WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Structured Assessment 2018 – **Cardiff and Vale University Health Board**

Audit year: 2018

Date issued: January 2019

Document reference: 1025A2019-20

The team who delivered the work comprised Tom Haslam, Urvisha Perez, Mark Jones, John Llewellyn and Andrew Strong.

Contents

The Health Board's strategic planning arrangements are generally sound, and while it has made some progress, significant improvements are still needed in governance, risk management and performance monitoring arrangements.

About this report 4

Background 4

Main conclusions 5

Governance:

Some governance arrangements have improved but we have concerns about risk management and some other basic governance processes 5

Strategic Planning:

The Health Board's 2015 vision remains relevant and strategic planning arrangements are generally sound but better performance monitoring arrangements are needed 13

Wider arrangements that support the efficient, effective and economical use of resources:

The Health Board has a wide array of challenges for ensuring effective use of its resources, mostly recognises where it needs to improve and has recently created a transformation programme to help improve performance and efficiency 15

Recommendations 27

Appendices

Appendix 1 – progress implementing previous recommendations 29

Appendix 2 – Health Board's response to this year's recommendations 34

About this report

1 This report sets out the findings from the Auditor General's 2018 structured assessment work at Cardiff and Vale University Health Board (the Health Board). We undertook this work to help discharge the Auditor General's statutory requirement, under section 61 of the Public Audit (Wales) Act 2014, to be satisfied that NHS bodies have made proper arrangements to secure economy, efficiency and effectiveness in their use of resources.

2 Our 2018 work has included interviews with officers and independent members, observations at board, committee and management meetings and reviews of relevant documents, performance and financial data. This year we conducted a Board member survey across all health boards and NHS trusts. There was a poor response from board members at the Health Board. Only seven of the 25 (28%) board members invited to take part responded. Consequently, we have not used the findings in this report.

3 This year's structured assessment work follows similar themes to previous years' work. We have broadened the scope to include the Health Board's arrangements for procurement, asset management and improving efficiency and productivity. We have grouped our findings under three themes – the Health Board's governance arrangements, its approach to strategic planning and the wider arrangements that support the efficient, effective and economical use of resources. We end with our recommendations.

4 Appendix 1 summarises the Health Board's progress in addressing previous structured assessment recommendations. Appendix 2 sets out the Health Board's response to the recommendations arising from our 2018 work.

Background

5 Under the NHS Wales Escalation and Intervention Framework, the Heath Board's status is at targeted intervention. This reflects challenges around the organisation's financial position and its inability to produce an approvable, financially balanced Integrated Medium-Term Plan (IMTP).

6 The Health Board is also failing to meet some Welsh Government waiting time targets, such as referral to treatment time, A&E waits and time to treatment following a cancer diagnosis. The Board is prioritising actions in areas of poor performance and there have been some improvements.

7 The Health Board reported a financial deficit of £26.9 million at the end of 2017-18. This was within the control total deficit of £30.9 million agreed with the Welsh Government. However, it contributes to a mounting year-on-year cumulative deficit, which stood at £56 million at the end of March 2018. The Health Board is working to a one-year operational plan – the Annual Operating Plan (AOP) - because Welsh Government did not approve the 2018-20 IMTP.

8 The Board has spent the last 12 months consolidating earlier changes to key personnel and board membership and building upon these. Last year several new independent members (IM) were appointed to the Board, there was a new Chief Executive and Executive Director of Workforce and Organisational Development. In July 2018, a new Director of Corporate Governance joined the organisation.

9 Organisational structures are largely the same as last year, except for proposals to merge the Dental Clinical Board with the Surgical Clinical Board. Some executive responsibilities have changed. For example, from October 2018, the former Director of Public Health is now the Director of Informatics, Commissioning, Innovation and Transformation.

10 Our 2017 structured assessment work found that the Health Board's savings programme was reducing the financial deficit and that operational arrangements were mostly effective. We also highlighted weaknesses in Board oversight and assurance and informatics' support for services.

11 The Health Board received the 2017 structured assessment report in February 2018. It was the only NHS body not to provide a management response before we started our 2018 structured assessment work. The Audit Committee finally received the completed management response on 25 September 2018 with a six-month update that showed limited progress against our recommendations.

Main conclusions

Summary

12 Our main conclusion is the **Health Board's strategic planning arrangements are generally sound, and while it has made some progress, significant improvements are still needed in governance, risk management and performance monitoring arrangements.**

13 The findings which underpin these conclusions are considered in more detail in the following sections.

Governance

14 As in previous years, we have examined the Health Board's governance arrangements. We reviewed:

- the way the Board and its subcommittees conduct their business;
- the extent to which organisational structures support good governance and accountability; and
- whether the information the Board (and its subcommittees) receives helps it to oversee and challenge performance and monitor achievement of organisational objectives.

15 We found that **some governance arrangements have improved but we have concerns about risk management and some other basic governance processes.**

Conducting business effectively

16 We looked at how the Board organises itself to support the effective conduct of business. **The Health Board is taking steps to improve board and committee arrangements but has not yet achieved consistent good practice across the organisation.**

17 Sound governance arrangements are fundamental to help provide strategic direction, challenge the effectiveness of delivery and ensure that corrective actions resolve issues where they arise. In our 2017 structured assessment we found that the Board and some of its committees did not provide sufficiently rigorous and consistent oversight. This was partly due to turnover in independent members. Like many health boards, in 2017 the Health Board experienced a large turnover of independent members. Four independent members left, including the Board's Vice-

chair and the Chair of the Audit Committee. With three existing vacancies, this meant recruiting a total of seven new independent members. Of these seven, only one had previous NHS Board experience. Inducting these new members and familiarising them with Health Board and NHS matters was a significant task. New members were formally inducted between October 2017 and January 2018 through a mixture of internal and all Wales sessions[1].

18 Every other month there is a board development session timetabled between public board meetings. In 2017-18, these sessions were used for team building and learning. The 2018-19 Board development programme is designed to help the Board and its committees to focus on more strategic business.

19 During 2018, the Health Board took steps to strengthen Board and committee working. At the February 2018 board development session, board members agreed the following improvement objectives for the Board:

- concentrating more on the Health Board's strategy and not operational matters;
- focussing more on the Health Board's mission, 'Caring for People, Keeping People Well' and the 10 strategic objectives in Shaping our Future Wellbeing;
- improving alignment between strategic objectives and key corporate risks;
- receiving higher levels of assurance and scrutiny;
- reducing the volume of papers; and
- avoiding duplication of papers and discussion between different Committees and/or the Board.

