

# Structured Assessment 2022 – Health Education and Improvement Wales

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# Summary report

## About this report

- 1 This report sets out the findings from the Auditor General's 2022 structured assessment work at Health Education and Improvement Wales (HEIW). 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 HEIW'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 **HEIW has good governance arrangements in place, key systems of assurance continue to mature, and the Board is setting a clear strategic direction for the organisation. Financial resources are managed well, and staff wellbeing is a clear priority. We have identified a small number of improvements to further enhance public transparency of Board business, strengthen financial reporting and improve compliance with PADR targets.**
- 5 HEIW has good governance arrangements in place, with a clear commitment to learning. It has a stable executive team and organisational structure which it is looking to continually strengthen. The organisation has good systems of assurance and has received substantial assurance internal audit reports on risk and performance management. It is in the latter stages of implementing its multi-professional education and training quality framework and has made considerable progress on information governance. There are, however, opportunities to further enhance the transparency of Board business, and improve the timeliness of the reviews it undertakes on Board and committee effectiveness.

- 6 HEIW has a clear, Board-approved vision and strategic aims aligned to key national strategies and Ministerial priorities. This is supported by robust planning arrangements underpinned by good scrutiny, and wide reaching internal and external stakeholder engagement and involvement. Although it is not a legislative requirement for Ministerial approval, the Welsh Government considers HEIW's Integrated Medium Term Plan (IMTP) approvable. HEIW has clear monitoring frameworks for plans with set deliverables and intended outcomes, with the Board receiving quarterly progress updates on delivery. At an operational level HEIW is taking steps to better align its strategic and education commissioning planning cycles, which respectively work to financial and academic calendars.
- 7 HEIW achieved its financial duty for 2021-22 and has a clear financial plan which spans five years (between 2022-23 and 2026-27). It continues to have good systems of financial control and is taking steps to strengthen the procurement service it receives. The organisation's financial reports are clear and regularly scrutinised by the Board. While HEIW is in the process of improving financial reporting to Board, there is an opportunity to better explain the consequences of underspends.
- 8 HEIW has good arrangements in place to support the wellbeing of its staff as well as the wider NHS. However, Performance Appraisal and Development Reviews (PADR) compliance is not achieving the set target. The organisation is prioritising digital development and is aiming to have its first digital strategy in place by March 2023. We found that digital initiatives and plans receive good Board level oversight. HEIW manages a small capital budget well, although the risk is lower than we see in other NHS bodies because it has few physical assets.

## Recommendations

- 9 Recommendations arising from this audit are detailed in **Exhibit 1**. HEIW's management response to these recommendations is summarised in **Appendix 2**. (Appendix 2 will be completed once the report and management response have been considered by the relevant committee.)

## Exhibit 1: 2022 recommendations

### Recommendations

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#### Public transparency of Board business

- R1 We found that elements of HEIW's website are not updated in a timely fashion. This relates to unconfirmed minutes of Board and committee meetings, recordings of committee meetings, Standing Financial Instructions, and Board declarations of interest. To further enhance public transparency of Board business, HEIW should ensure:
- a) unconfirmed Board and committee minutes and/or meeting recordings are published on HEIW's website within 14 days of a meeting taking place;
  - b) the most recent version of key governance documents underpinning the organisation's arrangements, such as Standing Financial Instructions and Board declarations of interest, are publicly available on the website.
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#### Board and committee effectiveness reviews

- R2 We found that there are opportunities to improve the timeliness and transparency of Board and committee effectiveness reviews: HEIW should ensure:
- a) all effectiveness reviews are completed in time to feed into annual reporting cycles such as the annual governance statement; and
  - b) that action plans resulting from effectiveness reviews are presented at public Board and committee sessions.
- 

#### Financial reporting

- R3 Building on the work HEIW is doing to improve its financial reports, it should enhance financial reporting by including an explanation of the short and medium-term consequences of any underspends.
- 

#### PADR compliance

- R4 We found that HEIW is not meeting its target for PADR compliance. At the end of 2021-22, compliance was 70% against a target of 85%. HEIW should report the specific actions it is taking to improve this target in its integrated performance report, with a view to achieving 85% by March 2023.

