

# Structured Assessment 2024 – Digital Health and Care Wales

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# Summary report

## About this report

- 1 This report sets out the findings from the Auditor General's 2024 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 under section 61 of the Public Audit (Wales) Act 2004 to be satisfied that NHS bodies have made proper arrangements to secure economy, efficiency, and effectiveness in their use of resources.
- 2 Our 2024 Structured Assessment work took place at a time when NHS bodies were continuing to respond to a broader set of challenges associated with the cost-of-living crisis, the climate emergency, inflationary pressures on public finances, workforce shortages, and an ageing estate. In addition, NHS bodies are still dealing with the legacy of the COVID-19 pandemic. More than ever, therefore, NHS bodies and their Boards need to have sound corporate governance arrangements that can provide assurance to themselves, 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 it uses resources efficiently, effectively, and economically, with a specific focus on:
  - Board transparency, cohesion, and effectiveness;
  - Corporate systems of assurance;
  - Corporate approach to planning; and
  - Corporate approach to financial management.We have not reviewed DHCW's operational arrangements as part of this work.
- 4 Our work has been informed by our previous structured assessment work, which has been developed and refined over a number of years. It has also been informed by:
  - Model Standing Orders, Reservation and Delegation of Powers;
  - Model Standing Financial Instructions;
  - Relevant Welsh Government health circulars and guidance;
  - The Good Governance Guide for NHS Wales Boards (Second Edition); and
  - Other relevant good practice guides.We undertook our work between May 2024 and August 2024. The methods we used to deliver our work are summarised in **Appendix 1**. Our work was conducted in accordance with the auditing standards set by the International Organization of Supreme Audit Institutions.
- 5 We also provide an update in this report on DHCW's progress in addressing outstanding recommendations identified in previous structured assessment reports in **Appendix 2**.

## Key findings

- 6 Overall, we found **that DHCW's corporate arrangements support good governance and the efficient, effective, and economical use of resources. However, it now needs to use its new long-term strategy to demonstrate its value and consolidate its position as a digital system leader and enabler in the NHS.**
- We considered whether DHCW's Board conducts its business appropriately, effectively, and transparently. We found that DHCW has a stable and cohesive Board that conducts its business appropriately, effectively, and transparently. The new Programmes Delivery Committee is increasing the scrutiny on the progress and risks of key national programmes. However, opportunities remain for Board members to gain insight from frontline services on the impact of digital systems in Wales.
  - We considered whether DHCW has a sound corporate approach to managing risks, performance, and the quality and safety of services. We found that DHCW's systems of assurance continue to be robust and operate effectively, but there is scope for greater use of the Board Assurance Framework to shape Board and committee business.
  - We considered whether DHCW has a sound corporate approach to producing strategies and corporate plans and overseeing their delivery. We found that DHCW's has set an ambitious direction for the organisation; however, it needs to strengthen how it assesses the impact and value it is providing to the NHS and to enhance its reporting on delivery to plan in some areas.
  - We considered whether DHCW has a sound corporate approach to managing its financial resources. We found that DHCW continues to have a generally effective approach to financial planning, monitoring, and reporting. However, risks around the sustainability of the Digital Priorities Investment Fund funding model and over-reliance on non-recurrent savings remain.

## Recommendations

7 **Exhibit 1** details the recommendations arising from our work. DHCW's response to our recommendations is summarised in **Appendix 3**.

### Exhibit 1: 2024 recommendations

| Recommendations |  |
|-----------------|--|
| R1              | Strengthen the Programmes Delivery Committee's Programme Overview Report by ensuring that it provides a clearer assessment of the risks facing partners and other stakeholders where there are significant programme delivery challenges. ( <b>Paragraph 23</b> )  |
| R2              | Ensure that committee highlight reports to Board provide clearer narrative on actions required from the Board where it has been alerted to issues. ( <b>Paragraph 25</b> )   |
| R3              | Strengthen the Board Assurance Framework (BAF) by: <ul style="list-style-type: none"><li>• clearly reporting the impact of actions that DHCW is taking to mitigate principal risks;</li><li>• reflecting the risks to achievement of its wellbeing objectives, now that the organisation is subject to the requirements of the Wellbeing of Future Generation (Wales) Act 2015; and</li><li>• better utilising the BAF and ongoing strategic risk assessment to inform committee work programmes and agenda setting. (<b>Paragraph 40</b>)</li></ul> |
| R4              | Ensure that the corporate risk register clearly identifies and distinguishes between existing controls to reduce likelihood and new mitigating actions to reduce severity of corporate risks. ( <b>Paragraph 42</b> )  |
| R5              | Ensure that future Integrated Medium-Term Plans provide greater clarity on the priorities the organisation intends to deliver in the 2nd and 3rd year of those plans. ( <b>Paragraph 65</b> )  |
| R6              | Develop an approach to periodically review the effectiveness, impact and possible challenges of its long-term strategy delivery. ( <b>Paragraph 71</b> )   |

## Recommendations

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- R7 Quantify the tangible efficiencies and value the organisation is hoping to generate from its 'Finding more Value' workstream to enable it to monitor the achievement of benefits from the programme and to demonstrate improved internal efficiency to its key stakeholders. (**Paragraph 89**)

# Detailed report

## Board transparency, effectiveness, and cohesion

- 8 We considered whether DHCW's Board conducts its business appropriately, effectively, and transparently.
- 9 We found that **DHCW has a stable and cohesive Board that conducts its business appropriately, effectively, and transparently. The new Programmes Delivery Committee is increasing the scrutiny on the progress and risks of key national programmes. However, opportunities remain for Independent Members to gain insight from frontline services on the impact of digital systems in Wales.**

## Public transparency of Board business

- 10 We considered whether the Board promotes and demonstrates a commitment to public transparency of board and committee business. We were specifically looking for evidence of:
- Board and committee meetings that are accessible to the public;
  - Board and committee papers being made publicly available in advance of meetings; and
  - Board and committee business and decision-making being conducted transparently.
- 11 We found that **DHCW continues to demonstrate a strong commitment to public transparency of Board and committee business.**
- 12 DHCW continues to have effective arrangements in place to support public transparency of Board and committee business. For example:
- It continues to operate virtual rather than in-person Board and committee meetings. It livestreams and records all public Board meetings, and it records most committee meetings<sup>1</sup>. It publishes the recordings on its website shortly afterwards.
  - Members of the public can still request to observe any public Board and committee meeting, which the organisation promotes in advance using social media. It also continues to provide a live Welsh translation of each public Board meeting, and endeavours to provide British Sign Language upon request.
  - It continues to publish public Board and committee papers on its website a week in advance, in line with Standing Orders.

<sup>1</sup> In common with other NHS bodies in Wales, DHCW does not publish recordings of the Local Partnership Forum or Remuneration and Terms of Service Committee due to their confidential nature.

- It continues to make appropriate use of private Board and committee meetings to discuss sensitive and confidential matters, with good quality private (abridged) minutes provided in the subsequent public meeting.
- 13 Our observations of Board and committee meetings found that they continue to support good openness and transparency amongst Board members, particularly in relation to the challenges facing the organisation. The organisation continues to prepare and agree good quality draft minutes in a timely manner, which it formally approves at the following public Board or committee meeting.