20 The Health Board has made some changes to support these objectives. For example:

- **Committee membership.** The Health Board has recently reshuffled the allocation of independent members to committees. This is an attempt to optimise their contribution by best utilising their individual skills, specialisms and interests.
- **Board rules.** These now support the desired changes in behaviour. For example: considering issues from a strategic perspective; challenging constructively; seeking clarification on papers beforehand; and taking a holistic view. Copies of the Board rules are displayed at Board meetings.
- **Board and committee cover report template.** An updated version now encourages greater focus and clarity. Instructions to the Board and committee on the purpose of papers is simpler, either 'for assurance' or 'for decision'. Other categories have been removed. The template limits the main report's length to no longer than two and a half pages. The new template was tested at the September 2018 Board meeting.
- **Pre-submitted questions prior to Board meetings.** To improve efficiency, independent members submit some questions to executive members before the Board meeting. These questions are devised at a meeting the Board chair holds with independent members a few days before Board meetings. This process does not stop members from asking questions at the meeting but gives officers a chance to prepare a definitive answer.

21 The recent improvements to Board and committee working are positive but success will need lasting changes in behaviour and discipline. All our interviewees recognised the attempt to lift Board and committee discussion to a more strategic level. Generally, we found improvements in the volume of Board and committee meeting papers compared to last year. However, the

[1] All-Wales training and seminars were provided through Academi Wales and the NHS Confederation.

Committees' terms of reference and work programmes are not all up to date. The Health Board is aware of this and working to address it.

22 In our 2017 structured assessment we raised concerns about the balance of work between the S&E and R&D committees. After six months of operation the Health Board reviewed these committees and replaced them with the S&D Committee, citing a lack of clarity over responsibilities and some duplication. The Strategy and Engagement (S&E) and Resource and Delivery (R&D) Committees held their final meetings in November 2017 and January 2018 respectively. The Strategy and Delivery (S&D) Committee met for the first time in March 2018 and we observed its third meeting in September 2018. It is still relatively new, but we observed that it was working well. For example; there were good levels of challenge and discussion; the meeting ran to time; and the chair made good use of the cover reports. However, we are concerned that the S&D Committee may face issues around the size of its remit. (Similar to the former People, Planning and Performance Committee, which was stood down because of its large and unwieldy remit). However, executives and independent members told us they were aware of the challenge and determined to keep S&D Committee discussions at a strategic level.

23 The Board's other committees have remained the same. We observed some improvements in scrutiny and challenge at the Board and its key committees[2]. This may be a result of both new executives and new independent members being more settled in their roles.

24 Also, in our 2017 structured assessment we reported that the Finance Committee and Quality, Safety and Experience (QSE) Committee were two of the better run committees. This remains the case, but the other committees are improving. The Finance Committee meets monthly for a short, focused discussion on the financial position, progress against the Health Board's cost reduction programme and to consider the finance risk register. The meeting papers are clearly written and concise, which aids good discussion. Since July 2018, the Finance Committee scrutinises the financial position in depth and then provides assurance to the Board. Previously the Board received the same finance report as the committee, which duplicated efforts. In 2017, we highlighted delays in uploading the Finance Committee papers onto the Health Board's website. At the time of writing, this remains so with two month's papers missing (October 2018 and November 2018).

25 As part of our 2018 review, we observed the QSE Committee's annual special meeting. This meeting focused on learning from serious incidents, concerns and clinical negligence from the past year. The papers were clearly written and succinct and showed trend analysis of themes, which highlighted areas of concern. In addition, members received updates on initiatives to encourage learning, for example clinical debriefing sessions. This was a positive meeting with good scrutiny and member engagement. The QSE committee continues to receive assurances from clinical boards on a rotating basis and has a standing agenda item for the Community Health Council.

26 The Audit Committee's performance this year has been variable. There is good agenda management and meetings run to time. The chair allows enough time for members to explore matters as needed. The quality of scrutiny and questioning has varied but is improving. For example, following a recent report about medical equipment, independent members were swift to seek a meeting with executives to discuss this further. However, the length, organisation and format of committee papers is sometimes a barrier to effective scrutiny. Committee papers

[2] As part of our structured assessment work, we observed the Board and the following committees – Finance Committee, Quality Safety and Experience Committee, Strategy and Delivery Committee and Audit Committee.

range in length from around 100 pages to 500 pages, with variation in the standard of presentation, structure and format. Independent members need papers that are easy to absorb, understand and handle. In addition, the Audit Committee currently lacks a consistent and comprehensive way to keep track of the different streams of assurance that it receives. This can prevent the effective follow up of previous agenda items and weakens assurance. The December 2018 Audit Committee received a workplan that should help to ensure all requisite business is scheduled and dealt with in an effective and efficient way. Audit Committee members display a genuine wish to make a difference and hold executive officers to account. However, some members have expressed frustration at the committee's perceived lack of authority among the rest of the organisation.

27 Across our observations of the Board and its committees, we have seen good but inconsistent chairing skills. We observed instances of good practice such as: adhering to accepted process such as asking for declarations of interest; systematically reviewing and agreeing minutes; ensuring meetings start on time; managing the agenda items; scrutinising information; and facilitating discussion. However, these good practices are not always deployed consistently.

Managing risks to achieving strategic priorities

28 We looked at the Board's approach for assuring itself that risks to achieving strategic priorities are well managed. **Delays in revising the corporate risk assurance framework means that until recently the Board has had insufficient oversight of strategic risks.**

29 The Health Board's Corporate Risk and Assurance Framework (CRAF) combines the corporate risk register and Board Assurance Framework (BAF). In our 2017 structured assessment we noted the Health Board was reviewing the CRAF before a planned relaunch in April 2018.

30 However, the Health Board was slow in reviewing and revising the CRAF. The Board and its committees have not received the CRAF since November 2017. Also, there have been very few progress updates to the Board on the CRAF review; the last was January 2018.

31 Health Board executives report they manage corporate risks at management executive meetings. However, this is not ideal because it means corporate risks are not visible to, or scrutinised by, the Board. Furthermore, we did not find any evidence that Board members received suitable assurance that the executive team were managing corporate risks during the CRAF review. We note the Health Board has not updated its risk management policy since 2013.

32 The new Director of Corporate Governance is making progress with developing a Board Assurance Framework (BAF). The Health Board intends to replace the CRAF with: a separate BAF setting out the strategic risks to achieving the strategic objectives; and a corporate risk register setting out the top organisational risks.

33 The Board received the draft BAF in November 2018 and the Audit Committee received it in December 2018. The BAF was developed in discussions at management executive meetings. They identified the following six risks as posing the greatest risk to the Health Board's strategic objectives:

- workforce;
- financial sustainability;
- sustainable primary and community care;
- safety and regulatory compliance;
- sustainable culture change; and
- capital assets (including estates, IT and medical equipment).

34 The draft BAF lists the Health Board's strategic objectives and sets out the:

- principal risks that threaten the achievement of objectives;
- controls in place to manage/mitigate the principal risks;
- assurances on the controls in place;
- gaps in control;
- gaps in assurance; and
- actions to address the gaps in control and assurance to enable delivery of objectives.