# Detailed report

## Governance arrangements

- 10 In this section of the report, we provide our views on the HEIW'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.
- 11 We found that: **HEIW has good governance arrangements in place, a stable organisational structure and key systems of assurance continue to mature. But there is scope to enhance the transparency of Board business.**

## Board and committee effectiveness

- 12 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.
- 13 We found that **HEIW has good arrangements to support the conduct of Board and committee business and there is a good focus on learning. But there is a need for key documents and papers to be updated on its website sooner and improve the timeliness of Board and committee effectiveness reviews.**
- 14 HEIW has kept its virtual meetings under review as COVID-19 restrictions have started to relax. In March 2022, it began a phased return to face-to-face meetings by holding a hybrid Board meeting (in-person and virtual). Subsequent Board and committee meetings have adopted this model, and these generally work well. Moving forward, HEIW envisages continuing with a hybrid model. As a national body, this flexibility will potentially allow HEIW to continue to attract independent members from across Wales.
- 15 HEIW continues to ensure that papers are circulated to members and uploaded to its website seven days ahead of meetings. During the pandemic, HEIW started to publish unconfirmed Board and committee minutes on its website within 14 days of meetings. While HEIW reported that this arrangement has continued, we found

unconfirmed minutes on the website were not up to date<sup>1</sup>. Recordings of Board and committee meetings are also available via the organisation's website. However, a review of the website shows that recordings of Board meetings are up to date, but committee meeting recordings<sup>2</sup> are not. (**Recommendation 1a**).

- 16 The organisation's arrangements support the effective conduct of Board business. HEIW reviews its standing orders, scheme of reservation and delegation, and standing financial instructions annually. These were recently updated, receiving Board approval in July 2022 following scrutiny by the Audit and Assurance Committee. Both standing orders and standing financial instructions are available on HEIW's website, although the standing financial instructions are not the current version (**Recommendation 1b**). HEIW is due to host the Office of the Chief Digital Officer and the standing orders are updated to reflect this. However, HEIW and the Welsh Government are still working through the details of the hosting arrangement.
- 17 The Audit and Assurance Committee receives the register for gifts, hospitality and sponsorship and declarations of interest for all budget holders once a year, which it last reviewed in October 2021. We routinely observe declarations of interest taken at the start of Board and committee meetings as a standing item on all agendas. Declarations of interest made by the Board members are on HEIW's website, but the document needs updating as the declarations are from March 2021 (**Recommendation 1b**).
- 18 HEIW continues to have a relatively stable Board. The Board successfully recruited two new independent members, who took up post in January and August 2022. For the first time since March 2021, HEIW was due to have a full complement of independent members, but in May 2022 a member left, meaning the Board is still one member short. As HEIW has a small Board, any vacancies inevitably increase the workload for existing members. To ensure Board and committee meetings are quorate, members are flexible about meeting dates. Hybrid meetings also enable better attendance. HEIW reported that the recruitment process for a new independent member is underway. In general, independent members' terms are staggered. This reduces the risk of losing knowledge and experience when terms end and minimises Board instability.
- 19 HEIW has a small Board and committee structure, which appropriately reflects the organisation's business. Last year we reported the set-up of two new sub-groups of the Education, Commissioning and Quality (ECQ) Committee. These being the Internal Multi-Professional Education Group, and the External Education Group.

<sup>1</sup> Our review of the website in September 2022 found that the following unconfirmed minutes were not available: Board meetings held in May, June and July 2022, Audit and Assurance Committee held in June and July 2022 and ECQ Committee held in July 2022.

<sup>2</sup> Our review of HEIW's website in September 2022 found the following committee meeting recordings were unavailable: Audit and Assurance Committee held in June and July 2022 and ECQ Committee held in July 2022. Committee meeting recordings from 2021 were also not available.



On reflection, HEIW felt the sub-groups were not working as intended and stood both down. Instead, in November 2021, HEIW established a Stakeholder Reference Group, which reports to the Board via the chairs and vice-chairs report. The purpose of the group is to inform HEIW's strategic planning and decision making. As such, the group considers a range of strategies and plans which include HEIW's IMTP and Education and Training Commissioning Plan. This is a pragmatic approach to stakeholder engagement which complements existing methods of engagement. Also, because it is not a sub-group of the ECQ Committee, the group is not limited in its focus. The group is relatively new, but interviewees were positive about how it is working.

- 20 We found that independent and executive Board members continue to have a healthy relationship, which in turn facilitates informal and formal flows of information. We continue to observe independent members offering a good balance of challenge and support. From our observations, we note that independent members often scrutinise officers on the impact or value of the organisation's activities. It is therefore encouraging to note that HEIW is working to try and better triangulate performance and finance information.
- 21 The Board and its committees have a forward work programme which is agreed at the start of each year. This ensures the Board know what to expect, that governance and strategic matters are covered appropriately, and agendas are planned according to the organisation's business. We note that there is a level of flexibility built into the work programmes.
- 22 HEIW continues to produce good quality meeting papers, supported by a generally concise cover report highlighting key points for members to consider. At times papers are lengthy but this is usually when the Board or committees are considering items such as strategic plans or annual reports. Whilst interviewees felt that the quality of meeting papers is getting better, they also raised some concerns. For example, the increased length of papers, meaning independent members need to substitute their own time to review papers. Given the small number of independent members, there is a need to ensure a balanced time commitment. Some were concerned that this could hinder the diversity of future independent member applicants, potentially making the role less appealing for those with wider work or care-giving responsibilities.
- 23 Each year the Board and committees undertake an effectiveness review. We found that the timings of the reviews for 2021-22 span between December 2021 and July 2022. As the findings of the reviews feed into annual reporting cycles, such as the annual governance statement, completion of the reviews should be timed accordingly (**Recommendation 2a**). There is also a lag in reporting the results because the committees generally only meet quarterly<sup>3</sup>. The results of the reviews