## Arrangements to support the conduct of Board business

- 14 We considered whether there are proper and transparent arrangements in place to support the effective conduct of Board and committee business. We were specifically looking for evidence of:
- a formal, up-to-date, and publicly available Reservation and Delegation of Powers and Scheme of Delegation in place, which clearly sets out accountabilities;
  - formal, up-to-date, and publicly available Standing Orders (SOs) and Standing Financial Instructions (SFIs) in place, along with evidence of compliance; and
  - formal, up-to-date, and publicly available policies and procedures in place to promote and ensure probity and propriety.
- 15 We found that **DHCW continues to have good arrangements in place to support the effective conduct of Board business.**
- 16 DHCW's arrangements continue to support the good conduct of Board and committee business. These arrangements are clearly set out in its Governance Assurance Framework, but the document requires updating to include the Programmes Delivery Committee. Standing Orders, Scheme of Reservation and Delegation of Powers, and Standing Financial Instructions (SFIs) are up to date and reviewed annually by the Executive Team, Audit and Assurance Committee, and Board. Recent amendments to these reflect the organisation's new statutory requirement to comply with the Wellbeing of Future Generations (Wales) Act 2015 from 30<sup>th</sup> June 2024 and updates to Executive Director portfolios.
- 17 The Audit and Assurance Committee maintains appropriate oversight of compliance with the Scheme of Reservation and Delegation in relation to procurement activity, declarations of interest, and SFIs. Instances of non-compliance are rare, but when they do occur, the committee receives assurance on the reasons for the contravention and the action taken to resolve the issue. All Board members and 96% of staff at Band 8a and above have completed a declaration of interest. The Standards of Behaviour Policy, and Declarations of Interest and Gifts and Hospitality Register are both available on DHCW's website.
- 18 DHCW has strengthened its processes for monitoring, tracking, and reviewing policies which is helping it to reduce the number of out-of-date policies. The July 2024 Policy Report to the Audit and Assurance Committee noted that of the 79

policies in place across the organisation, 25 internal policies are out of date and require review (compared with 37 at the time of our 2023 Structured Assessment work). A further 18 all-Wales policies are out-of-date, but DHCW is not responsible for updating them. We will continue to monitor progress in this area in future structured assessment reviews.

## Effectiveness of Board and committee meetings

- 19 We considered whether Board and committee meetings are conducted appropriately and effectively. We were specifically looking for evidence of:
- an appropriate, integrated, and well-functioning committee structure in place, which is aligned to key strategic priorities and risks, reflects relevant guidance, and helps discharge statutory requirements;
  - Board and committee agendas and work programmes covering all aspects of their respective Terms of Reference as well being shaped on an ongoing basis by the Board Assurance Framework;
  - well-chaired Board and committee meetings that follow agreed processes, with members observing meeting etiquette and providing a good balance of scrutiny, support, and challenge;
  - committees receiving and acting on required assurances and providing timely and appropriate assurances to the Board; and
  - clear and timely Board and committee papers that contain the necessary / appropriate level of information needed for effective decision making, scrutiny, and assurance.
- 20 We found that **whilst Board and committee meetings continue to be conducted properly and effectively, opportunities exist to further strengthen committee assurance reporting to Board. The new Programmes Delivery Committee is improving the level of oversight on key national digital programme risks.**
- 21 DHCW continues to have an appropriate, integrated, and well-functioning Board and committee structure. The Board and committees have up-to-date terms of reference and maintain comprehensive action logs and annual cycles of business. DHCW will need to update these documents to reflect and embed the requirements of the Wellbeing of Future Generations (Wales) Act 2015 into routine Board and committee business and decision making.
- 22 DHCW carries some significant programme risks both relating to new developments and wider ongoing digital programmes that it has adopted on behalf of NHS Wales. This includes Digital Eye Care, the Welsh Intensive Care Informatics System, Cancer Informatics, the Welsh Community Care Information

System, and Connecting Care<sup>2</sup>. In November 2023, the Board established a new Programmes Delivery Committee to oversee and gain assurance on the delivery of national digital programmes individually and collectively as a portfolio. The Chair of the Board chaired the inaugural meeting of the Programmes Delivery Committee in November 2023, but he has since relinquished the responsibility to another Independent Member (**see Appendix 2 2023 Recommendation 1**). The committee meets quarterly but given the importance and reputational risk associated with delayed digital programmes, the Board should keep the frequency of meetings under review. Our observation of the May 2024 committee meeting found it to be a well-chaired meeting with good scrutiny and questioning, particularly in respect of programme delivery, risk, and impact. To support further improvement, the Committee chair holds development meetings with some committee members to reflect on the effectiveness of committee meetings.

- 23 The committee recently introduced a Programme Overview Report to assesses 'delivery confidence' and risk across the relevant national digital programmes and portfolios. However, there is scope for it to be clearer on the risks to and the impacts on partners and other stakeholders where there are significant programme delivery risks<sup>3</sup> (**Recommendation 1, 2024**). There is also opportunity to refine the routine committee highlight report which is presented to the Board. The reports use the 'alert', 'assure', and 'advise' approach but they do not make it clear if the committee is formally escalating issues to the Board (we discuss this further in **paragraph 25**). In addition to the Programme Overview Report, the committee receives more detailed programme specific reports that highlight progress, risks, and lessons learnt. Since the committee started in November, it has covered areas such as the Welsh Community Care Information System, National Data Resource Roadmap, Welsh Intensive Care Information System, Diagnostics, digital medicines, cancer informatics, and digital maternity. However, the committee has chosen to provide assurance over what DHCW has defined as major national digital programmes. This presents a risk that it does not provide sufficient oversight of smaller programmes. DHCW is currently exploring options for providing the relevant assurances to the committee.
- 24 Committee chairs continue to be actively involved in meeting agenda setting and make appropriate use of the consent agenda for routine business. Meetings are well-chaired enabling and encouraging contributions from all members on key issues. Board and committee members continue to maintain good virtual meeting etiquette and provide appropriate scrutiny and challenge in a supportive way.
- 25 DHCW continues to maintain effective arrangements to support flows of assurance. The Digital Governance and Safety Committee and the Audit and

<sup>2</sup> Connecting Care is a new programme established to replace the Welsh Community Care Information System as it reaches end of life. This is currently unfunded.

<sup>3</sup> The Auditor General will be commenting further on DHCW's role in programme delivery in a separate review of digital arrangements later in 2024.

Assurance Committee continue to receive routine assurance reports for areas of the business falling within their remit, including information governance, informatics, information services, research and innovation, and the Welsh language. Independent members continue to sit on more than one committee which supports cross referral of information between committees. For example, the Chair of Audit and Assurance Committee sits on the Programmes Delivery Committee and refers relevant Internal Audit reports to that committee. The committee highlight reports to Board continue to be based on an 'alert', 'advise', and 'assure' approach which enables the Board to focus on key matters arising. However, where committees are 'alerting' issues to the Board, there are examples where it is unclear what action the Board is required to take to address the matter. **(Recommendation 2, 2024)**

- 26 DHCW continues to have good arrangements in place to ensure the Board and committee receives quality papers in a timely manner. Papers are normally well-structured, not overly detailed or technical, and clearly direct the reader to key risks and matters requiring consideration. The Corporate Governance Team provides report writing workshops across the organisation to improve consistency and quality in the standards of reporting to Board and committee. It also quality assures all papers before publishing them on the website.