35 Compared to the CRAF, which listed over 90 risks, the draft BAF is clearer and more focused. This should be easier for the Board and its committees to review. Each risk has an assigned executive lead, committee and entry date.

36 Also, the Health Board is reviewing operational risk management. It started this work last year alongside the CRAF review. So far, the Health Board has designed a new risk register template, a guide for identifying risks and an explanation of how the risk register works. The Board received the draft risk management guide in January 2018 as part of the CRAF review update. The Head of Governance has been working with services to review their risks and transfer their risk register to the new template. The governance team will ensure that training includes awareness of the correct process. Currently, the Health Board has a paper-based risk management system but are considering an IT based solution.

37 The governance team is setting up a Risk Management Group. This group's purpose will be to review risk registers and challenge those risks proposed for escalation to the BAF or corporate risk register. Previously, clinical board risks scoring 12 or more automatically escalated to the CRAF. This made the CRAF large and unwieldy. The Risk Management Group will seek to manage as many risks as possible at an operational level.

Embedding a sound system of assurance

38 We examined whether the Health Board has an effective system of internal controls to support board assurance. **We found some areas of sound practice, but the Health Board needs to make several significant improvements to its system of assurance.**

39 The Health Board has some good arrangements for quality governance. Internal Audit gave the Health Board's Annual Quality Statement a rating of substantial assurance. In July 2018 the Board received the Health Inspectorate Wales annual report, which was largely positive. The Board receives a regular patient safety, quality and experience report. Reporting is starting to include more feedback from the primary and community care sectors.

40 There is a clinical audit programme with the Executive Medical Director responsible for this. The Clinical Governance Team manages the audit programme. Clinical audits are discussed at clinical board QSE groups and are then passed to the QSE Committee. In June 2018, the QSE Committee received the clinical audit plan for 2018-19.

41 The Health Board has a comprehensive annual walkabout schedule. Executives and independent members form pairs until arrangements are refreshed. Generally, those with a clinical background are partnered with those without. Walkabouts are targeted at clinical areas of concern or complaint, also services not recently visited. Information picked up at walkabouts are triangulated with other patient experience information and internal inspections. The Health Board recognises it needs to improve the way it records walkabouts.

42 The Health Board has updated its process for receiving and reviewing staff concerns. The Health Board has several mechanisms to enable staff to raise concerns. These include freedom to speak out, safety valve and anonymous letters, which are all directed to the

governance team. The Executive Director of Nursing and Director of Corporate Governance decide jointly how to progress each one.

43 The Health Board has improved complaint handling compliance. In March 2018, 74% of formal complaints were responded to within 30 days (March 2017, 48%). For 2018-19, the Health Board aims to achieve and sustain a response rate of 80%. Recent performance, as reported in November 2018, was 80%. The Health Board now handles most complaints informally. Between July 2017 and August 2018, 60% of complaints were managed through the informal complaints process, with less than 2% resulting in a formal complaint. The Health Board received fewer formal complaints in 2017-18 (1080) compared to 2016-17 (1118).

44 In 2017 the Health Board identified issues with paediatric surgery based on reported complaints, concerns, claims and incidents. Executive level meetings with the Children and Women's Clinical Board began as soon as the issues became known. The Health Board took a mature approach to quality governance and asked the Royal College of Surgeons to review the relevant clinical records, which they did in July 2017. The QSE Committee also received notice of the issue in July 2017. Because of its sensitive nature, early discussions took place in the QSE Committee's private session.

45 The Royal College of Surgeons reported their findings in October 2017. The Health Board shared the report in private with both Welsh Health Specialised Services Committee (WHSSC) and with Welsh Government. But in line with their duty of candour, the September 2018 Board meeting received the report in a public session, outlining the issues and actions taken.

46 During our work, we did find several weaknesses in the systems of internal control that support board assurance. These are set out in the bullet points below. At the time of our fieldwork the new Director of Corporate Governance had been in post for six weeks. She is aware of the issues we have highlighted and plans to tackle them within the next 12 months.

- **The Scheme of Delegation** was reviewed in February 2018 in response to our public interest report. However, it was not updated to reflect delegated responsibility for calculating nurse staffing levels required under the Nurse Staffing Levels (Wales) Act.
- **The Standing Orders and Standing Financial Instructions** are both dated May 2015 with no evidence that either document has been reviewed since. Both documents should be reviewed annually.
- **Registers of declarations of interest and gifts, hospitality and sponsorship** were on the agenda for the September 2017 Audit Committee, but only the register of interest was presented. In September 2018, the Audit Committee reviewed both registers, but the document format was not easy to read. There is a risk that those reviewing the registers may find it difficult to identify issues such as non-declarations. In December 2018, the Audit Committee received a limited assurance report from Internal Audit on the organisation's standards of business conduct, covering arrangements for declarations of interest and gifts, hospitality and sponsorship. The report identified several weaknesses across the systems in place for both processes. These ranged from the completion of forms, to the recording of details in the registers and the robustness of reporting to Audit Committee.
- **New and revised policies** are presented to the relevant committees for approval. But we found no assigned responsibilities or tracking methods to ensure organisation-wide policies are up to date. There is a risk that policies become outdated with no alert mechanism. Potentially this could undermine the Health Board's new BAF because up to date policies are usually a key BAF control. We found several policies on the Health Board's website beyond their review date.

47 A robust tracking method for audit recommendations gives health boards assurance that recommendations are being addressed. Also, it allows audit committees to hold officers to account for limited progress or inaction. The Health Board has two recommendations trackers, one for Wales Audit Office recommendations and one for recommendations made by other external inspectorates. We found weaknesses in the Audit Committee's tracking arrangements:

- Audit Committee receives both trackers but there is no protocol to guide how often they should be reviewed. Both trackers were last presented to Audit Committee in September 2018, but they are not always on the same agenda.
- Neither tracker holds information on the number of recommendations and their status. The trackers include reviews spanning several years with the status of many best described as 'ongoing'.
- For audit reports referred to other committees, it is unclear how the Audit Committee receives assurance that recommendations are complete.
- The format of both trackers is not easy to read so may be a barrier to identifying common themes and learning.
- Neither of the two trackers includes Internal Audit recommendations.

48 In our 2016 structured assessment we recommended strengthening tracking arrangements for external audit recommendations. We consider this recommendation as still standing and should be extended to include Internal Audit recommendations.

49 As part of our work we reviewed performance management arrangements. In our 2017 structured assessment we reported that operational performance management was sound, but Board and committee oversight was ineffective. In April 2018, the Health Board strengthened its clinical board performance review and escalation arrangements. The updated method summarises clinical board performance in assurance reports. The executive team discuss these assurance reports and, if necessary, decide on each clinical board's escalation status. A higher escalation level triggers an action plan to restore performance and attracts greater executive team attention.