<sup>3</sup> The Board discussed the results of its effectiveness review in its February 2022 development session and the Audit and Assurance Committee at its June 2022 private committee session. The ECQ Committee is due to discuss its results in September 2022.

are discussed in private sessions, but there would be merit in considering the resulting action plans in public (**Recommendation 2b**).

- 24 HEIW continues to offer good Board training and development opportunities. During 2021-22, Board development sessions covered topics such as the Nurse Staffing Levels Act, equality, diversity and inclusion, and developing a quality framework. The Board has agreed a forward work programme for 2022-23 development sessions. The Board also receives ad-hoc training and technical briefings, which independent members value. Since last year, HEIW has introduced inductions for independent members who are new to a particular committee. This is a positive development which will benefit current and future Board members.

## Organisational design

- 25 We considered the extent to which HEIW'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.
- 26 We found that **HEIW's Executive Team and organisational structure are stable. Some planned adjustments to the structure will address skills gaps and better balance responsibilities.**
- 27 Our 2021 Structured Assessment reported concerns about the number of secondees in the Executive Team. While there have been changes this year, overall, the Executive Team has stabilised. In April 2022, the Director of Planning, Performance and Corporate Services left. HEIW has decided not to replace this post, which was a secondment, as the organisation has strategic planning expertise within directorates. The Director of Digital Development and Director of Workforce and Organisational Development are now permanently appointed. The Interim Director of Finance and Corporate Services has been in post since December 2021, when the previous Director of Finance retired. HEIW is hoping to recruit substantively to this post during Autumn 2022.
- 28 HEIW has a stable organisational structure. Some changes are planned with the intention to address gaps in areas such as strategic workforce planning, workforce intelligence and digital. The medical and nursing directorates are the largest and the executive directors' portfolios reflect this. Work is underway to review structures in these two directorates to better balance responsibilities within the directorates to ensure the two executives directors are not overburdened.
- 29 The Corporate Governance Team, led by the Board Secretary, continues to support the Board well. Interviewees were complimentary about the support they

receive. There have been very few changes to the team since our last Structured Assessment. The team has sufficient capacity and is currently recruiting to a vacant administrative post.

## Systems of assurance

- 30 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.
- 31 We found that **HEIW has good systems of assurance, quality arrangements are improving, and it has made considerable progress against previously poor information governance arrangements.**
- 32 In April 2022, internal audit issued a substantial assurance report on HEIW's risk management arrangements. The review focused on the application of the risk management policy at an operational level and the use of the BAF to monitor risks that impact strategic objectives.
- 33 The Board's annual review of its BAF last took place in November 2021. Last year, we noted that following our 2019 recommendation, HEIW had developed a strategic risk control framework. Positively, the framework now forms part of the BAF, which it supports by mapping controls and key sources of assurance against HEIW's strategic risks. The internal audit review found that key assurance methods set out in the framework are regularly reported to the Board and its committees. The Board, Audit and Assurance Committee, and senior leaders continue to regularly scrutinise the corporate risk register, which provides assurance on the BAF.
- 34 The Board also reviews its risk appetite and tolerances, and risk management policy annually (March and July 2022 respectively). This resulted in minor changes to the risk management policy and addressed two low priority recommendations made by internal audit. These related to updating the training section of the policy to reflect current practice and updating the risk register template to better link risks to HEIW's strategic objectives.
- 35 The Board approved the Integrated Performance Framework in January 2021. This clearly sets out the roles, responsibilities and mechanisms for performance management. As per the framework, the Board receives the integrated performance report on a quarterly basis. The report provides delivery updates against strategic plans as well as organisational measures. The integrated

performance report is a predominantly narrative based report, including an overall summary and appended detailed narrative and dashboard. Interviewees highlighted concerns about the quality and consistency of workforce data presented in performance papers. Our planned review of workforce planning arrangements will examine this issue further. In June 2022, internal audit issued a substantial assurance report on performance management, specifically the six-monthly directorate level performance reviews. These take the form of a presentation delivered to the Executive Team, covering a range of performance aspects.

