

## Structured Assessment 2022 – Digital Health and Care Wales

Audit year: 2022

Date issued: February 2023

Document reference: 3274A2022

This document has been prepared for the internal use of Digital Health and Care Wales as part of work performed/to be performed in accordance with statutory functions.

The Auditor General has a wide range of audit and related functions, including auditing the accounts of Welsh NHS bodies, and reporting to the Senedd on the economy, efficiency, and effectiveness with which those organisations have used their resources. The Auditor General undertakes his work using staff and other resources provided by the Wales Audit Office, which is a statutory board established for that purpose and to monitor and advise the Auditor General.

Audit Wales is the non-statutory collective name for the Auditor General for Wales and the Wales Audit Office, which are separate legal entities each with their own legal functions as described above. Audit Wales is not a legal entity and itself does not have any functions.

© Auditor General for Wales 2023

No liability is accepted by the Auditor General or the staff of the Wales Audit Office in relation to any member, director, officer, or other employee in their individual capacity, or to any third party in respect of this report.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to Audit Wales at [infoofficer@audit.wales](mailto:infoofficer@audit.wales).

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

Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

# Contents

Summary report	
About this report	4
Key messages	4
Recommendations	5
Detailed report	
Governance arrangements	7
Strategic planning arrangements	13
Managing financial resources	17
Managing the workforce, digital resources, the estate, and other physical assets	20
Appendices	
Appendix 1 – Audit approach	26
Appendix 2 – Management response to audit recommendations	28

# Summary report

## About this report

- 1 This report sets out the findings from the Auditor General's 2022 structured assessment work at Digital Health and Care Wales (DHCW). Our structured assessment work is designed to help discharge the Auditor General's statutory requirement to be satisfied that NHS bodies have made proper arrangements to secure economy, efficiency, and effectiveness in their use of resources under section 61 of the Public Audit (Wales) Act 2004.
- 2 Our 2022 Structured Assessment work took place at a time when NHS bodies continued to respond to the unprecedented and ongoing challenges presented by the COVID-19 pandemic. Health bodies were not only tackling the immediate challenges presented by the public health emergency but were also seeking to recover and transform services to respond to the significant numbers of people who are waiting for treatment and improve population health. NHS bodies and their Boards need to have sound corporate governance arrangements that can provide assurance to the public and key stakeholders that the necessary action is being taken to deliver high quality, safe and responsive services, and that public money is being spent wisely.
- 3 The key focus of the work has been on DHCW's corporate arrangements for ensuring that resources are used efficiently, effectively, and economically, with a specific focus on the organisation's governance arrangements; strategic planning arrangements; financial management arrangements; and arrangements for managing the workforce, digital assets, the estate, and other physical assets. The approach we adopted to deliver our work is summarised in **Appendix 1**.

## Key messages

- 4 Overall, we found that **DHCW is embedding good governance arrangements, and must now seek to further develop its role as a trusted digital partner to exploit digitally enabled service opportunities across Wales.**
- 5 DHCW's arrangements enable the Board and its committees to conduct their business effectively and transparently. Meetings are well chaired, with the quality of information presented supporting effective scrutiny and challenge from Independent Members. DHCW has plans in place to increasingly make use of patient and staff stories to highlight learning and support improvement.
- 6 The Board is beginning to stabilise following several key appointments to the Executive Team and Independent Member cadre. DHCW has commissioned an external provider to support Board development and cohesion following these changes. DHCW has developed and embedded appropriate systems of assurance, particularly around its board assurance, risk, and performance management frameworks. There is a good approach to self-review and improvement by the

Board and its committees, and arrangements for supporting Independent Member development are strengthening.

- 7 DHCW's Integrated Medium Term Plan (IMTP) 2022-25 clearly outlines its vision and strategic objectives over the short to medium term. However, there has been slow progress in developing the organisation's long-term strategy. The organisation has a good approach to planning, and arrangements for engaging with stakeholders on corporate plans and strategies are improving. Corporate strategies and plans clearly outline strategic objectives and outcomes, supported by appropriate arrangements to maintain oversight of plan delivery. However, a lack of target dates and milestones in some corporate plans and strategies inhibits effective progress monitoring.
- 8 DHCW's arrangements for securing financial balance are good. Whilst it has good financial planning arrangements, the funding model for its digital priorities investment and reliance on non-recurrent savings are a concern. In general, DHCW has effective financial controls, and effective monitoring and reporting arrangements, with proportionate scrutiny and challenge of financial information from Independent Members. However, the Board should seek greater assurances that risks to financial sustainability in the medium to longer term are being managed effectively.
- 9 DHCW prioritises staff wellbeing and provides some assurance to the Board that it is being adequately supported. However, risks around staff vacancies and recruitment will need to be managed appropriately to ensure there is no adverse impact on the current workforce. The IMTP outlines DHCW's digital approach up to 2025, and the quality of reporting provides sufficient assurance on the progress the organisation is making on its national infrastructure and delivery of national products and programmes. The Board has an agreed Estates Plan and Decarbonisation Strategy in place with appropriate governance arrangements to oversee them, but it needs to strengthen its oversight on the management and control of physical assets.

## Recommendations

- 10 Recommendations arising from this audit are detailed in **Exhibit 1**. DHCW's management response to these recommendations is summarised in **Appendix 2**.

### Exhibit 1: 2022 recommendations

#### Target dates and milestones in corporate plans and strategies

- R1 Whilst the IMTP 2022-25 and associated Business Plan are supported by clear target dates and milestones, this information is not available for other corporate plans and strategies. DHCW, therefore, should ensure that all corporate plans and strategies are underpinned by detailed delivery plans that

include target dates and milestones to facilitate effective progress monitoring and ensure appropriate Board-level assurance and scrutiny.

### **Financial sustainability**

R2 Arrangements for managing medium to long-term funding and savings risks need to be more visible at Board level. DHCW, therefore, should put arrangements in place to:

- a. demonstrate, via its Board Assurance Framework, that it is actively managing the medium and long-term risks associated with the sustainability of the Digital Priorities Investment Funding model; and
- b. provide greater assurance to the Board on the development and delivery of recurrent savings in the medium to long term to strengthen the future financial sustainability of the organisation.