50 The Health Board's three-year plan refers to the performance management framework. However, the performance management framework was last updated in 2013 so it doesn't reflect the significant changes that have taken place since. For example, organisational structures, committees and clinical board performance arrangements. The Health Board is currently mapping all performance measures to ensure scrutiny by the proper committee.

51 In 2017, we reported that performance information reported at committee level was less detailed than that reported to Board. This is still the case. For example, the new S&D Committee is responsible for providing assurance to Board on performance and workforce. It receives Tier 1 target performance data but without any narrative. The Chief Operating Officer gives the S&D Committee a detailed verbal explanation of performance, which is reflected in the minutes. However, the Board receives the whole performance dashboard, including national and local targets along with exception reporting for priority and deteriorating targets. This appears contrary to the Board's improvement objectives that aim to take a more strategic view and receive higher levels of scrutiny and assurance through its committees.

Ensuring a sound framework for information governance and cyber security

52 We examined the Health Board's approach to information governance and cyber security. **The Health Board needs to urgently improve information governance arrangements and strengthen its cyber security framework.**

53 Last year, we reported the Health Board was unlikely to meet the requirements of the General Data Protection Regulation (GDPR). The Health Board did not achieve the May 2018 deadline for complying with the requirements of the GDPR. The information governance department reports a lack of capacity. The Health Board has recently recruited extra information governance staff, which should help it to achieve full GDPR compliance by May 2019.

54 Achieving full compliance needs more work, for example:

- completing information asset registers for all clinical boards;
- appointing a permanent Data Protection Officer;
- completing privacy impact assessments before information processing; and
- identifying where needed, a network of information asset owners and administrators.

55 In 2016, the Information Commissioner's Office (ICO) gave 'limited assurance' to the Health Board's data protection arrangements. The Health Board has not yet fully addressed all the ICO's 2016 recommendations. It reports a lack of capacity within the Information Governance department. Although there is an action plan in place, most actions remain incomplete. The Health Board also needs to update its information governance strategy.

56 The Health Board's compliance with Caldicott Information Confidentiality is generally static. In April 2018 it scored 70% on the self-assessment (April 2017 68%). Compliance with mandatory information governance training has improved to 69% but remains below the national target of 95%.

57 The Health Board's response to statutory information access requests is poor. In 2018 the Health Board's performance within the required timeframe was well below the statutory target of 100%:

- Freedom of Information Act requests - 40% compliance
- Data Protection Act subject access requests - 44% compliance.

58 Early in 2018, part of an external NHS Wales project reviewed information governance and information security at the Health Board. This identified the need to improve cyber security arrangements. The Health Board responded by developing a cyber security improvement action plan. The plan includes setting up a specialist cyber security team, updating security patches and replacing unsupported software and hardware. During our audit, the Health Board updated its IT disaster recovery plans, but only after we asked for copies. We found no evidence the Health Board has a systematic, routine approach to:

- updating its IT disaster recovery plans and resilience plans; and
- testing resilience plans to ensure they are effective and work as intended.

59 This year the Information Governance and Information Technology sub-committee[3] has overseen the Informatics department's work. The sub-committee's focus on operational matters has been detrimental to more strategic issues such as overseeing strategic plan delivery and managing assurances.

[3] This reports to the S&D Committee

Strategic planning

60 Our work examined how the Board sets strategic objectives and how well the Health Board plans to achieve its objectives. Finally, we wanted to know how effective the Health Board is at checking progress with its plans. **The Health Board's 2015 vision remains relevant and strategic planning arrangements are generally sound but better performance monitoring arrangements are needed.**

61 We looked at how the Board goes about setting its priorities, engaging with key stakeholders and setting them out in a clear IMTP or AOP. The Health Board's 10 year strategy, Shaping our Future Wellbeing Strategy: 2015-25[4] set outs its mission, vision and strategic aims, which are:

- **Mission** - 'Caring for People, Keeping People Well'.
- **Vision** - 'a person's chance of leading a healthy life is the same wherever they live and whoever they are'.
- **Strategy** - 'Achieve joined up care based on home first, avoiding harm, waste and variation, empowering people and delivering outcomes that matter to them'.

62 The Health Board's 10-year strategy was developed following extensive stakeholder consultation, which included the Board and Stakeholder Reference Group. Ongoing engagement activity is also shaping the 10-year strategy's underpinning work programmes and future IMTP development. For example, developing three health and wellbeing centres. The Health Board reports that stakeholder engagement is working well. In our December 2018 Review of primary care services report we found the timing of consultation with stakeholders may not always be optimum. For example, consultees sometimes feel they are being informed rather than consulted with.

63 The Health Board has a hierarchy of plans that are consistent with each other. The 10-year strategy sets the high-level vision and strategy. Under this the Health Board has a three-year plan, which is consistent with the 10-year strategy. The lack of an approved IMTP means the Health Board is working to an Annual Operating Plan, which is consistent with the three-year plan.

64 We looked at how the Health Board developed both its 10-year and 3-year strategies and if they are properly supported by plans based on cost, resource and savings analysis. The IMTP submitted to Welsh Government in January 2018 was not accepted due to the funding assumptions it was based on. The Health Board revisited its IMTP but at that time was not able to submit an IMTP that was financially balanced. Consequentially Welsh Government asked the Health Board to work to an Annual Operational Plan.

65 The Health Board has commenced the preparation of its 2019-21 IMTP, which Welsh Government will consider for approval by 30 June 2019. There is a detailed timeline for developing the 2019-21 IMTP and the S&D Committee received this in September 2018. The Health Board's ability to develop an approvable 2019-21 IMTP may have an influence on nay Welsh Government decision on the organisation's 'targeted intervention' status. The Health Board reports it has the necessary resources to develop strategic plans and an approvable IMTP.

66 In our 2017 structured assessment we reported the Health Board's IMTP planning process was generally sound. Since then there have been no significant changes to the process, other than some refinements. The planning process was understood by those we spoke to during our

[4] Shaping Our Future Wellbeing 2015-2025.

work. However, during our work we found some discrete areas where planning is less robust. For example, asset management and IT[5].

67 The Health Board's IMTP planning approach is supported by:

- well defined roles and responsibilities;
- an IMTP template to ensure consistency of approach between clinical boards;
- an established cycle of demand and capacity analysis;
- learning and evaluation activities; and
- financial objectives and plans.

68 The Health Board's clinical strategy is expressed within its 10-year strategy, which by its nature is a high-level document. An underpinning clinical services strategy, currently being developed, will sit alongside the 10-year strategy to provide a greater level of detail about clinical services.