- 36 The quality of health education and training has a direct impact on patient safety. Last year, we found that HEIW is enhancing and improving quality systems and processes. This year, HEIW has continued to strengthen its quality systems and is in the latter stages of implementing its multi-professional education and training quality framework. At each meeting, the ECQ Committee receives quality assurance reports for medicine, dentistry, pharmacy, nursing, and health professional education. Since our review of annual commissioning arrangements in February 2022, HEIW has addressed our recommendations by strengthening reporting to the ECQ Committee. Quality assurance reports are now consistent, reporting against the following elements of the quality framework:
- Quality Planning
  - Quality Management and Educational Governance
  - Quality Improvement
  - Quality Assurance
- 37 HEIW demonstrates a good commitment to hearing from staff and students, including responding to results of the national student survey, feedback from student and mentor meetings held by the ECQ Team and wider regulator reports. Each Board meeting starts with an 'improvement story'. The Board has heard stories about the joint induction for care support workers and from a nurse supported by HEIW to obtain a Florence Nightingale Fellowship. The Board also has a student champion and independent members are invited to attend staff and stakeholder events.
- 38 HEIW is making good progress with its information governance arrangements. In March 2021, HEIW completed a voluntary self-assessment against the Information Governance Toolkit. The initial self-assessment scored at level zero, against the highest level of three. This provided the basis for an improvement plan to address areas of non-compliance. The Information Governance and Information Management Group (IGIM) is overseeing the improvement plan, with regular update reports to the Audit and Assurance Committee. In July 2021, internal audit issued a substantial assurance report on the Information Governance Toolkit process and development of the improvement plan. In March 2022, HEIW repeated the self-assessment, achieving level 2. This is a considerable improvement on the previous year's result.

- 39 HEIW's Cyber Security team is continuing to carry out significant assurance activity as part of its cyber security work implementation plan. The Board has received cyber awareness training. However, the market for cyber resilience skills is competitive and HEIW have experienced some problems getting the required staff. HEIW's response to the Cyber Assessment Framework for Health (CAF)<sup>4</sup> is demonstrating progress. Further detail will be presented to the Board in September 2022.
- 40 HEIW has an effective system for tracking recommendations. The recommendations tracker is reviewed at each Audit Committee, the format is clear, showing progress against internal and external recommendations. The Executive Team scrutinises the recommendations tracker prior to each Audit and Assurance Committee. As at July 2022, there were five outstanding Audit Wales recommendations. These relate to our Review of Annual Commissioning Arrangements and Taking Care of the Carers Report.

## Strategic planning arrangements

- 41 In this section of the report, we provide our views on HEIW'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.
- 42 We found that **HEIW has robust strategic planning arrangements supported by wide reaching stakeholder engagement, and a clear monitoring framework and Board level scrutiny.**

## Vision and strategic objectives

- 43 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; and
  - the vision and strategic objectives have been developed and adopted by the Board.

<sup>4</sup> The purpose of the Cyber Assessment Framework (CAF) for Health is to establish a baseline of cyber readiness and provide a consistent approach to cyber-assessments across NHS Wales. The work is overseen by the Cyber Resilience Unit (CRU) within Digital Health and Care Wales.

- 44 We found that **HEIW has a clear, Board approved, vision and strategic aims which are aligned to key strategies and Ministerial priorities.**
- 45 HEIW has a clear vision and strategic aims which are set out in its Integrated Medium Term Plan (IMTP). Its vision is ‘transforming the workforce for a healthier Wales’, and the organisation has six strategic aims, four of which are externally facing and two are aimed internally. As part of its IMTP planning arrangements, in September 2021, the Executive Team reviewed the organisation’s strategic aims, mapping them against the wellbeing goals, the Health and Social Care Workforce Strategy and Ministerial priorities. This resulted in minor changes to the strategic aims which the Board approved in September 2021. As previously stated, the risks to achieving these strategic aims are documented and managed through the organisation’s BAF.
- 46 HEIW has not yet developed its own long-term strategy to govern the organisation’s long-term ambitions and activities. The organisation is working to deliver the all-Wales 10-year Health and Social Care Workforce Strategy, which is a national strategy jointly led by HEIW and Social Care Wales. Our review of workforce planning arrangements will explore arrangements to deliver this strategy further.

## Integrated Medium Term Plan

- 47 We considered the extent to which HEIW has been able to produce an approvable Integrated Medium Term Plan (IMTP) for 2022-2025. In examining this, we have looked at whether:
- the IMTP was submitted within the required timeframes in line with Welsh Government guidance;
  - the draft and final versions of the IMTP were discussed, challenged, and agreed by the Board prior to submission; and
  - the IMTP received approval from the Minister for Health and Social Services.
- 48 We found that **HEIW has an approvable IMTP, which received appropriate Board engagement, scrutiny, and approval.**
- 49 HEIW’s 2022-2025 IMTP was agreed by the Board in March 2022 and submitted to the Welsh Government within the required timeframe. The IMTP is aligned with HEIW’s strategic aims and incorporates actions to deliver the national Health and Social Care Workforce Strategy. The Welsh Government has deemed HEIW’s IMTP as approvable. But unlike other health boards and trusts, it does not require Ministerial approval<sup>5</sup>.