## **Board commitment to hearing from patients/service users and staff**

- 27 We considered whether the Board promotes and demonstrates a commitment to hearing from patients/service users and staff. We were specifically looking for evidence of:
- The Board using a range of suitable approaches to hear from a diversity of service users, the public and staff.
- 28 We found that **there are reasonable arrangements to hear from staff and service users, but opportunities remain for Board Members to engage directly with other health bodies to better understand the digital challenges of frontline services.**
- 29 DHCW continues to have effective mechanisms for sharing information and engaging with its own staff via newsletters, 'Board insights' articles, TenTalks<sup>4</sup> meetings, and staff conferences. The Board holds in-person development days at different DHCW offices and includes a new 'team showcase' item on its agenda to enable teams to directly engage with Board members. DHCW is also progressing its Executive Director engagement programme with staff. However, there is scope

<sup>4</sup> TenTalks are 30-minute, live organisational communication events held on specific topics, for example, counter fraud, organisational behaviour, and Board member introductions.

to strengthen arrangements to capture feedback, learning and actions arising from the sessions, and strengthen the use of staff stories at Board meetings.

- 30 Board meetings continue to include an agenda item on listening and learning which mainly focusses on programme or service delivery. However, at the May 2024 Board meeting, the item included a digital story highlighting GP user experience of the radiology electronic request service. This highlighted the benefits of the system in terms of cost, efficiencies, and patient outcomes and prompted good questions and discussion amongst Board members. Executive Directors recently visited an Accident and Emergency Department to experience firsthand the digital challenges experienced by front-line workers. However, this opportunity was not made available to Independent Members. As DHCW is an enabler for other health bodies, periodic Independent Member visits to frontline health services would help them triangulate assurances from management, secure independent assurance, and gain firsthand experience on digital issues, capability, and maturity across NHS Wales (see **Appendix 2 2023 Recommendation 2**). Board members continue to attend all-Wales meetings including the All-Wales Independent Member Digital Network, the All-Wales Audit Committee Chairs, Quality and Safety Committee Chairs, and Artificial Intelligence (AI) Commission. This provides opportunities to further enhance their knowledge of the external environment

## Board cohesiveness and commitment to continuous improvement

- 31 We considered whether the Board is stable and cohesive and demonstrates a commitment to continuous improvement. We were specifically looking for evidence of:
- a stable and cohesive Board with a cadre of senior leaders who have the appropriate capacity, skills, and experience;
  - the Board and its committees regularly reviewing their effectiveness and using the findings to inform and support continuous improvement; and
  - a relevant programme of Board development, support, and training in place.
- 32 We found that **the Board is cohesive and remains committed to continuous improvement.**
- 33 DHCW continues to have a cohesive and stable Board. Board members have a broad mix of knowledge and experience, but a recent skills review identified limited clinical experience amongst current members. This poses a relatively low risk, and the Chair, Chief Executive and Board Secretary are considering options to ensure a greater clinical voice is incorporated into DHCW's corporate arrangements. A stable Executive Team has enabled the Chief Executive to review, realign, and rebalance some Executive Director portfolios:
- Commercial services and performance management have transferred from the Executive Director of Strategy to the Executive Director of Finance;

- Service management has transferred from the Executive Director of Finance to the Executive Director of Operations;
  - Community applications has transferred from the Executive Director of Operations to the Director of Primary Care, Digital, and Mental Health;
  - User Centre Design is a new function which falls under the responsibility of the Director of Primary Care, Digital, and Mental Health; and
  - Corporate services and estates transferred from Executive Director of Finance to the Board Secretary.
- 34 DHCW has effective local induction arrangements for Executive Directors and Independent Members. However, induction materials require updating to reflect the introduction of the Programmes Delivery Committee and the organisation’s responsibilities under the Wellbeing of Future Generations (Wales) Act 2015. Board development and Board briefing programme continue to cover a variety of topic areas, such as risk appetite, board assurance framework, the ‘building our future’ transformation programme<sup>5</sup>, and DHCW’s role in health and social care. It also uses the sessions to consider and discuss corporate strategies and plans as they are being developed.
- 35 DHCW continues to support Board and committee self-review and evaluation. The Board and its committees continue to review their effectiveness annually. The latest report to Board indicates that survey findings were generally positive with no significant areas for improvement or actions identified.

## Corporate systems of assurance

- 36 We considered whether DHCW has a sound corporate approach to managing risks, performance, and the quality and safety of services.
- 37 We found that **DHCW’s systems of assurance continue to be robust and operate effectively, but there is scope for greater use of the Board Assurance Framework to shape Board and committee business.**

## Corporate approach to overseeing strategic and corporate risks

- 38 We considered whether DHCW has a sound corporate approach to identifying, overseeing, and scrutinising strategic and corporate risks. We were specifically looking for evidence of:

<sup>5</sup> The ‘building our future’ transformation programme will support delivery of DHCW’s strategic objectives by creating several projects and aligning key critical deliverables of its strategic missions 1 to 4 with the enablers of mission 5. The focus of the programme will be to enable DHCW to introduce its ‘product approach’ operating model.

- an up-to-date and publicly available Board Assurance Framework (BAF) in place, which brings together all of the relevant information on the risks to achieving the organisation’s strategic priorities / objectives;
- the Board actively owning, reviewing, updating, and using the BAF to oversee, scrutinise, and address strategic risks;
- an appropriate and up-to-date risk management framework in place, which is underpinned by clear policies, procedures, and roles and responsibilities; and
- the Board providing effective oversight and scrutiny of the effectiveness of the risk management system and corporate risks.

39 We found that **whilst DHCW continues to have effective arrangements for managing its strategic and corporate risks, there is scope to enhance the Board Assurance Framework further.**

40 DHCW continues to maintain a detailed, comprehensive, and high-quality Board Assurance Framework (BAF), which the Board reviews twice a year (in May and November). The BAF is owned by the Board, who uses it to oversee, scrutinise, and manage strategic risks. The BAF captures the principal risks that DHCW is currently facing and the associated impact on the organisation and health and care partners. It also reflects the organisation’s new long-term strategy and wider responsibilities for programmes delivery. Both the Audit and Assurance Committee and Digital Governance and Safety Committee continue to undertake deep dives on the principal risks. However, there is scope to enhance the BAF further by:

- clearly reporting the impact of actions that DHCW is taking to mitigate principal risks;
- reflecting the risks to achieving its wellbeing objectives, now that the organisation is subject to the requirements of the Wellbeing of Future Generations (Wales) Act 2015; and
- better utilising the BAF and ongoing strategic risk assessment to inform committee work programmes and agenda setting. **(Recommendation 3, 2024)**

41 During a development session in April 2024, the Board reviewed its risk appetite position for its 10 operational risk domain areas and 5 strategic missions. The review resulted in no change to its operational risk domain areas, but its risk appetite relating to one of its strategic missions changed from ‘cautious’ to ‘moderate’ to demonstrate the Board’s willingness to move at pace with new products and services.