69 The Health Board has a one-year financial plan for 2018-19 which delivers a deficit of £9.9m and requires the delivery of £33.8m savings and a further £9.3m financial improvement. The Health Board has identified the required financial improvement to achieve this and it remains an area of focus[6].

70 The Health Board's workforce and organisational development plan states that it has been developed to integrate with service and financial objectives, including workforce reductions to help meet cost saving targets. The Director of Finance and the Director of Workforce and Organisational Development report a good level of joint working between them. The workforce and organisational development plan is consistent with the Health Board's three-year plan. Under the 'sustainable' workforce objective, the Health Board is working towards complying with the Nurse Staffing Levels (Wales) Act. This includes making sure staff understand and comply with the Act's requirements. The Board received a report on the nurse establishment in May 2018.

71 Finally, we looked at whether there is effective monitoring of strategic plans and change programmes. The 10-year strategy was launched in 2015. In September 2018, the S&D Committee received an assessment of the Health Board's progress against the 10-year strategy, ten strategic objectives and high-level performance indicators. The Health Board acknowledges that it is slightly behind trajectory in some areas of its 10-year strategy.

72 The Health Board has recently developed a transformation programme to support the implementation of the 10-year strategy. In March 2018, the Board received a paper on 'Developing the Cardiff and Vale way'. This describes the Health Board's change journey so far and introduces its new transformation programme. This has been influenced by learning from Canterbury Health Board in New Zealand and takes a whole-system, multi-disciplinary approach. Both the Board and the S&D Committee have scrutinised this new programme[7].

73 In our 2017 structured assessment we recommended that the S&D Committee should regularly examine progress in delivering the Annual Operating Plan and IMTP. This year we found the S&D Committee does receive progress reports on individual areas of the Annual Operating Plan and three-year plan. However, we found no evidence that S&D Committee receives an overall or collated progress summary against all Annual Operating Plan deliverables. The Board receives updates on the IMTP plan development, but we did not find any evidence of the Board receiving progress updates on Annual Operating Plan delivery.

[5] See paragraphs 125 to 127

[6] More detail on the Health Board's financial position is at paragraphs 89 to 101

[7] We explore this programme further in paragraphs 117 to 119

Wider arrangements that support the efficient, effective and economical use of resources

74 Efficient, effective and economical use of resources depends on how the organisation manages its workforce, finances and other physical assets. In this section we comment on those arrangements, and on the Health Board's action to maximise efficiency and productivity. We examine if the Health Board is procuring goods and services well.

75 **The Health Board has a wide array of challenges for ensuring effective use of its resources, mostly recognises where it needs to improve and has recently created a transformation programme to help improve performance and efficiency.**

Managing the workforce

76 The workforce is the Health Board's biggest asset and pay represents a large proportion of expenditure. It is important that the workforce is well managed and productive because staff are critical for delivering services and achieving efficiency savings and quality improvements. **The Health Board is aware of its workforce challenges and is developing plans to tackle them but has so far failed to address consultant job planning.**

77 The following table shows how the Health Board is performing against some key measures compared with the Wales average. Exhibit 1 shows that the health board's performance is mixed.

Exhibit 1: performance against key workforce measures[8]

	Health Board	Wales average
Sickness absence	5.1%	5.3%
Turnover	9.8%	6.9%
Vacancy	3.2%	2.6%
Appraisals	61.0%	67.0%
Statutory and mandatory training	75.0%	73.0%

Source: NHS Wales Workforce Dashboard, Health Education and Improvement Wales, July 2018

78 Sickness absence has a financial impact on health board budgets, such as the need for agency and temporary staff. Exhibit 1 shows the Health Board's July 2018 sickness rate (5.1%) was higher than in 2017 (4.8%), but still slightly below the Wales average (5.3%). The Health Board is planning some work to better understand sickness absence, especially short-term sickness trends and the support provided for staff absent with long-term sickness. The Health Board aims to reduce sickness absence to 4.6% in 2018-19 and to 4.2% by 2020-21.

79 The Health Board has several initiatives to reduce reliance on medical and nursing temporary and agency use. In 2017 the Health Board stopped using off-contract agency staff and it aims

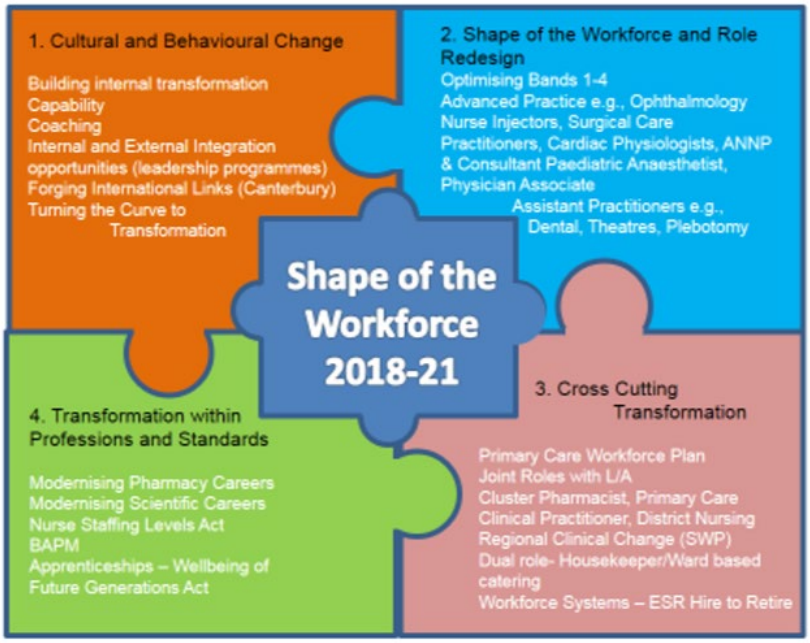
[8] Sickness: rolling 12-month average at July 2018; Turnover: 12-month period July 2017 to June 2018; Vacancy: based on advertised vacancies at July 2018; Appraisal: preceding 12 months at July 2018; Statutory and mandatory training: at July 2018

to continue this during 2018-19. In July 2018, agency costs were 1.7% of the total pay bill, which is low compared with the rest of Wales (4%). 'Project 95' aims to reduce nurse vacancy and agency spend by filling at least 95% of substantive posts. This has helped reduce the band 5 and 6 nursing vacancy rate from 8.6% in 2016-17 to 6.8% in 2017-18 and contributed to the reduction in agency expenditure.

80 However, in July 2018, the Health Board's overall vacancy rate was 3.2%[9]. This equates to 405 vacancies, of which 205 were nursing and midwifery vacancies. The Health Board's overall vacancy rate is higher than the Wales average of 2.6%, the second highest rate compared to other health boards and 0.6% higher than the same period last year (July 2017).