### **Management of physical assets**

R3 Aside from Internal Audit reports in this area, the Board or its committees do not receive other assurances over the management of DHCW's physical assets. DHCW, therefore, should periodically provide assurance reports to the Board or the relevant committee that its physical assets (over a certain value and/or at risk of misappropriation) are being well managed.

# Detailed report

## Governance arrangements

- 11 In this section of the report, we provide our views on DHCW's governance arrangements, with a particular focus on:
- Board and committee effectiveness;
  - the extent to which organisational design supports good governance; and
  - key systems of assurance.
- 12 We found that **overall, DHCW is well led and has made positive progress in establishing and embedding appropriate arrangements to support good governance.**

## Board and committee effectiveness

- 13 We considered the extent to which the Board and its committees conduct their business effectively and support good governance. In examining this, we have looked at whether:
- the Board and its committees demonstrate appropriate levels of public transparency;
  - meetings are conducted appropriately supported by clear Schemes of Delegation, Standing Orders, Standing Financial Instructions, and Registers of Interest;
  - there is an appropriate and well-functioning committee structure below the Board;
  - the Board and its committees receive the right information, including views from staff and service users; and
  - there is evidence of sufficient self-review by the Board and its committees.
- 14 We found that **DHCW is embedding good and transparent governance arrangements, and has plans in place to strengthen its use of staff and patient feedback to support learning and improvement.**
- 15 DHCW demonstrates good levels of public transparency. Whilst all Board, committee, and advisory group meetings continue to be held virtually, only public Board meetings are livestreamed. However, recordings of Board and committee meetings are published on DHCW's website within two days, with the exception of Local Partnership Forum and Remuneration and Terms of Service Committee meetings due to the sensitive and confidential nature of the information they discuss.
- 16 Independent Members provide effective challenge on the use of private meetings to ensure as much business as possible is considered in public. As a result, private meetings are limited to sensitive and confidential matters only. We found that all private meetings held to date were appropriate, with good evidence of DHCW publishing abridged minutes on its website to enable transparency. To enhance

transparency further, DHCW may wish to consider including matters to be discussed in private on public Board and committee agendas.

- 17 Papers for all meetings are published on DHCW's website a week in advance in line with Standing Orders. Since July 2022, DHCW has started to make innovative use of QR codes to enable the public and other stakeholders to gain immediate access to Board papers from a digital device. DHCW intends to roll out this functionality to committee and advisory group meetings in 2023.
- 18 DHCW's arrangements support the effective conduct of Board business. Standing Orders, Reservation and Delegation of Powers, and Standing Financial Instructions are all up to date and reviewed annually by the Management Board, Audit and Assurance Committee, and Board. Declarations of interest are taken at the start of every Board and committee meeting. Appropriate arrangements are also in place for declaring, handling, and recording declarations of interest from Board members and staff in Band 8a posts and above. The registers are available on DHCW's website. This information is routinely presented to the Audit and Assurance Committee for review as part of the standards and behaviours report, which also includes details on gifts, hospitality, honoraria, and sponsorship.
- 19 DHCW's Board is beginning to stabilise following a number of changes during the year. Substantive appointments have now been made to the following key senior positions:
  - Executive Director of Strategy (started in April 2022);
  - Director of People and Organisational Development (started in May 2022);
  - Director of Primary, Community Care and Mental Health Digital Services (started in November 2022); and
  - Executive Director of Operations (starting in January 2023).

Whilst this is a positive development, the time taken to make appointments to these key positions has impacted the pace of delivering some organisational objectives, such as progressing work on DHCW's long-term strategy. Two new Independent Members also joined the Board in September 2022. DHCW has commissioned Deloitte to undertake work to support Board development and cohesion.

- 20 The Board and committees are working effectively. They have up-to-date terms of reference and maintain comprehensive action logs and annual cycles of business. Board and committee chairs are actively involved in agenda setting, and the agendas prepared for meetings are well balanced and appropriately focussed on relevant business.
- 21 Board and committee meetings are managed well by their respective chairs, who enable discussion on key issues and encourage contributions from all members. Board and committee members adhere well to DHCW's guidance on virtual meeting etiquette. There are also good simultaneous interpretation arrangements in place to enable members and others to contribute to Board meetings in Welsh



should they wish to do so. An English transcription is provided on DHCW's website following each meeting.

- 22 Meetings demonstrate an open and transparent culture, which is evidence of the positive working relationships that exist between Board members. Independent Members make good use of their previous experiences in both the public and commercial sectors to provide robust scrutiny and challenge. Overall, the scrutiny provided is appropriately strategic in nature. However, we identified a small number of instances where it appeared to stray slightly too much into operational detail.
- 23 DHCW has established good arrangements to ensure the quality and timeliness of information presented to the Board and committees. Papers are generally well structured and of sufficient length. They are not overly detailed or technical, and clearly direct the reader to key risks and matters requiring consideration which, in turn, support effective scrutiny, assurance, and decision-making. Cover reports follow an SBAR<sup>1</sup> format, and impact assessments are routinely completed, covering a range of criteria including strategic objectives, the five ways of working under the Well-being of Future Generations (Wales) Act 2015<sup>2</sup>, DHCW quality standards, and equality.
- 24 There are effective arrangements in place to support flows of assurance and the referral of information and risks between committees, and from committees up to the Board. Committees discuss items for escalation to the Board at the end of each meeting and submit regular highlight reports summarising the key matters discussed, decisions made, key risks, matters of concern, and any delegated action taken. Whilst these reports appear last on the Board agenda, they receive appropriate attention and Board members are afforded sufficient opportunities to ask questions or make comments.
- 25 Whilst DHCW has established listening and learning arrangements, they do not always give Board members sufficient insights into the experiences of staff, service users, and patients. Instead, they tend to focus on service or programme delivery. As a result, opportunities to highlight valuable learning and improve the quality of services are being missed. Work to address this is ongoing, however, we do recognise the challenges this presents for DHCW as an organisation that does not provide direct patient care.
- 26 Whilst there is limited use of staff stories in Board meetings, there are good mechanisms in place for sharing information across the organisation including the 'insider' staff newsletters, 'board insights' articles, and TenTalks<sup>3</sup> meetings which

<sup>1</sup> Situation, Background, Assessment, and Recommendation.