42 DHCW continues to have effective corporate risk management arrangements supported by clear policies and procedures. The Corporate Risk Register (CRR) clearly articulates the organisation’s highest scoring operational risks and the actions to mitigate them. The risk heatmap provides a good ‘at a glance’ assessment of DHCW’s risk profile and the movement of corporate risks within it. However, the corporate risk register does not clearly identify existing controls which increases the risk of overlap with mitigating actions and sources of assurance. **(Recommendation 4, 2024)**

43 The Executive Team regularly reviews the CRR with each risk allocated to the relevant risk owner and assurance committee. The CRR is routinely included on Board and committee agendas, with updates providing a good overview of risks escalated, removed, and changes in risk score. Committees also continue to review commercially sensitive and cyber security related risks in private sessions. Our committee observations found good scrutiny, questioning, and discussion on corporate risks throughout the meeting. In addition to the CRR updates, the Board also receives an annual 'corporate risk trending' report. The latest update to Board in November 2023 provides a helpful overview of risks not mitigated, risks escalated and de-escalated, comparison of risks to the previous financial year, and active risks by strategic mission.

## Corporate approach to overseeing organisational performance

44 We considered whether DHCW has a sound corporate approach to identifying, overseeing, and scrutinising organisational performance. We were specifically looking for evidence of:

- an appropriate, comprehensive, and up-to-date performance management framework in place, underpinned by clear roles and responsibilities; and
- the Board and committees providing effective oversight and scrutiny of organisational performance.

45 We found that **DHCW continues to have effective performance management arrangements, with increased scrutiny and challenge on organisational performance and improving assurances provided to Board on actions to address underperformance.**

46 DHCW continues to maintain effective performance management arrangements in line with its Board-approved Performance Management Framework. The Integrated Organisational Performance Report (IOPR) provides a clear assessment of performance against key indicators<sup>6</sup> and assures the Board that appropriate action is taken where there is underperformance or unwanted variation in performance.

47 The Executive Director of Finance is currently completing a review of the organisation's performance management arrangements with a view to refining the IOPR and further embedding performance management within directorates. The review will also need to consider IOPR data quality following an interim Internal Audit review in June this year. Internal Audit is planning to undertake additional testing on data quality as part of its planned review of the Performance

<sup>6</sup> The IOPR contains key indicators relating to finance; people and organisational development; strategic procurement; operational performance; clinical and information governance; corporate governance; quality and audit; and strategic engagement.

Management Framework during 2024-25. This should provide a helpful assessment of progress.

- 48 Executive Directors share collective ownership of organisation performance. We have observed a collaborative approach at Board meetings, with each Executive Director taking responsibility for presenting the performance of their areas of responsibility. This includes providing a good explanation on underperformance and actions taken to resolve the issues. There is also a notable increase in the level of scrutiny and challenge provided by Board members on organisational performance with good questioning on specific performance measures and programme delivery.

## Corporate approach to overseeing the quality and safety of services

- 49 We considered whether DHCW has a sound corporate approach to overseeing and scrutinising the quality and safety of services. We were specifically looking for evidence of:
- the Board providing effective oversight and scrutiny of the effectiveness of the quality governance framework;
  - clear organisational structures and lines of accountability in place for clinical/quality governance; and
  - the Board and relevant committee providing effective oversight and scrutiny of the quality and safety of services.
- 50 We found that **DHCW continues to have effective quality assurance arrangements, and processes to enable staff to raise concerns. It is also continuing to embed its arrangements to comply with the Duty of Quality and Candour.**
- 51 DHCW continues to have effective arrangements for providing assurance on quality and regulatory compliance, and clinical quality and safety. There are also clear organisational structures and lines of accountability in place for both areas.
- 52 The Audit and Assurance Committee and the Digital Governance and Safety Committee continue to maintain good oversight of quality and regulatory compliance and clinical quality and safety, respectively. The IOPR also continues to provide a good summary of performance relating to clinical and information governance, quality and regulatory compliance, and operations such as IT service availability and major IT incidents.
- 53 DHCW is strengthening its arrangements to enable staff to raise concerns. It has adopted the All-Wales Handling Concerns and Complaints Policy, and officers routinely present Raising Concerns Reports to both the public and private meetings of the Audit and Assurance Committee depending on the nature of their content. DHCW has a 'raising concerns champion', a dedicated SharePoint site to provide staff with guidance, and is self-assessing arrangements against the Speaking Up

Safely Framework<sup>7</sup>. It is also currently planning several activities to ensure ongoing promotion of the raising concerns process.

- 54 DHCW continues to embed the Health and Social Care (Quality and Engagement) Act 2020. It is in the process of undertaking Duty of Quality workshops across the organisation to map operational processes against the duty, identify required improvements, and determine the extent of DHCWs compliance with the new legislation. DHCW has also mandated a Duty of Quality e-learning programme for all staff. Its quarterly 'always on' reports set out how DHCW is applying the Duty of Quality across each of the Health and Care Quality Standards. It has also recently prepared and presented its first Annual Quality Report to the Audit and Assurance Committee for approval at its meeting in July 2024.

## Corporate approach to tracking recommendations

- 55 We considered whether DHCW has a sound corporate approach to overseeing and scrutinising systems for tracking progress to address audit and review recommendations and findings. We were specifically looking for evidence of:
- appropriate and effective systems in place for tracking responses to audit and other review recommendations and findings in a timely manner.
- 56 We found that **DHCW has broadly effective arrangements for monitoring and tracking progress against internal and external audit recommendations.**
- 57 DHCW continues to have effective arrangements in place for monitoring and tracking progress against internal and external audit recommendations. The Executive Directors review the recommendation tracker when there is a high number of audit actions for enhanced monitoring. Officers routinely report progress to the Audit and Assurance Committee, and our review of the Audit Action Log found that DHCW continues to make good progress in closing audit recommendations. However, we note that there are outstanding recommendations that remain open from our 2022 and 2023 structured assessments. While acknowledging that DHCW's response to these are linked to wider development of corporate initiatives and the reporting of their progress, there is a need for more timely action in some instances.
- 58 An Internal Audit follow-up review of the implementation of high and significant medium priority recommendations gave a reasonable assurance rating. The report found processes for updating the tracker, monitoring, and extending recommendation deadlines were clear and appropriate. However, there were some inaccuracies in the recording of recommendations and associated information such as incorrect entry of priority ratings.

<sup>7</sup> The Speaking Up Safely Framework sets out the responsibilities of NHS organisations, their executive teams and boards, along with those of managers and individual members of staff (and volunteers) in creating a culture in which 'speaking up', alongside timely and appropriate response to any concerns raised, is supported within a safe environment.