<sup>5</sup> The NHS (Wales) Act 2006 amended by the NHS Finance (Wales) Act 2014 provides the statutory requirements for IMTPs in Wales. HEIW is not a body that has a duty to prepare an IMTP within the legislation but as part of good practice it develops and follows a similar approval process to other health bodies.

50 The Board engaged well throughout the development of the IMTP. The IMTP planning process started in September 2021, with the Board receiving regular updates and opportunities to contribute through Board meetings and development sessions. Board members also had the opportunity to comment on the draft versions of the IMTP.

## 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:

- corporate strategies and plans have been developed in liaison with relevant internal and external stakeholders; and
- arrangements for commissioning services are effective and efficient, and aligned to corporate strategies and plans.

52 We found that **HEIW has robust planning arrangements underpinned by wide reaching stakeholder engagement. Furthermore, it is working to better align its strategic and education commissioning planning cycles.**

53 HEIW has two main plans – its IMTP and Education Commissioning and Training Plan. The IMTP sets the strategic direction for the organisation, and the Education Commissioning and Training Plan details annual levels of commissioning for health education and training. As reported in our review of annual commissioning arrangements, HEIW has a complicated planning process as it must work to both an academic and financial year. This results in the Board approving the IMTP after the Education Commissioning and Training Plan. This means that the plan driving the organisation’s strategic direction is approved after the plan that should support its delivery. HEIW is working to better align these two processes in time for the 2023-2026 planning cycle.

54 HEIW engaged a broad range of stakeholders in the development of the IMTP. This included, all health boards and trusts, Welsh Government policy advisors, its Local Partnership Forum, and staff. In addition, the 40 strong Stakeholder Reference Group was given the opportunity to comment on the draft IMTP. HEIW reviewed stakeholder feedback, making changes as appropriate to the final IMTP.

55 Our review of annual commissioning arrangements also found good arrangements for stakeholder engagement. Overall, this review found a good approach to the annual commissioning of health education and training, enabled by effective internal controls and contract variation processes. But we found scope to improve information used for commissioning and performance reporting.



## Implementation and monitoring arrangements

- 56 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.
- 57 We found that **HEIW has clear monitoring frameworks for its plans with set deliverables and intended outcomes and the Board receives quarterly delivery updates.**
- 58 HEIW has a robust and clear monitoring framework for its IMTP. Against the six strategic aims, the main document sets out 56 strategic objectives, which are high-level deliverables to help achieve each strategic aim, actions for the year ahead and expected outcomes at the end of the three-year IMTP. Each strategic objective has an assigned executive lead and senior responsible officer. Appended to the IMTP is a detailed deliverables and milestones document. For each strategic objective, this document sets out:
- the purpose and scope of the objective and how it will make a difference;
  - key actions and quarterly milestones for year one;
  - high-level deliverables for years two and three;
  - what success looks like;
  - outcomes for population/staff/patients by the end of year three; and
  - output measures.
- 59 As noted previously, the Board receives the integrated performance report on a quarterly basis, which includes progress against its Annual Plan or IMTP deliverables. The report mainly highlights actions taken and barriers to delivery, with less about the impact of activities or outcomes. As stated previously HEIW is working to improve performance reporting. At the end of 2021-22, HEIW achieved 66% of the agreed milestones agreed through its Annual Plan. In September 2022, the Board will receive the quarter one IMTP progress update.

## Managing financial resources

- 60 In this section of the report, we provide our views on HEIW'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.



61 We found that **HEIW manages its finances well, has good systems of financial control, monitoring and scrutiny. Whilst it is improving financial reporting, there is scope to better explain the consequences of underspends.**

## Financial objectives

62 We considered the extent to which HEIW has effective arrangements in place to meet its key financial objectives. In examining this, we have looked at whether HEIW:

- 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.

63 We found that **HEIW achieved its financial duty for 2021-22 and has a clear financial plan which spans five years.**

64 As in previous years, HEIW met its financial duty to ensure that it did not exceed the aggregate of funding allotted to it for the financial year. At the end of 2021-22, it achieved an underspend of £343,000 against its revenue resource limit of £268 million. The organisation also achieved a small underspend of £3,000 against its capital resource limit of £283,000.

65 Based on month 4 financial monitoring figures, HEIW is likely to meet its financial duty to break even at the end of 2022-23. But it will need to manage its underspends, which at month 4 stand at £367,000. HEIW is not required to deliver a cost improvement plan, but its IMTP sets out how it intends to demonstrate value and sustainability. For example, through good leadership and financial discipline, using a value-based approach to commissioning and development activities and engaging with budget holders.