<sup>2</sup> The five ways of working as set out in the Well-being of Future Generations (Wales) Act 2015 are prevention, integration, collaboration, involvement, and long term.

<sup>3</sup> TenTalks are 30-minute, live organisational communication events held on specific topics, for example, counter fraud, organisational behaviour, and Board member introductions.

are well attended. The Corporate Governance Team has arranged a pilot Independent Member walkabout session focussing on the 'service desk', which could provide a good model going forward.

- 27 There are effective arrangements in place to support Board and committee self-review and evaluation. The Board, committees, and advisory groups have assessed and discussed their effectiveness, and an action plan has been developed to address the areas requiring improvement. Good progress has been made to date in delivering the identified improvements, with all but one of the actions complete.
- 28 DHCW has effective local induction arrangements in place for Executive Directors and Independent Members. There is a formal appraisal process in place for Independent Members and plans to introduce 360-degree Board member assessments. Whilst DHCW has established and delivered Board Development Sessions, covering a range of topics, they have received a mixed response from Board members. A supplementary Board Development Programme focussing on Board OD is currently being developed by Deloitte, as noted in paragraph 19.

## Organisational design

- 29 We considered the extent to which DHCW's organisational structure supports effective governance. In examining this, we have looked at whether:
- the responsibilities of Executive Directors are clear, and that they have balanced and equitable portfolios of work;
  - there is clarity on the role of the Board Secretary, and there are adequate resources in place to support the work of the Board and its committees; and
  - the organisational structure supports effective governance and facilitates whole-system working.
- 30 We found that **despite delays in appointing to key senior posts, the evolving structure is supporting good governance and effective joint-working.**
- 31 DHCW has been unable to finalise its corporate and operational structures due to the delays in filling key senior officer vacancies on a substantive basis. The delays have also had an impact on the portfolios of the Chief Executive and some Executive Directors who have been required to shoulder additional responsibilities whilst recruitment was underway. The organisation intends to stabilise portfolios and finalise structures as soon as the full Executive Team is in place. However, despite these delays, the evolving structure appears to be laying good foundations to support effective governance and enable joint working.
- 32 The Corporate Governance Team, led by the Board Secretary, provides good support to the Board and its committees. The Board Secretary is completely independent from operational delivery and has clear lines of accountability to the Chair for Board, Committee, and Advisory Group business. There is currently only one vacancy within the team – the Head of Corporate Governance role. The responsibilities of this role have temporarily been split between the Corporate

Governance Manager and Head of Corporate Services for Risk and Welsh Language. Whilst this arrangement has not had a negative impact on service quality, it may not be sustainable in the medium to long term.

## Systems of assurance

- 33 We considered the extent to which the Board and its committees oversee, scrutinise, and challenge organisational risks, performance, and quality of services. In examining this, we have looked at whether:
- there is an effective Board Assurance Framework (BAF) in place, which is actively reviewed and owned by the Board;
  - the BAF is underpinned by appropriate systems for managing risks and performance; overseeing the quality and safety of services; and handling information in a secure manner; and
  - effective action is taken to address audit and review findings and recommendations.
- 34 We found that **DHCW has generally effective systems of assurance in place, which continue to strengthen and evolve.**
- 35 DHCW has a detailed, comprehensive, and high-quality Board Assurance Framework (BAF), which was approved by the Board in May 2022. The Board intends to review the BAF twice yearly, in May and November. This approach appears to be reasonable given the size and risk profile of the organisations. However, there is scope to strengthen the role of committees in monitoring areas of the BAF that are not progressing adequately to complement the Board's six monthly review of strategic risks. Furthermore, as the BAF evolves and matures over time, DHCW will need to ensure it is actively used to inform and shape Board and committee business and ensure a continued focus on DHCW's strategic objectives and the potential threats and opportunities to achieving them.
- 36 DHCW has effective risk management arrangements that underpin its BAF, supported by a comprehensive suite of policies, procedures, templates, and training for staff at all organisational levels. The Corporate Risk Register (CRR) clearly articulates the organisation's corporate risks. Whilst it outlines actions to mitigate risks, there is scope to articulate controls more clearly. All corporate risks are reviewed monthly by the Management Board, allocated to the relevant risk owner and assurance committee, and actively reviewed and challenged by members. These arrangements are supported by operational Risk Management Groups.
- 37 The organisation effectively demonstrates that its risk management arrangements are helping to reduce the level of risks that the organisation is facing. We observed good scrutiny, challenge, and discussion during 'deep-dive' exercises on corporate risks undertaken by individual committees. Regular Board and committee risk management reports provide a good overview of risks escalated, removed, changes to risk scores, and risk trending analysis. For the period April 2021 to

September 2022, a total of 52 risks were escalated to the CRR. By September 2022, half of the risks had either been de-escalated or closed, with only seven remaining active throughout the 18-month period, demonstrating the effectiveness of the organisation's risk management arrangements.

- 38 DHCW has reasonably effective performance management arrangements in place. Performance is reported to the Board via the Integrated Organisational Performance Report (IOPR), which provides an overview of performance against a range of key indicators relating to finance, workforce, service delivery, quality, governance, engagement, and information management. Whilst service availability is reported in DHCW's annual report it is not included in the IOPR. Therefore, DHCW may wish to consider routinely including this key organisational metric in its performance report. On a quarterly basis, the IOPR also includes an update on the organisation's progress and impact in achieving its strategic objectives. Overall, the report provides a clear assessment of performance supported by good quantitative and qualitative information. However, there is scope to strengthen the IOPR, with clearer narrative on DHCW's performance position and actions being taken to address under-performance or unwanted variation.
- 39 DHCW has made improvements to its quality governance framework to ensure compliance with the new duties of quality and candour<sup>4</sup> when they come into force. It has established a quality assurance and regulatory compliance department, introduced quality groups, and developed a programme of risk-based audits on quality management standards. There is regular and effective reporting on compliance with quality standards to the Management Board and Audit and Assurance Committee.
- 40 DHCW's arrangements for providing assurance on cyber security and information governance are reasonably effective. The organisation has established a set of cyber security objectives for 2022-23 and the Board is well sighted on cyber security risks. Our observations of a private session of the Digital Governance and Safety (DGS) Committee found good scrutiny, challenge, and discussion amongst members on a recent cyber resilience report received by the organisation.
- 41 DHCW appears to be making good use of pan-Wales groups and networks, such as the All Wales Independent Member Digital Network, and its broader engagement with NHS bodies to raise the profile of cyber security risks. However, there is scope to strengthen arrangements for managing and/or mitigating cyber security and other complex and interdependent strategic risks on a multi-agency basis. To achieve this, there will need to be clarity of roles and responsibilities amongst DHCW and its partner organisations such as the Cyber Resilience Unit, the Welsh Government, and other health bodies. There is also an opportunity for DHCW to take a system leadership role in driving the cyber security agenda across the health and care system as a trusted digital partner.