81 The Health Board recognises that recruitment and retention is only part of the solution to the workforce challenge. A sustainable workforce may need fundamental changes in design, composition and deployment. The workforce and organisational development plan outlines how the Health Board will use workforce transformation to achieve its vision in the 10-year strategy. Exhibit 2 summarises the approach the Health Board is taking over the course of 2018-21.

Exhibit 2: summary of the approach to workforce transformation 2018-21



Source: Cardiff and Vale Integrated Medium Term Plan 018-21, workforce and organisational development strategy and delivery plan.

82 In 2016, we followed up progress against our 2011 recommendations on consultant job planning. We found that the Health Board needed to eliminate variable job planning practice. The May 2018 Internal Audit review of the Health Board's consultant job planning arrangements found them to provide limited assurance. The Health Board has detailed guidance, training and a system for recording core activity on the electronic staff record system. However, not all consultants are completing a job plan annually, which is a core requirement. A sample of job plans revealed several weaknesses: the standard job planning template was not

[9] Vacancy rates shown as a proportion of full-time equivalent staff in post.

used; compliance with the guidance was poor; outcome measures were not agreed and monitored; and few reviewed job plans had the required signatures. The Health Board has developed an action plan following the internal audit review and a follow-up audit is planned for early 2019.

83 The target for job plan compliance is 85%, but at August 2018 the Health Board's compliance rate was 50%. In September 2018, the S&D Committee discussed this issue. It stressed that there should be consequences for consultants without a job plan and this needed to be viewed alongside a consultant's licence to practice.

84 The Health Board's learning and development strategy falls under the capable workforce theme of the workforce and organisational development plan. At July 2018, the Health Board's:

- Overall staff appraisal rate was 61%, which is lower than the Wales average (67%) and third lowest compared to other health bodies. The national target is 85%.
- Compliance with statutory and mandatory training (i.e. the core skills training framework) was 75%, which is better than the Wales average of 73%. The national target is 85%.

85 The Health Board has plans to improve appraisals, succession planning, leadership and statutory compulsory training.

- **Staff appraisals** – the appraisal process will include wider conversations with direct reports about staff member potential and performance. The executive team have approved this plan and presented it to S&D Committee in September 2018, with an aim to launch in spring 2019.
- **Leadership** - the Health Board will be running 180-degree reviews for their top 70 leaders. The aim is for them to understand their leadership style, how it feels to work in their team and the impact they have on team performance. Leaders will be supported to think about different management styles to improve team performance, development and culture.
- **Statutory and compulsory training** - the Health Board has a working group that has been reviewing statutory and mandatory training requirements for different roles. From September 2018 staff will only complete training models that are appropriate to their role, which has not been the case previously.

86 'Values and behaviours' is one of the seven transformation programme themes. In January 2019, the Health Board will launch a series of accessible interactive events to help promote its values and behaviours. The Health Board aim to create a 'buzz' across the organisation about its values and behaviours. Once staff have attended an event they will be asked to make a pledge and invite three more people to attend one of the events.

87 The NHS Wales staff survey results were not available when we did our work. However, the Health Board's response rate was 21% compared with 29% across Wales. The Health Board are planning to examine the reasons for the poor response rate.

88 The Health Board's cross-cutting cost improvement programme (CIP) includes three workforce related themes: nursing productivity; medical productivity; and workforce productivity. Each theme has an executive lead and feeds into the Cross-Cutting Board, which reports direct to the Finance Committee.

Managing the finances

89 As part of our work we looked at financial and budget management, financial controls, and operational support and processes. **The Health Board is improving its financial management and is aiming for a balanced annual position by 2020-21 but is still projecting a significant annual deficit**.

90 For the financial year 2017-18, the Health Board operated within its capital resource limit[10] for both the annual limit and the three-year limit[11]. However, the Health Board continued to exceed its annual and three-yearly expenditure limits for net revenue. Consequently, the Auditor General qualified his regularity opinion in the Health Board's annual financial statements[12].

91 For 2017-18, the Health Board reported:

- a £26.8 million deficit against the 2017-18 revenue resource limit of £872.2 million; and
- a £56 million deficit against the three-year total revenue resource limit of £2,585 million (2015-16 to 2017-18).

92 For 2018-19 the Health Board expects to:

- operate within its capital resource limit, as it has done in recent years; and
- improve its annual revenue position, albeit with a forecast deficit of £9.9 million.

93 The Health Board's forecast deficit of £9.9 million takes account of the £10 million extra revenue funding the Welsh Government confirmed in July 2018. The Welsh Government provided this extra funding on condition that the Health Board's revenue deficit does not exceed £9.9 million. However, the Health Board's financial return to Welsh Government shows that at the end of December 2018, its net revenue expenditure had exceeded the profiled deficit by £3,000. This deficit has improved markedly on the previous month's financial return, which had reported a profile deficit of £492,000 as at 30 November 2018.

94 Our 2017 structured assessment found the Health Board had effective arrangements for identifying savings and developing savings plans but was unable to achieve the volume of savings needed to offset its cost pressures and growing financial deficit. We recommended the Health Board's CIP should use more ambitious 'stretch' savings targets for services where greater levels of savings were possible. These targets should use comparative information such as benchmarking data where possible.

95 For 2018-19 the Health Board's CIP targets remained on the existing basis for all clinical boards. This was 1% of non-recurrent savings (totalling £8.445 million) and 3% of recurrent savings (totalling £25.335 million). At 30 November 2018 (month eight), the Health Board is £0.743 million short of its 2018-19 CIP target of £33.780 million. The Health Board reports that:

- £21.502 million has been identified against the recurrent target of £25.335 million, being a shortfall of £3.833 million; and
- £11.536 million has been identified against the non-recurrent target of £8.445 million, thus exceeding the target by £3.091 million.

[10] Capital expenditure typically means purchasing or improving the Health Board's assets. The Health Board's main assets are its land and buildings, medical equipment and IT.

[11] As required by the NHS Finance Act (Wales) 2014. The Health Board must spend within its financial allocations measured over a rolling three-year financial period.

[12] www.assembly.wales

96 In response to our 2017 structured assessment recommendation, the Health Board intends to change the basis of its CIP targets from 2019-20, by:

- eliminating non-recurrent CIP targets;
- all clinical boards having a 2% recurrent CIP target, centred on core efficiencies; and
- including an extra CIP target of no more than 2%, based on benchmarking data and significant service changes.

97 The Health Board has satisfactory financial management and control arrangements. This has allowed the Auditor General to certify each year's accounts as materially true and fair. This part of our work mainly considers whether the Health Board's annual accounts are materially accurate and conform to the required accounting standards and principles.

98 The Finance Committee receives financial reports that are generally well structured and informative. However, the financial reporting is 'traditional', with reports organised by key financial ledger categories, such as income, pay and non-pay expenditure, cash flows and important capital schemes.