## Corporate approach to planning

- 59 We considered whether DHCW has a sound corporate approach to producing strategies and corporate plans and overseeing their delivery.
- 60 We found that **DHCW's has set an ambitious direction for the organisation; however, it needs to strengthen how it assesses the impact and value it is providing to the NHS and enhance reporting on plan delivery in some areas.**

## Corporate approach to producing strategies and plans

- 61 We considered whether DHCW has a sound corporate approach to producing, overseeing, and scrutinising the development of strategies and corporate plans. We were specifically looking for evidence of:
- a clear Board approved vision, appropriate objectives and a long-term strategy in place which are future-focussed, rooted in population health, and informed by a detailed and comprehensive analysis of needs, opportunities, challenges, and risks;
  - appropriate and effective corporate arrangements in place for developing and producing the Integrated Medium-Term Plan (IMTP), and other corporate plans; and
  - the Board appropriately scrutinising the IMTP and other corporate plans prior to their approval.
- 62 We found that **DHCW has an effective corporate approach to producing strategies and plans and has recently published a long-term strategy underpinned by a key transformational programme. However, it needs to provide further clarity around strategy and IMTP delivery, and complete and embed its 'value proposition' work to demonstrate the impact it is having on the wider NHS in Wales.**
- 63 DHCW has clearly outlined its vision and strategic objectives in its new long-term strategy for 2024-2030 and Integrated Medium-Term Plan for 2024-2027. Both define DHCW's purpose, five strategic missions, and introduce its five strategic principles to guide and align wider improvements and developments. The long-term strategy is clear and aligns to national legislation, policy requirements, and its own IMTP. The strategy recognises the challenges facing NHS Wales and the opportunities to transform health and care using digital. It also sets out DHCW's partnership role with stakeholders to improve quality, safety, and productivity. As the long-term strategy is high-level in nature, it is not costed; however, DHCW provides this detail in its IMTP instead.
- 64 DHCW began developing its IMTP in October 2023, working with Executive Directors, the Planning and Performance Management Group, Portfolio Leads, and milestone and resource owners. DHCW also maintained ongoing engagement with its stakeholders, including other NHS organisations, to agree priorities. The Board

approved the IMTP in March 2024 and submitted it to Welsh Government within the required timeframe.

- 65 The IMTP continues to outline the organisation’s priorities around digital transformation and innovation, national data standardisation, and its role as trusted strategic partner. The IMTP clearly demonstrates a good understanding of its own risks and challenges as well as the relevant risks and challenges of its wider stakeholders. It also recognises digital opportunities, such as the shift from local to cloud and regional datacentres, consolidation of fragmented systems, architecture to all-Wales services, and the move toward a single all-Wales health record system. DHCW appropriately considers priorities and resource constraints as part of the IMTP development cycle. The IMTP continues to set out priorities, timescales for delivery, outcomes, and risks. However, a significant amount of un-resourced priorities remain. Consequently, the IMTP is clear on what the organisation plans to deliver in year 1, but less so for years 2 and 3. While this helps annual improvement planning, there is a need to make the plan clearer and more detailed in the medium term. **(Recommendation 5, 2024)**
- 66 Since June 2024, DHCW has a statutory responsibility to comply with the Wellbeing of Future Generations (Wales) Act 2015 (the Act). The long-term strategy does not reference the Act, the sustainable development principle, or DHCW’s wellbeing objectives. However, the IMTP does map the Act’s objectives to the organisation’s enabler functions under strategic mission five, which is ‘be the trusted strategic partner and a high quality, inclusive and ambitious organisation’. As DHCW embeds the Act, it will need to consider how it can apply the objectives of the Act across its other strategic missions and more clearly set out how it will work in line with the sustainable development principle.
- 67 Last year, we reported that DHCW was developing a new product-focussed operating model to support the delivery of its strategic objectives and IMTP priorities. It also started to develop its ‘value proposition’ work to demonstrate the impact of digital investments to NHS Wales and DHCW’s role as a ‘trusted digital partner’. However, to date, the progress on both workstreams has been slow due to resource, capacity, and programme delivery challenges. This work is now incorporated into DHCW’s ‘building our future’ transformation programme (see **Appendix 2 2023 Recommendation 3**). The programme is being led by the Director of Finance, and we understand that initial planning work is underway. As part of this, it is engaging its internal stakeholders and creating a roadmap to deliver the programme.
- 68 The process for developing wider corporate strategies and plans, such as the Primary Care Strategy, Information Governance Strategy, Clinical Informatics and Business Change Strategy, and Information and Analytics Strategy, is effective.

## Corporate approach to overseeing the delivery of strategies and plans

- 69 We considered whether DHCW has a sound corporate approach to overseeing and scrutinising the implementation and delivery of corporate plans. We were specifically looking for evidence of:
- corporate plans, including the IMTP, containing clear strategic priorities/objectives and SMART<sup>8</sup> milestones, targets, and outcomes that aid monitoring and reporting; and
  - the Board appropriately monitoring the implementation and delivery of corporate plans, including the IMTP.
- 70 We found that **whilst DHCW continues to have effective arrangements for overseeing IMTP delivery, it will need to consider how it measures the impact of delivery of its long-term strategy. Arrangements for overseeing the delivery of other corporate strategies and plans have been strengthened, but opportunities remain to enhance them further.**
- 71 Our review of the long-term strategy found it to be ambitious. While positive, the challenges associated with legacy systems and infrastructure, funding pressures across all organisations, coupled with the limited availability of digital capability within Wales could compromise the extent of progress. The organisation, therefore, will need to put appropriate arrangements in place to assess and reflect on the extent of progress against its strategic ambition. **(Recommendation 6, 2024)**
- 72 The IMTP, Primary Care Strategy, Information Governance Strategy, Clinical Information and Business Change Strategy, and Informatics and Analytics Strategy have clear Executive Director ownership and align to the organisation's strategic objectives. They contain clear objectives, underpinned by high-level priorities. There is appropriate governance, delivery, and reporting arrangements to oversee their delivery.
- 73 Wider corporate strategies and plans, such as the Clinical Information and Business Change Strategy and the Informatics and Analytics Strategy, are supported by business plans containing clear actions, responsible officers, and progress. However, this level of information continues to not be available for some other corporate strategies and plans, such as the Primary Care Strategy and the Information Governance Strategy (see **Appendix 2 2022 Recommendation 1**).
- 74 DHCW continues to have effective arrangements for overseeing and scrutinising the implementation and delivery of corporate strategies and plans. The IMTP links to a clear business plan containing target dates and milestones. DHCW's IOPR also routinely updates the Board on progress. The report's 'plan on a page' provides a useful overview of progress against each programme delivery portfolio aligned to four of DHCW's five strategic missions. This is also supported by a more

<sup>8</sup> Specific, measurable, achievable, relevant, and time-bound

detailed narrative update commenting on programme delivery. We also note that the Board continues to receive a IMTP half-year progress report in November.

- 75 However, opportunities remain to improve the quality of update reports to Board. While the Digital Inclusion Update to Board in March 2024, and the Stakeholder Engagement Plan and Communications Strategy updates to Board in May 2024 set out progress, they did not clearly articulate where delivery is off-track, mitigating actions, and revised delivery timescales (see **Appendix 2 2023 Recommendation 4**).

