less than one year at time of reporting.	2
No. that have existed for between one and two years at time of reporting.	0
No. that have existed for between two and three years at time of reporting.	1
No. that have existed for between three and four years at time of reporting.	0
No. that have existed for four or more years at time of reporting.	28

Table 2: For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2016 and 31 March 2017, for more than £220 per day and that last for longer than six months

No. of new engagements, or those that reached six months in duration, between 1 April 2016 and 31 March 2017	2
No. of the above which include contractual clauses giving the department the right to request assurance in relation to income tax and National Insurance obligations	2
No. for whom assurance has been requested	2
Of which...	

No. for whom assurance has been received	0
No. for whom assurance has not been received	2
No. that have been terminated as a result of assurance not being received.	0

Table 3: For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2016 and 31 March 2017

No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	0
No. of individuals that have been deemed “board members, and/or, senior officials with significant financial responsibility”, during the financial year. This figure should include both off-payroll and on-payroll engagements.	0

It is confirmed that all existing off-payroll engagements, outlined above, have at some point been subject to a risk based assessment as to whether assurance is required that the individual is paying the right amount of tax, and where necessary, that assurance has been sought.

7.6 Exit packages

The figures disclosed relate to exit packages agreed in the year. The actual date of departure might be in a subsequent period, and the expense in relation to the departure costs may have been accrued in a previous period. The data here is therefore presented on a different basis to other staff costs and expenditure noted in the Health Board’s Annual Accounts.

	2016-17				2015-16
<u>Staff Numbers</u>					
Exit packages cost band (including any special payment element)	Number of compulsory redundancies	Number of other departures	Total number of exit packages	Number of departures where special payments have been made	Total number of exit packages
less than £10,000	0	0	0	0	0
£10,000 to £25,000	0	0	0	0	1
£25,000 to £50,000	0	0	0	0	0
£50,000 to £100,000	0	2	2	0	1
£100,000 to £150,000	0	0	0	0	1
£150,000 to £200,000	0	1	1	0	0
more than £200,000	0	0	0	0	1
Total	0	3	3	0	4
<u>Exit Packages Costs</u>					
Exit packages cost band (including any special payment element)	Cost of compulsory redundancies	Cost of other departures	Total cost of exit packages	Cost of special element included in exit packages	Total cost of exit packages
	£	£	£	£	£'
less than £10,000	0	0	0	0	0
£10,000 to £25,000	0	0	0	0	17,456
£25,000 to £50,000	0	0	0	0	0

	2016-17				2015-16
£50,000 to £100,000	0	103,433	103,433	0	54,177
£100,000 to £150,000	0	0	0	0	107,988
£150,000 to £200,000	0	166,665	166,665	0	0
more than £200,000	0	0	0	0	273,544
Total	0	270,098	270,098	0	453,255

Of the exit packages disclosed above:

- 2 packages comprise redundancy and other departure costs paid in accordance with the provisions of the NHS Voluntary Early Release Scheme (VERS); and
- 1 package relates to the former Chief Executive under a Settlement Agreement whereby the terms were approved by the Remuneration Committee and in accordance with Welsh Government guidance.

Exit costs are accounted for in full in the year of departure. Where the Health Board has agreed early retirements, the additional costs are met by the Health Board and not by the NHS pension's scheme. Ill health retirement costs are met by the NHS pension's scheme and are not included in the table.

1. Regularity of Expenditure

Regularity is the requirement for all items of expenditure and receipts to be dealt with in accordance with the legislation authorising them, any applicable delegated authority and the rules of Government Accounting.

The Abertawe Bro Morgannwg University Health Board ensures that the funding provided by Welsh Ministers has been expended for the purposes intended by Welsh Ministers and that the resources authorised by Welsh Ministers to be used have been used for the purposes for which the use was authorised.

The Health Board's Chief Executive is the Accountable Officer and ensures that the financial statements are prepared in accordance with legislative requirements and the Treasury's Financial Reporting Manual. In preparing the financial statements, the Chief Executive is required to:

- observe the accounts directions issued by Welsh Ministers, including the relevant accounting and disclosure requirements and apply appropriate accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed and disclosed and explain any material departures from them; and
- prepare them on a going concern basis on the presumption that the services of the Health Board will continue in operation.

2. Remote Contingent Liabilities

Remote contingent liabilities are made for three categories, comprising indemnities, letters of comfort and guarantees.

Indemnity in the legal sense may also refer to an exemption from liability for damages. The concept of indemnity is based on a contractual agreement made between two parties, in which one party agrees to pay for potential losses or damages caused by the other party

Letters of comfort, however vague, give rise to moral and sometimes legal obligations.

They should therefore be treated in the same way as any other proposal for a liability. Great care should be taken with proposals to offer general statements of awareness of a third party's position, or oral statements with equivalent effect. Creditors could easily take these to mean more than intended and threats of legal action could result.

Guarantees should normally arise using statutory powers. They typically involve guarantees against non-payment of debts to third parties.

The Health Board has identified remote contingent liabilities in the form of indemnities in respect of the net liability for remote clinical negligence and personal injury claims. This remote contingent liability comprises the first £25,000 of such claims with all indemnities above this value being met by the Welsh Risk Pool.

The value of remote contingent liabilities for 2016-17 is £1.150m and is disclosed in note 18.2 of the Health Board's accounts.