66 HEIW's IMTP sets out the organisation's approach to financial planning over a five-year period. This shows the full financial commitment against education commissioning which tends to run over several years. The financial plan within the 2022-2025 IMTP runs from 2022-23 to 2026-27. Over 80% of the organisation's budget is agreed through the Education Commissioning and Training Plan. Therefore, there will be a need to regularly revisit the financial plan to ensure training commitments funded allow for unanticipated inflationary cost growth and reflect the significant workforce demand across Wales.

## Financial controls

67 We considered the extent to which HEIW 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 an unqualified audit opinion.

68 We found that **HEIW continues to have good systems of financial control and is taking steps to strengthen the procurement service it receives.**

69 As previously stated, standing financial instructions were reviewed and approved by the Board in July 2022. HEIW's financial systems and controls have not changed since last year. As dictated by standing financial instructions, the Audit and Assurance Committee receives updates on procurement compliance, losses and special payments and counter-fraud at each meeting. We have observed robust scrutiny of these reports. The committee receives these reports in public, but confidential and sensitive reports are scrutinised in the committee's private session.

70 Over the last year, HEIW reported that there have been some issues relating to services provided by NHS Wales Shared Services Partnership (NWSSP)<sup>6</sup>. As a result, HEIW clarified service level agreement (SLA) performance management arrangements by reinstating SLA meetings with NWSSP to identify and remedy issues swiftly and improve communications. In terms of procurement, HEIW is working with NWSSP to improve the service it receives. In 2021, HEIW commissioned an independent review of the procurement service it receives leading to an agreed improvement plan. Its procurement activity is now overseen by a specialist commissioning team within NWSSP. Most improvement plan actions are now complete, but the new specialist commissioning team has since reopened some to address issues identified as it reviews current processes. Independent members reported that they now have more confidence in the procurement service.

71 In February 2022, an internal audit review gave HEIW's financial planning arrangements substantial assurance. The review focused on the controls in place on the costing for the finance element of the Education Commissioning Plan, which in turn informed the development of the 2021-22 Annual Plan. The review found:

- a well-defined process and timetable for the compilation of the Education Commissioning plan;
- costs and estimates (where necessary) were accurately calculated and based on documented assumptions;

<sup>6</sup> NHS Wales Shared Services Partnership (NWSSP) provides a range of services to all health bodies in Wales. For HEIW, it also performs a range of other fundamental functions such as managing student bursaries and being the single lead employer for pharmacy, medical and dental trainees in Wales.

- figures within the Education Commissioning Plan and the finance plan were generally well evidenced and documented;
  - costings were subject to regular checks and approval and scrutiny at senior management and Board level; and
  - the resource plan and delegated budgets were accurately reflected in the approved Annual Plan.
- 72 HEIW submitted good quality draft financial statements for audit on the Welsh Government imposed deadline of 29 April 2022, these were considered by the Audit and Assurance Committee in early May. Our audit identified no material misstatements, one trivial amendment was incorporated into the final version. Following Board approval, we issued an unqualified audit opinion on 17 June 2022.

## Monitoring and reporting arrangements

- 73 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 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.
- 74 We found that **HEIW's financial reports are clear and regularly scrutinised by the Board. Whilst HEIW is in the process of improving financial reporting, there is an opportunity to better explain the consequences of underspends.**
- 75 The Board continues to receive timely and clear monthly financial performance reports. The Director of Finance Report gives a good overview of the current financial position, this includes the revenue financial position, commissioning funding, balance sheet, capital expenditure and compliance with the public sector payment policy. More detailed reports set out variances for each of the directorates and the monthly monitoring return to the Welsh Government. The Finance Team is working to improve the presentation of this report, which it is hoping to present at the September 2022 Board meeting.
- 76 The report is well scrutinised, with members particularly interested in the use of underspends and impact of spending activity. HEIW reported that it is working to better link financial and performance reporting to better demonstrate the impact of their work. Initially, this may mean including finance information in the integrated performance report. There is an opportunity to further enhance reporting by clearly explaining the short and medium-term consequences of underspends (**Recommendation 3**). As such, this could include determining if education commissioning underspends are having a negative impact on the future capacity of the workforce for Wales.