<sup>4</sup> The new duties of quality and candour are being introduced under Health and Social Care (Quality and Engagement) (Wales) Act 2020 and come into force on 1 April 2023.

- 42 DHCW's information governance arrangements continue to evolve. The organisation's Information Governance Strategy is being updated to reflect the visions, aims, and objectives of the Information and Patient Safety Teams. However, as a new body, DHCW's role and responsibilities in respect of the National Information Governance Framework lack clarity and require formal agreement to reduce ambiguity when leading national information governance work. Information Governance Reports presented to the DGS Committee outline key information governance developments and performance. DHCW's performance against Freedom of Information and Subject Access Request targets for the period June 2021 to July 2022 has been reasonably good, with only a limited number of breaches. DHCW has also achieved a high level of compliance with the Welsh Information Governance Toolkit (98% overall), and action is underway to address areas requiring improvement.
- 43 DHCW has reasonably effective arrangements in place for monitoring and tracking progress against internal and external audit recommendations. Progress is regularly reported to the Audit and Assurance Committee, with reports providing a good overview of the implementation status of all recommendations. The October 2022 Audit Action Log report indicates DHCW's good progress in closing audit recommendations, with 11 out of 21 actions closed during the period July 2022 to October 2022. A six-month extension was granted to fully implement one action and the remaining nine actions are all on target for completion by their target date. Positively, DHCW is also tracking and reporting the opportunities for improvement arising from our [Baseline Review of Governance Arrangements](#). A recent Internal Audit review of the recommendation's tracker provided reasonable assurance overall and identified opportunities to improve the consistency and effectiveness of the tracking process.

## Strategic planning arrangements

- 44 In this section of the report, we provide our views on DHCW's strategic planning arrangements, with a particular focus on the organisation's:
- vision and strategic objectives;
  - Integrated Medium Term Plan;
  - planning arrangements; and
  - arrangements for implementing and monitoring the delivery of corporate strategies and plans.
- 45 We found that **DHCW has effective planning approaches, but further work is required to develop its longer-term strategy and to include milestones and targets in some plans to enable effective progress monitoring.**

## Vision, strategic objectives, and Integrated Medium Term Plan

- 46 We considered the extent to which there is a clear vision and long-term strategy in place for the organisation. In examining this, we have looked at whether:
- the vision and strategic objectives are future-focussed, and rooted in a detailed and comprehensive analysis of needs, opportunities, challenges, and risks;
  - the vision and strategic objectives have been developed and adopted by the Board; and
  - the IMTP was reviewed by the Board and submitted within the required timeframes in line with Welsh Government guidance.
- 47 We found that **the Integrated Medium Term Plan for 2022-25 clearly outlines DHCW's vision and strategic objectives over the short to medium term. However, it now needs to accelerate work on developing the organisation's long-term strategy.**
- 48 DHCW's Integrated Medium Term Plan (IMTP) 2022-25 clearly outlines its vision and strategic objectives over the short to medium term. The vision and strategic objectives focus on enabling and supporting the achievement of wider NHS strategic objectives as well as supporting the broader population health agenda. The IMTP also outlines the organisation's own priorities around digital innovation and national data standardisation. DHCW's strategic objectives are underpinned by four national objectives and 12 enabling portfolios outlining the work required to support its vision. Its fifth over-arching strategic objective of 'becoming a trusted strategic partner' is supported by a further six enablers.
- 49 The draft IMTP was discussed and approved by the Board in March 2022 and submitted to the Welsh Government within the required timeframe. The plan was formally accepted by the Minister for Health and Social Services, and feedback was broadly positive.
- 50 However, DHCW's progress in developing its long-term strategy has been slow partly due to the time taken to appoint an Executive Director of Strategy. DHCW has also decided to wait for the publication of the Welsh Government national Health and Care Digital Strategy before preparing its own. Some Board members have expressed concern around the pace of this work, indicating that it will be some time before a long-term strategy is in place. Nevertheless, one of the objectives within the IMTP is to develop the organisation's long-term strategy, and the appointment of the Executive Director of Strategy should ensure that its development remains a key area of focus.

## Planning arrangements

- 51 We considered the extent to which the Board maintains effective oversight of the process for developing corporate strategies and plans. In examining this, we have looked at whether:
- prudent and value-based healthcare principles are considered and reflected in corporate strategies and plans; and
  - corporate strategies and plans have been developed in liaison with relevant internal and external stakeholders.
- 52 We found that **DHCW has a good approach to planning, and arrangements for engaging with stakeholders continue to strengthen.**
- 53 DHCW has effective arrangements to oversee the development of corporate strategies and plans. There is a comprehensive internal business planning process in place, which is led by the Planning and Performance Management Group and supported by the Planning Team. We found evidence of good internal and external stakeholder engagement, as well as good use of data evaluation and analysis to understand and define priorities. DHCW has prepared a detailed Business Plan, which is based on the IMTP, and the Planning Team has engaged well with all operational areas to identify detailed objectives, milestones, and accountable officers. It has also assessed resource and capacity requirements to ensure the Business Plan is realistic and achievable.
- 54 DHCW engages well with stakeholders when developing corporate strategies and plans. The IMTP 2022-25, Research and Innovation Strategy 2022-25, and People and Organisational Development Strategy 2022-25 were developed in liaison with key internal stakeholders, including senior management and staff through a series of workshops. Board members were also given opportunities to comment on these strategies and plans through several Board Development Sessions. Board members were positive about their collective engagement in developing the IMTP, indicating there was constructive scrutiny, challenge, and discussion throughout which helped to strengthen the plan prior to its formal approval by the Board. DHCW also actively engaged with wider NHS organisations during the IMTP 2022-25 development process, both directly and through its membership of various pan-Wales groups. However, the Board will need to seek greater assurances that the organisation is managing the increasing number of digital priorities across NHS Wales.
- 55 Stakeholder engagement appears to be improving, and relationships between DHCW and NHS bodies are strengthening. Stakeholder engagement is identified as a key strategic driver in the IMTP. The organisation's Stakeholder Engagement Strategy outlines its intended approach to engagement and details several strategic principles and objectives to enable the organisation to be considered as a 'trusted digital partner'. DHCW monitors and reports its stakeholder engagement activity via the IOPR. The September 2022 report to the Board demonstrates high levels of activity in this area, particularly around service level review meetings, and