## Corporate approach to managing financial resources

- 76 We considered whether DHCW has a sound corporate approach to managing its financial resources.
- 77 We found that **DHCW continues to have a generally effective approach to financial planning, monitoring, and reporting. However, risks around the sustainability of the Digital Priorities Investment Fund funding model and over-reliance on non-recurrent savings remain.**

## Financial objectives

- 78 We considered whether DHCW has a sound corporate approach to meeting its key financial objectives. We were specifically looking for evidence of:
- the organisation meeting its financial objectives and duties for 2023-24, and the rolling three-year period of 2021-22 to 2023-24; and
  - the organisation being on course to meet its objectives and duties in 2024-25.
- 79 We found that **DHCW met its financial objectives for 2023-24 and is forecasting a breakeven position for 2024-25.**
- 80 DHCW met its financial objectives to break even for both revenue and capital expenditure in 2023-24. In the latest finance report presented to Board in May 2024, DHCW reported revenue and capital underspends of £0.096 million and £0.242 million respectively for the period to 30 April 2024. It is currently forecasting a breakeven end-of-year position.

## Corporate approach to financial planning

- 81 We considered whether DHCW has a sound corporate approach to overseeing and scrutinising financial planning. We were specifically looking for evidence of:
- clear and robust corporate financial planning arrangements in place;
  - the Board appropriately scrutinising financial plans prior to their approval;

- sustainable, realistic, and accurately costed savings and cost improvement plans in place which are designed to support financial sustainability and service transformation; and
- the Board appropriately scrutinising savings and cost improvement plans prior to their approval.

82 We found that **DHCW continues to have an effective approach to financial planning and is clear on its financial risks. However, risks around the sustainability of the Digital Priorities Investment Funding (DPIF) model remain, and it continues to over-rely on vacancies to deliver savings.**

83 DHCW is operating in an increasingly challenging financial environment which is resulting in growing financial risks, and funding constraints alongside an ambitious organisational strategy. In 2023-24, DHCW experienced core funding increases but, at the same time, a reduction in some non-core areas including COVID-19 response funding and Digital Priorities Investment Fund funding (DPIF).

84 As part of the 2024-25 financial planning process, DHCW identified unavoidable financial risks, including service growth, digital inflation, sustaining key digital products, energy costs, and cyber security improvements. It has also identified avoidable costs linked to product development choices which might impede progress, such as the transition to cloud.

85 The Board approved DHCW's financial plan in March 2024 as part of the IMTP approval process. The plan assumes funding of £169.6 million, of which:

- £131.9 million relates to funding from the Welsh Government, NHS Services Level Agreement, All Wales Digital Licencing, and other miscellaneous income;
- £7.4 million funding from the Welsh Government for its COVID-19 response; and
- £30.3 million funding as part of the DPIF.

86 The issues around the complexity of the DPIF funding model continue. Last year, DHCW and Welsh Government were working closely to agree a more sustainable national and local funding model. However, progress has stalled due to the focus on in-year financial challenges across NHS Wales. The non-recurrent nature of the funding still inhibits DHCW's ability to plan with certainty and recruit staff with appropriate skills and expertise on short 12-month fixed-term contracts. Ultimately, the funding position is presenting a risk to programme delivery which the organisation is seeking to mitigate through its Board Assurance Framework (see **Appendix 2022 Recommendation 2a**).

87 DHCW is funding elements of work 'at risk'. For example, it has spent £0.86 million on the development case for replacing the Welsh Community Care Information System with 'Connecting Care'. It is also anticipating an additional funding requirement to support the Welsh Intensive Care Information System following a planned independent clinical review. While the 'at risk' funding values are small at present, this coupled with the more significant un-resourced priorities (see

**paragraph 65)** further compound and highlight deliverability risks for the organisation.

- 88 DHCW continues to have a reasonably effective approach for identifying savings<sup>9</sup>. However, delivery of the savings still presents risks to the organisation's future financial sustainability. The Financial Plan articulates a savings target of £1.5 million. DHCW continues to place a high reliance on vacancies (£0.853 million) to achieve its overall savings target. At the latest Board meeting in May 2024, DHCW reported an over-delivery of vacancy savings totalling £0.263 million for the period to 30 April 2024<sup>10</sup>. This remains a risk should the organisation recruit to these vacancies (see **Appendix 2 2022 Recommendation 2b and 2023 Recommendation 5**).
- 89 In **paragraphs 67 and 84** we comment on DHCW's progress in establishing its new product approach operating model and the affordability risks around 'cloud based' infrastructure adoption. Both key workstreams are anticipated to deliver improved performance and create system value and operational efficiencies. DHCW is establishing a 'Finding more Value' workstream as part of its 'Building our Futures' transformation programme. This also aims to identify and deliver on strategic efficiency programmes across the organisation and should help reduce reliance on non-recurrent savings. As part of this process, DHCW should set out tangible financial savings aims. (**Recommendation 7, 2024**)

## Corporate approach to financial management

- 90 We considered whether DHCW has a sound corporate approach to overseeing and scrutinising financial management. We were specifically looking for evidence of:
- effective controls in place that ensure compliance with Standing Financial Instructions and Schemes of Reservation and Delegation;
  - the Board maintaining appropriate oversight of arrangements and performance relating to single tender actions, special payments, losses, and counter-fraud;
  - effective financial management arrangements in place which enable the Board to understand cost drivers and how they impact on the delivery of strategic objectives; and
  - the organisation's financial statements for 2023-24 were submitted on time, contained no material misstatements, and received a clean audit opinion.
- 91 We found that **DHCW continues to have generally effective arrangements for overseeing and scrutinising financial management.**

<sup>9</sup> The Auditor General will be commenting further on DHCW's approach to identifying, delivering, and monitoring financial savings in a separate piece of work that we will report in 2024.

<sup>10</sup> Vacancy savings target for the period to 30 April 2024 was £0.121 million and actual savings achieved were £0.384 million.

- 92 DHCW continues to have a reasonably effective approach to overseeing and scrutinising financial management. An Internal Audit review on financial and service delivery sustainability gave a reasonable assurance rating. The Audit and Assurance Committee continues to receive good quality reports on high-value purchase orders, procurement activity, local counter fraud progress, and compliance with Schemes of Delegation and Standing Financial Instructions. All of which appear to be appropriately managed or delivering as expected. We also found evidence of technical accounting updates presented to the committee. We continue to note appropriate scrutiny and oversight of the information presented.
- 93 DHCW continues to have a good understanding of its cost drivers. The Financial Plan outlines financial opportunities and risks, such as cloud adoption, the new 'product operating model', DPIF and financial pressures (see **paragraphs 83 to 89**). While there has been a slight increase to Service Level Agreement costs, health bodies have broadly accepted these. However, DHCW will still need to continually monitor its internal and external environment should significant financial risks facing NHS Wales materialise.
- 94 DHCW's financial statements were prepared to a good standard and submitted for audit on 3 May 2024. It corrected all misstatements identified that were above the trivial threshold, and the revised financial statements were considered by the Audit and Assurance Committee on 9 July 2024 and approved by the Board on the same day. The Auditor General issued an unqualified audit opinion on the financial statements on 12 July 2024.