99 The Health Board is trying to improve its understanding and reporting of activity and associated cost drivers. The All Wales Costing System Implementation Project (the costing project) is managing these improvements. The Health Board uses costing software called Synergy. Typically, Synergy deals with one-off requests or specific projects, rather than routine reporting to help decision making. In addition, Synergy produces the Health Board's Welsh Costing Returns for the Welsh Government. The limitations of the Synergy system make this is a difficult and time-consuming process for the Health Board.

100 The costing project will replace the Health Board's Synergy software with new software, PCG Monitoring. All Welsh health boards are implementing this new software, which we understand many English health bodies also use. The Health Board and software supplier are introducing and testing the new software while still using the old software. The Health Board expects its new software to enable:

- improved understanding of costs and income;
- better comparisons or analysis of costs and income internally, and with other health bodies; and therefore
- an improved use of resources that will help to deliver a balanced financial position.

101 Despite the costing project's importance, which is fundamental to improving the Health Board's financial position, we understand the Board has not received a briefing or update on the project's objectives, benefits or progress.

National Fraud Initiative (NFI)

102 We looked at how effectively the Health Board considered potential fraud highlighted through the National Fraud Initiative. **The investigation of potential fraud, highlighted by the latest National Fraud Initiative exercise, has been inadequate.**

103 Every two years, the National Fraud Initiative (NFI) uses a data-matching exercise to help detect fraud and overpayments by matching data across organisations and systems. It is an effective tool for public bodies to strengthen their anti-fraud and corruption arrangements.

104 The last exercise in January 2017 provided the Health Board with 9,980 data-matches, which highlight anomalies for review. We would not expect the Health Board to review all data matches. We recommend prioritising those the NFI consider as high-risk, called 'recommended matches'.

105 The Health Board received 851 recommended matches. The Health Board's progress was:

- November 2017 - 11 recommended data matches reviewed (1.3%).
- November 2018 - 448 recommended data matches reviewed (53%).

106 Despite this progress, the Health Board is still not using NFI effectively. Our concerns include:

- Failure to review three-way data-matches between payroll, creditor payments and Companies House. These are high-risk matches because they can identify undeclared staff interests and possible corrupt practices.
- The Health Board did review two matches between payroll and Home Office immigration data but did not record the result. So, it is not clear whether staff members' immigration status concerns are resolved.
- High-risk creditor payment matches can represent duplicate payments. The Health Board has reviewed some of these and all were overpayments. The Health Board had already identified and recovered these. We are concerned the Health Board has not reviewed all such matches and it does not have a robust way to prevent duplicate payments.
- The Health Board received matches between staff and supplier addresses. Also, between staff and supplier bank details. Both can help identify undeclared staff interests in the Health Board's suppliers. For:
    - Staff and supplier addresses - the Health Board recorded 'no issue' for all matches but has not explained within the NFI web application how it decided this.
    - Staff and supplier bank details - the Health Board has not reviewed any of these data matches.

Procurement

107 We considered how well the Health Board procures the goods and services necessary for its operation. **The Health Board has invested in procurement and has detailed procurement plans and effective arrangements for monitoring procurement activity and spend.**

108 The NHS Wales Shared Services Partnership – Procurement Service (NWSSP-Procurement Service) manages most of the Health Board's procurement. The Director of Finance is the executive lead for procurement. The Health Board has provided extra staff for the procurement team, which is managed by NWSSP-Procurement Service. The Head of Procurement manages the team's 22 staff. The team is well organised and integrated with the clinical boards. Each clinical board has a procurement business manager and an administrator. The rest of the procurement team is split between managing contracts (new contracts, existing and renewals)

and identifying procurement needs. The Health Board has provided a procurement nurse who focuses on efficiency by identifying trends at ward level.

109 There is an all-Wales Procurement Strategy, which is underpinned by an all-Wales business plan. There is a service level-agreement between NWSSP-Procurement Service and the Heath Board. In addition, each year the Head of Procurement develops a Health Board specific project outline document (POD). The POD, agreed with the Director of Finance, sets out the local procurement deliverables and annual objectives. For 2018-19 these are:

- apply procurement discipline to reduce procurement expenditure during 2018-19;
- support the clinical boards in identifying new non-pay[13] schemes and efficiency benefits during 2018-19 and 2019-20;
- improve clinical boards' procurement capability to reduce non-pay expenditure;
- monitor the delivery of the clinical boards' non-pay 2018-19 schemes; and
- delivery of the local procurement engagement plan and procurement responsibilities.

110 The Director of Finance and Head of Procurement meet monthly to review progress on POD delivery. In addition, all clinical boards meet monthly with their finance and procurement business managers to review their finance and procurement performance dashboards. The dashboards highlight progress against plans and risks to delivery.

111 The Health Board implemented the all-Wales 'no purchase order no pay' policy from the 1st June 2018. The Finance Committee receives monthly updates on the Health Board's public-sector payment compliance. The procurement team keeps a procurement risk register, which usually feeds up to the CRAF[14]. Significant procurement risks are reported to the Audit Committee.

112 Procurement is a cross-cutting theme within the Health Board's CIP. The Head of Procurement reports to the Cross-Cutting Board, and then to the Finance Committee. In 2017-18, the Health Board made good progress against its cross-cutting savings target of £2 million. This target was retained for 2018-19.

Performance, efficiency and productivity

113 We looked at what the Health Board is doing to improve service performance, efficiency and productivity. **Despite improvements, some activity targets remain challenging and the Health Board has established a transformation programme to help enhance performance and efficiency.**

114 The Health Board continues to work in a challenging environment and recognises where it needs to improve performance. This is reflected in its strategic and transformational plans.

115 Exhibit 3 provides commentary on the Health Board's performance against some key waiting time measures.

[13] Non-pay refers to spend other than staff, for example equipment and IT.

[14] We have significant concerns about the Health Board's Corporate Risk and Assurance Framework, see paragraphs 28 to 37.