strategic engagement meetings. However, there is scope to increase reporting on the extent to which external partners and stakeholders regard DHCW as a ‘trusted digital partner’. The recent appointment of a Head of Engagement will ensure a proactive strategic focus on the Stakeholder Engagement Plan and the organisation’s interface with its key partners and stakeholders.

- 56 DHCW recognises its critical role in supporting the delivery of value-based healthcare. The National Data Resource platform, which is hosted by DHCW and aims to deliver a more joined-up approach to health and care data in Wales, is imperative to this approach. The organisation’s IMTP includes a ‘Value from Data’ portfolio which aligns to value-based healthcare principles and provides examples on how the organisation is helping to drive value from data for better patient outcomes and service planning. DHCW also works closely with the Welsh Value in Health Centre to enable Health Boards and Trusts to implement value-based healthcare approaches within their own organisations.

## Implementation and monitoring arrangements

- 57 We considered the extent to which the Board oversees, scrutinises, and challenges the implementation and delivery of corporate strategies and plans. In examining this, we have looked at whether:

- corporate strategies and plans contain clear milestones, targets, and outcomes that aid monitoring and reporting; and
- the Board receives regular reports on progress to deliver corporate strategies and plans.

- 58 We found that **while corporate strategies and plans include clear objectives, a lack of target milestones in some is inhibiting effective monitoring.**

- 59 Corporate strategies and plans approved by the Board during 2022 have clear Executive Director ownership. They contain clear and understandable strategic objectives, which are underpinned by outcome measures or actions for achievement. They are also supported by appropriate governance, delivery, and reporting arrangements. Whilst the IMTP 2022-25 is underpinned by a clear Business Plan containing target dates and milestones, this level of information does not appear to be available for other corporate strategies and plans, such as the Estates Plan, Research and Innovation Strategy, and the People and Organisational Development Strategy. This is inhibiting effective progress monitoring and limits opportunities for the Board and its committees to adequately oversee and scrutinise delivery (**Recommendation 1**).

- 60 DHCW’s Integrated Organisational Performance Report (IOPR) provides a quarterly overview of progress against delivery of the organisation’s strategic objectives. The report’s ‘plan on a page’ provides a useful overview of progress against each portfolio aligned to DHCW’s four strategic missions. This is supported by a more detailed narrative update commenting on delivery, intended impact, and situations of note. The report also provides an assessment of risk to delivering the



organisation's strategic objectives and includes commentary around current and future mitigating actions. However, there is scope to enhance the organisation's arrangements for providing assurance to the Board that corporate strategies and plans are achieving the desired impact and benefits.

## Managing financial resources

- 61 In this section of the report, we provide our views on DHCW's arrangements for managing its financial resources, with a particular focus on the organisation's:
- arrangements for meeting key financial objectives;
  - financial controls; and
  - arrangements for reporting and monitoring financial performance.
- 62 We found that **DHCW has a generally effective approach to financial planning, monitoring, and reporting; however, the organisation's funding model presents risks that need to be actively managed in the medium to long term.**

## Financial objectives

- 63 We considered the extent to which DHCW has effective arrangements in place to meet its key financial objectives. In examining this, we have looked at whether DHCW:
- met its financial objectives for 2021-22, and is on course to meet its financial duties in 2022-23; and
  - has a clear and robust financial plan in place, which includes realistic and sustainable savings and cost improvement plans.
- 64 We found that **DHCW achieved its financial objectives for 2021-22 and is forecasting a breakeven position for 2022-23. Whilst it generally has effective financial planning arrangements in place, the funding model for its digital priorities investment and reliance on non-recurrent savings pose a risk.**
- 65 DHCW met its financial objectives to break even for both revenue and capital expenditure in 2021-22. Whilst DHCW is forecasting an overall breakeven position for 2022-23, it has identified several key issues that may negatively impact on the year-end position, including: core vacancy position and recruitment; increased cyber security requirements; improvements initiatives (eg cloud adoption and product centred approach); and exceptional costs pressures including digital inflation.
- 66 DHCW's Financial Plan for 2022-23 was approved by the Board in March 2022 and supports the organisation's service and investment strategy which is outlined in the IMTP. The organisation has received a total of £152.257 million in revenue funding of which:

- £110.463 million was received from the Welsh Government, NHS Wales Service Level Agreements, all-Wales Digital Licensing, and other miscellaneous income<sup>5</sup>;
- £10.258 million received from the Welsh Government for its COVID-19 response; and
- £21.356 million received as part of the Digital Priorities Investment Fund (DPIF)<sup>5</sup>.

67 However, we found several issues around the complexity of the DPIF model which present challenges to the timely and efficient delivery of DHCW's plans. For example:

- the annual allocation of funding makes it difficult for DHCW to recruit into posts for multi-year programmes and projects;
- delays in receiving funding letters from the Welsh Government have resulted in DHCW funding programmes at risk; and
- the Welsh Government's recent DPIF budget review concluded that around £0.977 million was identified for reprofiling or return, which directly affected three projects.