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

- 77 In this section of the report, we provide our high-level views on HEIW'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.
- 78 We found that **HEIW has good arrangements to support staff wellbeing and is prioritising digital development. But there is scope to improve Performance Appraisal and Development Review (PADR) compliance rates.**

## Supporting staff wellbeing

- 79 We considered the extent to which HEIW has appropriate and effective arrangements in place for supporting staff wellbeing. 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>7</sup>.
- 80 We found that **HEIW has good arrangements in place to support the wellbeing of its staff as well as the wider NHS. However, PADR compliance is not achieving the set target.**
- 81 Supporting the wellbeing of HEIW staff, students, trainees, and the wider NHS family is one of HEIW's strategic objectives. In May 2022, the Audit and Assurance Committee received HEIW's management response to our Taking Care of the Carers report. HEIW is making good progress – as at June 2022, five of the six recommendations are complete.
- 82 HEIW has a range of mechanisms to gauge how its staff are feeling, this includes a Workforce Risk Assessment Tool, annual Health Needs Assessment, and regular pulse surveys. The Health Needs Assessment has been running for four years, allowing the organisation to identify trends, and learning over time. Senior leaders use Health Needs Assessment results to identify and address directorate specific health and wellbeing needs. In addition, each directorate has a health and

<sup>7</sup> [Taking care of the carers? How NHS bodies supported staff wellbeing during the COVID-19 pandemic](#)

wellbeing lead, who liaises with the Senior Leadership Team and the Local partnership Forum to raise any issues. From this year, the Health Needs Assessment findings will feed into the organisation's health and wellbeing action plan. Staff wellbeing is also supported through quarterly staff conferences and fortnightly staff forums.

- 83 HEIW continues to provide wellbeing support to the wider NHS. It leads several national workforce programmes which support staff health and wellbeing such as the compassionate leadership, healthy working relationships, and staff governance programmes. The organisation also continues to programme manage the NHS Wales Health and Wellbeing Network and host its wellbeing web portal. Throughout the pandemic, HEIW continued to run six-weekly NHS Wales Health and Wellbeing Network events, giving members the opportunity to share best practice, collaborate and learn. HEIW is planning to evaluate both national and HEIW specific wellbeing activities in March 2023.
- 84 HEIW has mechanisms in place to regularly provide assurance to the Board on matters relating to staff wellbeing. Key factors relating to wellbeing are reported to each Board meeting through the integrated performance report. This includes progress on the staff wellbeing strategic objective, sickness absence figures. And PADR, statutory and mandatory training and turnover rates. HEIW's 2021-22 Annual Report acknowledges that PADR compliance is not being achieved. The report states that HEIW is working hard with managers to ensure that PADR's are completed but it does not detail the specific improvement actions. At the end of 2021-22, PADR rates were 70% against the national target of 85% (**Recommendation 4**).

## Managing digital resources

- 85 We considered the extent to which HEIW 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.
- 86 We found that **the organisation is prioritising digital development and is aiming to have its first digital strategy in place by March 2023. And digital initiatives and plans receive good Board level oversight.**
- 87 HEIW is taking several steps to develop an effective approach to managing digital resources and is giving clear priority to digital technology. The organisation's IMTP is clear about its digital ambitions and actions to achieve it. HEIW has appointed a permanent Director of Digital Development and plans to have its first Digital

Strategy in place by March 2023. The strategy will set the direction of travel and priorities for digital development and technology over the next five years. The Minister for Health and Social Services has asked all health bodies to develop a ten-year digital investment outlook. HEIW's plan identifies investments of £33 million over the next ten years.

- 88 Although the strategy is not yet in place, HEIW provided a general 'roadmap' which outlines the steps required to develop the strategy and then embed and optimise it once in place. The current phase is focused on ensuring the foundations for development and transformation are in place. HEIW made good progress against its 2021-22 plan completing all agreed actions by the year-end. Its plans for 2022-2023 aim to build on these foundations. In July 2022, the Digital Team reported to the Audit and Assurance Committee that it has made significant progress during quarter one of 2022-23. HEIW is progressing several digital projects, which are at various stages. These include:
- 'Y Tŷ Dysgu' Learning Management System;
  - Digital Capabilities Framework; and
  - Careersville digital platform to promote NHS careers.
- 89 HEIW has good governance arrangements for digital development and risk. The multi-directorate, Digital Transformation Leadership Group oversees the delivery of the roadmap and development of the strategic plan and reports to the Executive Team. The Digital Risk Management Group manages digital risks, escalating issues to the Digital Transformation Leadership Group as required.
- 90 In April 2022, the Audit and Assurance Committee received internal audit's advisory report on HEIW's digital readiness. The report concluded that HEIW is well positioned to take forward the use of digital technologies. However, it also highlighted some barriers, one of which is insufficient capacity in the Digital Directorate. Due to staffing issues within the NHS and recruitment difficulties, the report acknowledges that required resourcing levels are unlikely to be met. The Digital Strategy will factor this in by using appropriate models of delivery and external support where necessary.
- 91 HEIW may have opportunity to exploit some of its digital investments. Software developed, if well designed, may be marketable and have commercial value. As such these 'intangible assets' could benefit similar organisations across the public sector within and outside of Wales. HEIW may want to consider whether its current or future digital developments could have a commercial value and, if necessary, ensure intellectual property rights of these assets .