## Board oversight of financial performance

- 95 We considered whether the Board appropriately oversees and scrutinises financial performance. We were specifically looking for evidence of:
- the Board receiving accurate, transparent, and timely reports on financial performance, as well as the key financial challenges, risks, and mitigating actions; and
  - the Board appropriately scrutinising the ongoing assessments of the organisation's financial position.
- 96 We found that **Board financial reports provide sufficient information to enable appropriate scrutiny and oversight supported by committee deep dives of financial risks.**
- 97 Officers continue to report financial performance directly to Board. Finance reports provide sufficient information to enable scrutiny and challenge, including detailed commentary on savings schemes delivery. The Audit and Assurance Committee undertook a deep dive of financial sustainability in October 2023, with the paper setting out a clear overview of the key financial risks. This resulted in good debate and provided additional assurance to the Board on financial challenges.
- 98 Board members continue to acknowledge the challenging financial position that DHCW is facing. Our observations of Board meetings continue to find good levels

of scrutiny of DHCW's financial performance and savings delivery. There is confidence that DHCW will achieve financial balance this year. However, should financial risks increase, it may wish to consider introducing a standing item at Audit and Assurance Committee meetings to discuss financial performance and risks on a more frequent basis.

# Appendix 1

## Audit methods

Exhibit 2 below sets out the methods we used to deliver this work. Our evidence is limited to the information drawn from the methods below.

| Element of audit approach | Description   |
|---------------------------|---|
| Observations              | We observed Board meetings as well as meetings of the following committees: <ul style="list-style-type: none"><li data-bbox="636 746 1070 770">• Audit and Assurance Committee;</li><li data-bbox="636 786 1240 810">• Digital Governance and Safety Committee; and</li><li data-bbox="636 826 1081 850">• Programmes Delivery Committee.</li></ul> |

| Element of audit approach | Description   |
|---------------------------|---|
| 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 Interest, 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> |
| Interviews                | <p>We interviewed the following Senior Officers and Independent Members:</p> <ul style="list-style-type: none"> <li>• Chair of Board;</li> <li>• Chief Executive;</li> <li>• Board Secretary / Director of Corporate Governance;</li> <li>• Head of Corporate Governance;</li> <li>• Executive Director of Strategy;</li> <li>• Executive Director of Finance;</li> <li>• Independent Member / Chair of Audit and Assurance Committee;</li> <li>• Independent Member / Chair of Programmes Delivery Committee; and</li> <li>• Independent Member / Vice Chair of DHCW.</li> </ul>   |

# Appendix 2

## Progress made on previous year's recommendations

Exhibit 3 below sets out the progress made by DHCW in implementing recommendations from previous structure assessment reports.

| Recommendation  | Description of progress   |
|---|---|
| <p><b>2022 Recommendation 1</b></p> <p>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.</p> | <p>Wider corporate strategies and plans are supported by business plans containing clear actions, responsible officers, and progress. However, this level of information continued to not available for some other corporate strategies and plans.</p> <p><b>In progress and overdue for completion</b></p> |

| Recommendation   | Description of progress   |
|--|---|
| <p><b>2022 Recommendation 2</b></p> <p>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> | <ul style="list-style-type: none"> <li>a. The Board Assurance Framework continues to include the sustainable funding model as a key control gap and articulates some high-level control and mitigating actions. At the latest Audit and Assurance Committee in July 2024, it was proposed that the corporate risk around sustainable funding is split to enable the Programmes Delivery Committee to focus on in-year funding sustainability for programmes, and the Audit and Assurance Committee to focus on the long-term sustainable funding mechanism.<br/><b>Complete</b></li> <li>b. DHCW are intending on establishing a 'Finding more Value' workstream as part of its 'Building our Futures' transformation programme. This also aims to identify and deliver on strategic efficiency programmes across the organisation and will help reduce reliance on non-recurrent savings.<br/><b>This recommendation has been superseded by recommendation 7 made as part of this year's Structured Assessment review</b></li> </ul> |
| <p><b>2022 Recommendation 3</b></p> <p>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 has developed a management of physical assets highlight report which provides assurance to the Audit and Assurance Committee on the management of its end user and core services physical assets.<br/><b>Complete</b></p>   |

| Recommendation  | Description of progress   |
|---|---|
| <p><b>2023 Recommendation 1</b></p> <p>The Chair of Board is intending to chair the new Programmes Delivery Committee. Whilst this is a positive development, given the Committee’s infancy and remit, this arrangement should be time-limited to free up the Chair’s capacity, and support independent and effective flows of assurance. DHCW should seek to appoint a chair for the Committee from the wider cohort of Independent Members.</p>                     | <p>The Chair of the Board chaired the inaugural meeting of the Programmes Delivery Committee but has since relinquished the responsibility to another Independent Member. He remains a member of the committee.</p> <p><b>Complete</b></p>  |
| <p><b>2023 Recommendation 2</b></p> <p>Board meetings continue to include an agenda item on listening and learning, which gives Board members some insights into the impact of digital on clinical service users. However, opportunities remain to strengthen these arrangements further. DHCW, therefore, should engage with other health bodies or Llais Wales, to explore options for Board members to hear directly from citizens and clinical service users.</p> | <p>Board meetings continue to include an agenda item on listening and learning which over the last year has generally focussed on programme or service delivery. However, at the May 2024 Board meeting, the listening and learning item included a digital story highlighting GP user experience of the radiology electronic request service.</p> <p>Some Executive Directors recently visited an Accident and Emergency Department within Betsi Cadwaladr University Health Board enabling them to experience firsthand the digital challenges experienced by front-line workers. DHCW should therefore consider how it can increase and maximise opportunities for all Board members to hear directly from citizens and clinical service users in other health bodies to help shape its listening and learning item at Board.</p> <p><b>In progress and overdue for completion</b></p> |

| Recommendation  | Description of progress  |
|---|--|
| <p><b>2023 Recommendation 3</b></p> <p>DHCW is experiencing resource challenges to deliver its IMTP priorities, and the scope of its planned transformational work may require significant Welsh Government investment at a time of considerable financial constraint across the NHS in Wales. In light of these challenges, DHCW should:</p> <ol style="list-style-type: none"> <li>Progress its 'value proposition' work at pace to demonstrate the impact of digital across NHS Wales.</li> <li>Develop plans as soon as possible that carefully consider its own internal and stakeholder priorities and what it is able to deliver within its resource envelope.</li> </ol>  | <p>Progress on both the new product focussed operating model and 'value proposition' workstreams has been slow due to various resource, capacity, and programme delivery challenges alongside DHCW inheriting problematic digital programmes. DHCW is now incorporating this work into its 'building our future' transformation programme.</p> <p><b>In progress, but not due for completion until September 2024</b></p>  |
| <p><b>2023 Recommendation 4</b></p> <p>Whilst some corporate strategies and plans are underpinned by clear business/delivery plans, this is not case for all of them. Furthermore, there is scope to improve the quality and frequency of the strategy update reports presented to Board. DHCW, therefore, should:</p> <ol style="list-style-type: none"> <li>Ensure that all corporate plans and strategies are underpinned by detailed business/delivery plans that include target dates and milestones to facilitate effective progress monitoring and ensure appropriate Board level assurance and scrutiny.</li> <li>Improve the quality of strategy update reports to Board and increase the frequency of oversight to provide assurance to the Board that corporate strategies and plans are achieving the desired impact and benefits.</li> </ol> | <p>Generally, wider corporate strategies and plans are supported by business plans containing clear actions, responsible officers, and progress. However, this level of information is not available for some other corporate strategies and plans.</p> <p>There are opportunities to improve the quality of update reports to Board. Updates to Board in May 2024 set out progress and their impact, but they do not clearly articulate where delivery is off-track, mitigating actions and revised delivery timescales.</p> <p><b>In progress and overdue for completion</b></p> |