The risks relating to DPIF were removed from the Corporate Risk Register during October 2022 upon receipt of the funding from the Welsh Government. However, the Board Assurance Framework does not clearly identify the arrangements for managing the medium to long-term risks associated with the sustainability of the funding model. **(Recommendation 2a)**. The lack of a sustainable funding model and certainty of investment will impact on the organisation's ambitions to become a trusted digital partner. However, we understand that the Welsh Government has now committed to reviewing the funding model by the end of March 2023.

68 DHCW's Financial Plan articulates a savings target of £2.457 million of which £1.139 million is recurrent and £1.318 million is non-recurrent. In November 2022, DHCW reported an overachievement on its savings target mainly due to vacancies within the organisation. Whilst this appears to be positive in terms of in-year savings performance, there is a risk to achieving savings targets in future years should the organisation recruit to these vacancies. The resulting shortfall in savings, coupled with unfunded growth areas such as cyber security and cloud storage, could therefore negatively impact on DHCW's future financial sustainability **(Recommendation 2b)**.

<sup>5</sup> DPIF is a Welsh Government fund which is used to drive digital improvement across the following key themes: transforming digital services for patients, the public and professionals, investing in data and intelligent information, modernising devices, moving to cloud services, cyber security, and resilience.

## Financial controls

- 69 We considered the extent to which DHCW has appropriate and effective arrangements in place for allocating, authorising, recording, and managing the use of its financial resources. In examining this, we have looked at whether:
- there are effective controls in place to ensure compliance with Standing Financial Instructions and Schemes of Delegation;
  - the Audit Committee maintains appropriate oversight of arrangements and performance relating to single tender actions, special payments, losses, and counter-fraud;
  - there are effective financial management arrangements in place; and
  - financial statements were submitted on time, contained no material misstatements, and received a clean audit opinion.
- 70 We found that **DHCW has generally effective financial controls in place.**
- 71 During 2022-23, the Internal Audit service completed a review of core financial systems which gave a reasonable assurance rating. We found appropriate reporting to the Audit and Assurance Committee on losses and special payments; high value and cumulative purchase orders; procurement; and compliance with Schemes of Delegation and Standing Financial Instructions. We observed appropriate scrutiny and oversight of the information presented.
- 72 The Audit and Assurance Committee also receives regular progress reports from the Local Counter Fraud Team. The October 2022 report highlights a range of activity underway to achieve the Counter Fraud Plan for 2022-23. However, it also indicates that there is a vacancy within the team. Whilst recruitment to this post is underway, the temporary reduction in staffing may have an impact on the remaining planned work for 2022-23.
- 73 DHCW's financial statements were prepared to a good standard and submitted for audit by the Welsh Government imposed deadline of 29 April 2022. These were considered by the Audit and Assurance Committee on 24 May 2022. Our audit identified no material misstatements, and we issued an unqualified audit opinion.

## Monitoring and reporting arrangements

- 74 We considered the extent to which the Board oversees, scrutinises, and challenges the organisation's financial performance. In examining this, we have looked at whether:
- reports to the Board provide a clear picture of the organisation's financial position, as well as the key financial challenges, risks, and mitigating actions taken; and
  - Board members sufficiently challenge ongoing assessments of the financial position.

- 75 We found that **financial scrutiny is good, but reporting on medium to long-term savings programmes needs to be strengthened.**
- 76 Financial performance is regularly reported to the Board. Finance reports provide sufficient information to enable scrutiny and challenge and include some detail in respect of progress against savings schemes. However, we found instances where the finance report and accompanying financial briefing duplicate information. We note that DHCW has started to use the finance report to summarise and synthesise the financial briefing and highlight key matters for consideration by the Board since November. This is a positive development which should continue into the future.
- 77 Whilst scrutiny and challenge on financial performance are relatively brief in Board meetings, Board members appear to have a good understanding of DHCW's financial objectives, risks, challenges, and the impact of non-recurrent savings on the organisation's future financial sustainability. However, given these financial risks, there are opportunities for Board members to seek greater assurances on the development and delivery of recurrent savings in the medium to long term (**Recommendation 2b**). DHCW is not required to appoint an Independent Member with financial expertise to its Board. Whilst this is not currently impacting on the quality of financial oversight, DHCW may wish to keep this under review should the opportunity arise in future to recruit an Independent Member with specific skills in this area.

## Managing the workforce, digital resources, the estate, and other physical assets

- 78 In this section of the report, we provide our high-level views on DHCW's arrangements for managing its wider resources, with a particular focus on the organisation's:
- arrangements for supporting staff wellbeing (please note we will be undertaking a separate review of the organisation's workforce planning arrangements);
  - arrangements for managing its digital resources; and
  - arrangements for managing its estate and other physical assets.
- 79 We found that **DHCW has a good commitment to supporting staff wellbeing and good strategic approaches in place for managing its digital resources and the estate. However, its arrangements for managing physical assets require strengthening.**

## Supporting staff wellbeing

- 80 We considered the extent to which DHCW has appropriate and effective arrangements in place for supporting staff well-being. In examining this, we have looked at whether:
- mechanisms to seek staff views about their wellbeing needs are effective, and appropriate action is taken to respond to findings; and
  - actions to support and improve staff wellbeing are actively monitored by the Board, including actions taken in response to our report on how NHS bodies supported staff wellbeing during the COVID-19 pandemic<sup>6</sup>.
- 81 We found that **DHCW’s arrangements give the Board some assurance that staff wellbeing is being adequately supported. However, risks around staff vacancies need to be well managed to ensure that this does not negatively impact the wellbeing of existing staff and impede service delivery to the wider NHS.**
- 82 DHCW’s IMTP and People and Organisational Development Strategy clearly identify staff wellbeing and engagement as a key organisational priority. DHCW aims to help staff develop emotional intelligence, wellbeing, and personal skills alongside their technical competence to deliver a best-in-class service. The People and Organisational Development Strategy identifies several key deliverables to achieve this, building on initiatives introduced during the pandemic.
- 83 DHCW has good arrangements in place for identifying, promoting, delivering, and evaluating innovative initiatives to improve staff health and wellbeing. Whilst reporting on health and wellbeing activity is good, reports do not provide adequate assurance that they are achieving the desired impact. This could be addressed by putting arrangements in place to enable Independent Members to engage directly with staff to gauge their morale, and better understand the day-to-day issues affecting them.
- 84 Our Taking Care of the Carers report made several recommendations to health bodies around staff wellbeing. DHCW is making good progress in implementing these recommendations – four have been completed to date, and the remaining two are ongoing or partially complete.
- 85 DHCW is experiencing significant recruitment challenges in a highly competitive market. The Corporate Risk Register (CRR) articulates staff vacancies as a key/high risk, and outlines the potential negative impacts on staff wellbeing, as well as on service deliverables and timescales, which may ultimately result in delays to system support and new functionality for NHS Wales users. Whilst the CRR identifies a range of current and forward actions to mitigate the risk, the trend in risk score has remained the same since January 2022. Whilst staff headcount has increased, and will continue to do so during 2022-23, there has been a small but