## Managing the estate and other physical assets

- 92 We considered the extent to which HEIW 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.
- 93 We found that **HEIW manages a small capital budget well and has few physical assets.**
- 94 HEIW's assets mainly relate to IT equipment. It does not have a fleet and its buildings are leased. HEIW receives a small capital budget<sup>8</sup> which it manages well. The allocation is sufficient at present, but the IMTP states that it will be establishing a process asking budget holders and other partners to determine their capital needs to support HEIW's objectives over the next five years.

<sup>8</sup> HEIW has a recurrent discretionary Capital Allocation of approximately £76,000.

# Appendix 1

## Audit approach

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

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>• Audit and Assurance Committee; and</li><li>• Education, Quality and Commissioning Committee.</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 Integrated Medium Term Plan;</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, 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>• Chief Executive</li> <li>• Deputy Chief Executive/Director of Workforce</li> <li>• Medical Director</li> <li>• Director of Nurse and Health Professional Education</li> <li>• Director of Digital Development</li> <li>• Interim Director of Finance and Corporate Services</li> <li>• Board Secretary</li> <li>• All Independent Members, including: <ul style="list-style-type: none"> <li>– Chair of the Board</li> <li>– Vice Chair of the Board</li> <li>– Chair of the Education, Commissioning and Quality Committee</li> <li>– Chair of the Audit and Assurance Committee</li> </ul> </li> </ul>

# Appendix 2

## Management response to audit recommendations

Exhibit 3: management response

Recommendation	Management response	Completion date	Responsible officer
<p><b>Public transparency of Board business</b></p> <p>R1 We found that elements of HEIW’s website are not updated in a timely fashion. This relates to unconfirmed minutes of Board and committee meetings, recordings of committee meetings, Standing Financial Instructions, and Board declarations of interest. To further enhance public transparency of Board business, HEIW should ensure:</p> <p>a) unconfirmed Board and committee minutes and/or meeting recordings are published on HEIW’s website within 14 days of a meeting taking place.</p>	<p>Board minutes are usually available on the website within the 14 day timescale. Minutes have been updated on HEIW’s website. We have updated the Board/Committee Standard Operating Procedure.</p> <p>a) The recordings are usually uploaded to YouTube with a link on the website within 14 days. We have updated the Board/Committee Standard Operating Procedure to reflect this. We have also included a final check by Corporate Governance.</p>	<p>Completed</p> <p>October 2022</p>	<p>Board Secretary</p>

Recommendation	Management response	Completion date	Responsible officer
<p>b) the most recent version of key governance documents underpinning the organisation's arrangements, such as Standing Financial Instructions and Board declarations of interest, are publicly available on the website.</p>	<p>b) The SFI's which were approved in July are now available on the website. The Declaration of Interest Register is published annually following consideration at AAC in October. It will be updated in October 2022.</p>		
<p><b>Board and committee effectiveness reviews</b></p> <p>R2 We found that there are opportunities to improve the timeliness and transparency of Board and committee effectiveness reviews: HEIW should ensure:</p> <p>a) all effectiveness reviews are completed in time to feed into annual reporting cycles such as the annual governance statement.</p> <p>b) that action plans resulting from effectiveness reviews are presented at public Board and committee sessions.</p>	<p>The effectiveness reviews were initially delayed as a part of the response to Covid which impacted the timeline. The effectiveness reviews will be brought forward to take place in Q3/Q4. The 2022/23 Forward Programme has been updated to reflect this change.</p> <p>The action plans have been considered in closed session as these reports have also contained individual responses. The actions will be presented to open session going forward (and individual responses shall be considered in closed session).</p>	2022-23	Board Secretary
<p><b>Financial reporting</b></p>	<p>The finance plan for HEIW is established to resource anticipated commissioning plans. HEIW will consider how</p>	31/03/2023	Director of Finance,

Recommendation	Management response	Completion date	Responsible officer
<p>R3 Building on the work HEIW is doing to improve its financial reports it should enhance financial reporting by including an explanation of the short and medium-term consequences of any underspends.</p>	<p>to incorporate information on impact assessment in respect of underachievement of commissioning plans and the resulting underspend in the short and medium term.</p>		<p>Planning and Performance</p>
<p><b>PADR compliance</b></p> <p>R4 We found that HEIW is not meeting its target for PADR compliance. At the end of 2021-22, compliance was 70% against a target of 85%. HEIW should report the specific actions it is taking to improve this target in its integrated performance report, with a view to achieving 85% by March 2023.</p>	<p>We regularly remind staff of the need to undertake and record PADRs. Our complex workforce means that we are not the majority employer for a significant number of staff. We have been at or near the target for core staff this year. Actions taken to improve performance will be recorded in performance reports.</p>	<p>2022-23</p>	<p>Director of Workforce and OD</p>





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