| Recommendation  | Description of progress   |
|---|---|
| <p><b>2023 Recommendation 5</b></p> <p>Whilst DHCW has made some progress in addressing the balance of recurrent and non-recurrent savings, it still places an over-reliance on vacancy savings to achieve its overall savings target. This continues to represent a risk should the organisation recruit to the vacancies, particularly considering the forecast deficit positions for 2024-25 and 2025- 26. DHCW, therefore, should 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.</p> | <p>The Financial Plan articulates a savings target of £1.5 million. DHCW continues to place a high reliance on vacancies (£0.853 million) to achieve its overall savings target. As the latest Board meeting in May 2024, DHCW reported an over-delivery of vacancy savings totalling £0.263 million for the period to 30<sup>th</sup> April 2024.</p> <p><b>This recommendation has been superseded by recommendation 7 made as part of this year's Structured Assessment review</b></p> |

# Appendix 3

## Management response to audit recommendations

Exhibit 4: DHCW's response to our audit recommendations

| Ref | Recommendation  | <b>Management response</b><br>Please set out here relevant commentary on the planned actions in response to the recommendations   | <b>Completion date</b><br>Please set out by when the planned actions will be complete | <b>Responsible officer (title)</b> |
|-----|---|---|---|------------------------------------|
| R1  | Strengthen the Programmes Delivery Committee's Programme Overview Report by ensuring that it provides a clearer assessment of the risks facing partners and other stakeholders where there are significant programme delivery challenges. | Programme Boards will request Highlight Reports from all delivery partners – the reported RAG status and any significant risks will be included in the Programme Overview Report. | March 2025  | Executive Director of Strategy     |

| Ref | Recommendation   | <b>Management response</b><br>Please set out here relevant commentary on the planned actions in response to the recommendations   | <b>Completion date</b><br>Please set out by when the planned actions will be complete  | <b>Responsible officer (title)</b>              |
|-----|--|---|--|---|
| R2  | Ensure that committee highlight reports to Board provide clearer narrative on actions required from the Board where it has been alerted to issues.   | Actions requiring Board attention to be explicit in future Committee highlight reports under the Alert section of the report.   | 28 November 2024   | Director of Corporate Affairs   Board Secretary |
| R3  | Strengthen the Board Assurance Framework (BAF) by: <ul style="list-style-type: none"> <li>• clearly reporting the impact of actions that DHCW is taking to mitigate principal risks;</li> <li>• reflecting the risks to achievement of its wellbeing objectives, now that the organisation is subject to the requirements of the Wellbeing of Future Generation (Wales) Act 2015; and</li> <li>• better utilising the BAF and ongoing strategic risk assessment to inform committee work programmes and agenda setting.</li> </ul> | <ul style="list-style-type: none"> <li>i. Future BAF updates to the Board to include an assessment of the impact the actions to mitigate the principal risks is having in addressing and mitigating the risk.</li> <li>ii. Update the BAF Report template to incorporate risks to achievement of its wellbeing objectives (WCFG Act)</li> <li>iii. Agenda setting meetings to include consideration of the BAF</li> </ul> | <ul style="list-style-type: none"> <li>i. 28 November 2024</li> <li>ii. 28 November 2024</li> <li>iii. October 2024</li> </ul> | Director of Corporate Affairs   Board Secretary |

| Ref | Recommendation  | <b>Management response</b><br>Please set out here relevant commentary on the planned actions in response to the recommendations  | <b>Completion date</b><br>Please set out by when the planned actions will be complete | <b>Responsible officer (title)</b>              |
|-----|---|--|---|---|
|     |   | to inform future committee agenda items.   |   |   |
| R4  | Ensure that the corporate risk register clearly identifies and distinguishes between existing controls to reduce likelihood and new mitigating actions to reduce severity of corporate risks. | Corporate risk register to be reviewed and updated to ensure greater clarity on existing controls to reduce likelihood and new mitigating actions to reduce severity of corporate risks. | January 2025  | Director of Corporate Affairs   Board Secretary |
| R5  | Ensure that future Integrated Medium-Term Plans provide greater clarity on the priorities the organisation intends to deliver in the 2nd and 3rd year of those plans.                         | IMTP will cover the full three-year planning timeframe, noting that it will reflect the requirements and guidance in the IMTP Planning Framework to be issued by Welsh Government.       | March 2025  | Executive Director of Strategy                  |
| R6  | Develop an approach to periodically review the effectiveness, impact and possible challenges of its long-term strategy delivery.  | Establish a new Strategy Assurance Group to have oversight of delivery against the long-term strategy, oversight of new and updated sub  | March 2025  | Executive Director of Strategy                  |

| Ref | Recommendation   | Management response<br>Please set out here relevant commentary on the planned actions in response to the recommendations   | Completion date<br>Please set out by when the planned actions will be complete | Responsible officer (title)   |
|-----|--|--|--|-------------------------------|
|     |  | strategies, and co-ordinated review and reporting to the SHA Board.  |  |                               |
| R7  | Quantify the tangible efficiencies and value the organisation is hoping to generate from its 'Finding more Value' workstream to enable it to monitor the achievement of benefits from the programme and to demonstrate improved internal efficiency to its key stakeholders. | <p>The "Building Our Future" programme is designed to knit together organisational-wide transformation activities and as such is made up of two distinct types of workstreams:</p> <p><b>Deliverable workstreams</b> that are owned by the programme which is accountable for their delivery</p> <p><b>Reporting workstreams</b> that are owned by senior managers across DHCW who are accountable for their delivery</p> <p>The programme will present the overarching plan which will track delivery of all workstreams within scope (including Finding More Value), including their key milestones and interdependencies:</p> | March 2025   | Executive Director of Finance |

| Ref | Recommendation | <b>Management response</b><br>Please set out here relevant commentary on the planned actions in response to the recommendations   | <b>Completion date</b><br>Please set out by when the planned actions will be complete | <b>Responsible officer (title)</b> |
|-----|----------------|---|---|------------------------------------|
|     |                | <ul style="list-style-type: none"> <li>• where appropriate, each work stream lead will deliver and manage a costed, interdependent plan and critical path that will be used to inform the Building Our Future Programme Board of resources, costs, dependencies and progress. The value of each workstream will be formulated and defined and then tracked and reported as appropriate.</li> <li>• each work stream lead will become a member of the Programme Board. Whilst in “discovery phase” the timeline is for the draft deliverables and metrics to be established by November 2024.</li> </ul> |   |                                    |





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