<sup>6</sup> [Taking care of the carers? How NHS bodies supported staff wellbeing during the COVID-19 pandemic.](#)

steady increase in staff turnover, which stood at 8.35% in August 2022 against a target of 7.5%. DHCW, therefore, will need to monitor its vacancies and staff turnover closely as the organisation continues to grow, and more demands are placed on its services to ensure that this situation does not adversely impact on the wellbeing of existing staff and service delivery to the wider NHS in Wales.

## Managing digital resources

- 86 We considered the extent to which DHCW has appropriate and effective arrangements in place for managing its digital resources. In examining this, we have looked at whether:
- there is a Board approved digital strategy in place which seeks to harness and exploit digital technology to improve the quality, safety, and efficiency of services, as well as to support new models of care and new ways of working; and
  - benefits arising from investments in digital technology are actively monitored by the Board.
- 87 We found that **DHCW's short to medium-term digital strategy is clearly captured in the IMTP. Whilst there is good reporting on the delivery of digital project portfolios, there needs to be a greater focus on monitoring and reporting benefits realisation.**
- 88 Whilst DHCW does not currently have a separate Digital Strategy, its IMTP clearly sets out the Board approved strategic approach which outlines five strategic missions underpinned by 12 portfolios. There is clear alignment between strategic and operational goals and the identification of enablers to deliver the clinical services priorities of wider NHS bodies. Plans contain detailed milestones for 2022-23 and broader annual ones for 2023-24 and 2024-25. DHCW is currently working on a separate longer-term digital strategy that will follow the publication of the Welsh Government's Health and Care Digital Strategy in early 2023.
- 89 DHCW's strategic intent supports findings from the all-Wales IT Infrastructure Review 2020, highlighting the need for change to aging NHS Wales digital systems. It articulates the need for long-term investment in modern, reliable infrastructure and the need to embrace the use of cloud services and an open architecture approach. Accompanying investment is emphasised over short-term, quick fixes for software and hardware, that carry their own risks.
- 90 The benefits of digital are set out in DHCW's 'Road Maps'. However, realising those benefits requires secure, reliable infrastructure which ultimately makes data available. DHCW has identified the case for more long-term investment to keep pace with demand and mitigate risks of failure from software updates, support issues and cyber-related threats
- 91 The organisation's Cloud Strategy sets out the case for continuing to build scalable, innovative, and elastic infrastructure and technology platforms to support future requirements within DHCW and across the NHS in Wales. The plan entails a

cloud-first approach with an overview of timelines for adoption of both new and existing workloads by 2024, underpinned by the goals of DHCW's Business Plan. DHCW is also establishing an internal cloud governance group – the Cloud Council – to oversee the shift to Cloud.

- 92 A regular Digital Programme Overview Update is provided to the Management Board, and the Digital Governance and Safety Committee. The reports highlights progress against national digital programmes such as National Data Resource (NDR), Welsh Nursing Care Record, and Welsh Emergency Department System (WEDS). The Corporate Planning Project Portfolio Update appended to the report provides a useful overview of the progress for each programme which includes information on the status of each project, actions, responsible officers, and mitigating actions. The latest report presented in November 2022 identifies two of the 19 programmes were categorised as green (good may require refinement), 16 amber (requires attention) and one red (highly problematic). However, there is scope to enhance these reports to provide greater detail on challenges, risks, and the delivery of intended benefits to DHCW and the wider health and care system.
- 93 In January 2023, DHCW will acquire two digital programmes from Public Health Wales, the Laboratory Information Network Cymru (LINC) and Radiology Informatics System (RISP). The organisation will then be required to manage the implementation and associated risks of these programmes.
- 94 Many of the national programmes hosted by DHCW have external programme governance arrangements leading to some ambiguity and lack of clarity around accountability and responsibility for their delivery. As a result, both the Welsh Government and DHCW commissioned an independent governance review in November 2022 to simplify and provide greater clarity around these arrangements.
- 95 DHCW hosts a number of national financial systems which are used by other NHS organisations in Wales. We review the ICT environment and application controls that are applied to these systems on an annual basis for the purposes of providing assurance for NHS financial audit opinions. The controls we examined in 2020-21 assured us that financial values produced by the systems were likely to be free from material misstatement, although some controls could be strengthened. Our findings were considered by the Audit and Assurance Committee in private in October 2021, and DHCW has prepared an action plan to address the areas requiring improvement. We have recently concluded our 2021-22 review and will be presented our findings to the Audit and Assurance Committee in February 2023.

## Managing the estate and other physical assets

- 96 We considered the extent to which DHCW has appropriate and effective arrangements in place for managing its estate and other physical assets. In examining this, we have looked at whether:
- there are Board-approved strategies and plans in place for managing the organisation's estates and its wider physical assets;

- there are appropriate arrangements in place for the Board to review, scrutinise, challenge, and approve significant capital projects and programmes; and
- there are appropriate arrangements in place for the Board to maintain appropriate oversight of the condition of the estate and other physical assets.

97 We found that **whilst DHCW has a good strategic approach to estates management and decarbonisation, action is required to strengthen Board assurance on the management of physical assets.**

98 DHCW has developed a three-year Estates Plan, which was presented to the Board in November 2022. The plan identifies the need to review and define future estates requirements in terms of location, required area/space, and suitability in light of several factors including: the decarbonisation agenda, the impact of the COVID-19 pandemic on working practices, opportunities for estates rationalisation, current lease arrangements, and creating suitable spaces to support collaborative working with partner organisations. In paragraph 59, we comment on the lack of clear milestones and targets in some corporate strategies including the Estates Plan, which inhibits effective monitoring of progress.

99 DHCW has also developed a Decarbonisation Strategy and Delivery Plan in response to the 2021 NHS Wales Decarbonisation Strategic Delivery Plan. The delivery plan is designed to enable DHCW to achieve the NHS Wales targets of 16% and 34% emissions reductions in 2025 and 2030 respectively. DHCW has established a Decarbonisation Group, which includes representatives from Estates, Infrastructure, Commercial Services, Finance and People and Organisational Development.

100 The Audit and Assurance Committee receives a regular Decarbonisation, Estates and Compliance Report, which clearly outlines estates information, progress against the DHCW Decarbonisation Plan, ISO 14001 certification, compliance statistics, and health and safety statistics. We found that DHCW's performance in these areas is broadly positive.

101 DHCW has established a programme of inspections to verify its compliance with health, safety, and environmental legislation, reduce and eliminate risks that may cause an incident, and ensure audit compliance with environmental management standards. Inspection reports provide a summary of the inspection alongside a checklist identifying the assessment criteria and actions required to address issues or risks identified. The findings from Inspection reports are summarised in the Decarbonisation, Estates and Compliance reports provided to Audit and Assurance Committee.

102 During our review, the Local Counter Fraud Team was investigating a suspected theft of DHCW IT equipment. As part of its response to the incident, DHCW commissioned the Internal Audit service to complete an advisory review around IT stock management which made several recommendations for improvement. The Audit and Assurance Committee considered the report during a private meeting in



October 2022. Aside from Internal Audit reports in this area, the Board or its Committees do not currently receive other assurances that DHCW's physical assets are being managed well (**Recommendation 3**).

# Appendix 1

## Audit approach

Exhibit 2 sets out the approach we adopted for delivering our structured assessment work at DHCW.

### Exhibit 2: audit approach

Element of audit approach	Description
Observations	<p>We observed Board meetings as well as meetings of the following committees:</p> <ul style="list-style-type: none"><li>• Digital Governance and Safety Committee;</li><li>• Audit and Assurance Committee; and</li><li>• Local Partnership Forum.</li></ul>
Documents	<p>We reviewed a range of documents, including:</p> <ul style="list-style-type: none"><li>• Board and Committee Terms of Reference, work programmes, agendas, papers, and minutes;</li><li>• key governance documents, including Schemes of Delegation, Standing Orders, Standing Financial Instructions, Registers of Interests, and Registers of Gifts and Hospitality;</li><li>• key organisational strategies and plans, including the IMTP;</li><li>• key risk management documents, including the Board Assurance Framework and Corporate Risk Register;</li><li>• Key reports relating to organisational performance and finances;</li><li>• Annual Report, including the Annual Governance Statement;</li><li>• relevant policies and procedures; and</li><li>• reports prepared by the Internal Audit Service, Health Inspectorate Wales, Local Counter Fraud Service, and other relevant external bodies.</li></ul>

Element of audit approach	Description
Interviews	<p>We interviewed the following Senior Officers and Independent Members:</p> <ul style="list-style-type: none"><li>• Chair of Digital Health and Care Wales;</li><li>• Chief Executive;</li><li>• Executive Director of Strategy;</li><li>• Executive Director of Finance;</li><li>• Chair of the Digital Governance and Safety Committee;</li><li>• Chair of the Audit and Assurance Committee;</li><li>• Board Secretary; and</li><li>• Corporate Governance Manager.</li></ul>

# Appendix 2

## Management response to audit recommendations

Exhibit 3: management response

Recommendation	Management response	Completion date	Responsible officer
R1 Whilst the IMTP 2022-25 and associated Business Plan are supported by clear target dates and milestones, this information is not available for other corporate plans and strategies. DHCW, therefore, should ensure that all corporate plans and strategies are underpinned by detailed delivery plans that include target dates and milestone to facilitate effective progress monitoring and ensure appropriate Board-level assurance and scrutiny.	DHCW will ensure corporate plans and strategies being presented to the SHA Board have target dates and milestones to ensure progress monitoring can take place by Board members.  If a plan or strategy is approved by the SHA Board, we will ensure an associated implementation plan is included on the SHA Board forward work plan over oversight.	December 2023	Board Secretary

Recommendation	Management response	Completion date	Responsible officer
<p>R3 Arrangements for managing medium to long-term funding and savings risks need to be more visible at Board level. DHCW, therefore, should put arrangements in place to:</p> <ul style="list-style-type: none"> <li>a. demonstrate, via its Board Assurance Framework, that it is actively managing the medium and long-term risks associated with the sustainability of the Digital Priorities Investment Funding model; and</li> <li>b. provide greater assurance to the Board on the development and delivery of recurrent savings in the medium to long term to strengthen the future financial sustainability of the organisation.</li> </ul>	<p>Sustainable funding model has been included within the Board Assurance Framework under strategic mission 5. Progress against key control and assurance gaps and required actions will be monitored by the SHA Board through the BAF reporting.</p> <p>DHCW will report to the board on the medium and longer-term savings plans options and delivery as part of the financial report.</p>	<p>January 2023</p> <p>March 2023</p>	<p>Executive Director of Finance</p> <p>Executive Director of Finance</p>

Recommendation	Management response	Completion date	Responsible officer
<p>R3 Aside from Internal Audit reports in this area, the Board or its committees do not receive other assurances over the management of DHCW's physical assets. DHCW, therefore, should periodically provide assurance reports to the Board or the relevant committee that its physical assets (over a certain value and/or at risk of misappropriation) are being well managed.</p>	<p>DHCW will ensure that Estates and Compliance reports continue to be a standing item at the Audit and Assurance Committee meeting. In addition to ensuring DHCW continue to undertake an annual validation of all current capital assets. We will also look to provide twice yearly reports to the Audit &amp; Assurance Committee highlighting additions and disposals of assets.</p>	<p>January 2023</p>	<p>Executive Director of Finance / Executive Director of Operations</p>





Audit Wales  
24 Cathedral Road  
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: [info@audit.wales](mailto:info@audit.wales)

Website: [www.audit.wales](http://www.audit.wales)

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