Exhibit 3: performance against key waiting time targets

Performance area	Health board performance
Diagnostics and therapy waiting times	Compared to two years ago, a smaller percentage of patients now wait more than eight weeks for diagnostic services. • The national target is for no patent to wait more than eight weeks. • In April 2016, 27% of patients at the Health Board were waiting more than eight weeks (Wales average 16%) • In May 2018 6% of patients at the Health Board were waiting more than eight weeks (Wales average 6%)
Referral to treatment time	The national target is for no patient to wait more than 36 weeks from referral to treatment. The Health Board is not meeting this target, (similar to the rest of Wales). However, the Health Board consistently performs better than the Wales average. The Health Board manages performance over a 3-month period. This means that in any 3-month period the number of patients waiting over 36 weeks is reduced to as close to zero as possible. Since March 2017, the proportion of patients waiting over 36 weeks has consistently been reduced to 1%. The Health Board has maintained an improved position against this target for 13 consecutive 3-month periods. Whilst positive, the Health Board recognises that they now need to move towards managing this target on a monthly cycle.
	The target for percentage of patients waiting less than 26 weeks from referral to start of treatment is 95%. The Health Board is not meeting this target, (similar to the rest of Wales). The Health Board performs worse than the Wales average and has seen little improvement against this target over the last two years, with performance around 85%.
Ambulance handover times	The aim of this target is to reduce ambulance handover times. It measures the percentage of patients handed over within 15 minutes of notification on arrival at major A&E departments. Over the last two years, the Health Board's performance has been generally worse than the Wales average. In August 2017, 65% of patients were handed over within 15 minutes. Performance then declined and at its lowest was 35% in February 2018. This reflects a downward trend in performance nationally.
A&E Waits	At least 95% of patients attending A&E should wait less than four hours. The Health Board is not meeting this target, (similar to Wales). Over the last two years the Health Board has generally performed better than the Wales average. The worst performance was in February 2018 (76%). Since then performance has been on an upward trend and the Health Board achieved 91% in June 2018.

Performance area	Health board performance
	No patient should wait more than 12 hours at A&E. The Health Board performs better than the Wales average against this target. The Health Board met this target for 17 months in the 28 months between April 2016 and July 2018.
Cancer treatment times	For non-urgent cancer cases, at least 98% of patients should start treatment within 31 days of diagnosis. The Health Board's performance is variable. The Health Board met this target for 19 months in the 27 months between April 2016 and June 2018.
	For urgent suspected cancer cases, 95% of patients with cancer should start definitive treatment within 62 days of referral. The Health Board has only met this target for 2 months in the 27 months between April 2016 and June 2018. Health Board performance fluctuates around the Wales average.
Delayed transfers of care (DTOC)	Across Wales, the overall number of DTOCs reduced by 6% between 2016-17 and 2017-18. At the Health Board, in the same period DTOCs reduced by 27%. During 2017-18, 2732 patients across Wales experienced a delay of four weeks or more. At the Health Board, 530 patients experienced a delay of this length. This represents 19% of the Wales total.
Length of stay	Length of stay has worsened since April 2016. In May 2018 the Health Board's length of stay[15] was one day longer than the Wales average of 10.5 days.
Outpatients appointments	Between 2015-16 and 2016-17 performance was static: • 10% of new patients did not attend a new outpatient appointment. • 11% of patients did not attend a follow-up outpatient appointment. The target for both measures is to demonstrate a reduction over a 12-month period. We recently published a report on the management of follow up outpatient appointments across Wales. We found that the Health Board has the highest number of follow-up outpatients delayed more than twice as long as they should be. The Health Board has developed a process to sort patients by clinical need.

Source: Wales Audit Office analysis of Health Board data as reported to Welsh Government

[15] Rolling 12-month average length of stay (days) for emergency admissions for combined medicine.

116 The Health Board's 10-year strategy is based on several design principles, which are aligned with the principles of prudent healthcare. These focus on:

- empowering the person;
- 'Home First';
- delivering outcomes that matter to people;
- avoiding unwarranted variation; and
- reducing harm and waste.

117 The Health Board is working to embed the principles of prudent and values-based healthcare, even though they may not be labelled as such. The Director of Public Health and Executive Medical Director provide joint leadership for this area. In its 2018-19 AOP, the Health Board's priorities emphasise the need to improve efficiency and productivity. These improvements include integrating health and social care, progressing its transformation programme and cancer treatment waiting times. The Health Board's recently introduced transformation programme is designed to accelerate delivery of its 10-year strategy and support efficient working. The programme is intended to improve service performance, but the waiting time measures set out in Exhibit 3 show that urgent improvement to performance is required.

118 Exhibit 4 shows the programme's four key deliverables and seven supporting enablers. At present there are 10 projects in the programme.

Exhibit 4: Health Board's transformation programme's key deliverables and enablers

Four key deliverables	Seven key supporting enablers
• To reduce outpatient appointments on hospital sites. • Reduce length of stay. • Reduce unwarranted harm, waste and variation. • To reduce theatre inefficiencies and improve productivity.	• Secure a pathway approach and methodology. • Secure a refreshed programme for accessible information for clinical staff (including the necessary platform) to drive improvement. • Review the programme to secure a digitally enabled organisation and workforce. • Develop a Cardiff and Vale Alliance approach which integrates with partner organisations. • Develop the 'Cardiff and Vale approach' to management and leadership (including the learning partnership alliance with Canterbury) which will support culture change and build capability and capacity. • Secure the model for primary care to drive a population outcomes approach for the system, enabling sustainability for general practice. • Embed our vision's values and behaviours (as expressed in the Shaping Our Future Wellbeing Strategy).

Source: Transformation update paper received by the Board in July 2018.

119 In October 2018 the Director of Public Health relinquished her role to take up the role of Director of Informatics, Commissioning, Innovation and Transformation. The Health Board is recruiting a Head of Operational Transformation. But other than this, it reports that it has sufficient resources for its transformation programme. The programme is drawing on existing resources such as the programme management office, the continuous improvement team and others such as finance and workforce. The Health Board has a small budget to recruit interested and available staff on to specific projects. In addition, the Health Board has 520 staff trained on the Leading Improvement in Patient Safety (LIPS) programme and LEAN principles. However, they are underutilised. The Health Board plans to use these staff to develop a network of transformation champions.

Using informatics to support service delivery

120 We assessed how well the Health Board's arrangements support service delivery with technology. **The Health Board's strategic approach to informatics is not matched with realistic investment and governance, which is generating some risks.**

121 The Health Board has a 5-year informatics Strategic Outline Programme (SOP), which was agreed in 2016. This sets out the improvements to information management and communication technology services that will help deliver the Health Board's strategic objectives. It is now being rewritten into a digital strategy, consistent with Health Board priorities and available budget.

122 There is a new Head of Digital and Health Intelligence, responsible for progressing digital transformation in 2019. The Health Board plans to revisit the informatics SOP and prioritise digital projects into an approved digital transformation strategy in early 2019. The Health Board also plans to complete a review in early 2019 of the structure and governance of its information and information technology functions to support delivery of its digital approach. This aims to bring information and information technology together to help ease delivery of the digital transformation programme. Governance and project management structures for the Health Board's wider transformation programme are under development. These will need to include arrangements for overseeing the digital aspects of the transformation programme.

123 Digital technology could improve productivity and deliver efficiencies. For example: diagnostics modernisation; technology enabled care; and e-pharmacy. However, the success of these projects relies on the Health Board having a modern and resilient IT infrastructure. Some IT infrastructure and technology upgrades took place in 2017-18. However, resources remain constrained, which may limit how IT supports service change. It may also present business continuity and resilience risks because of ageing IT infrastructure.

124 In addition, there are several local risks arising from national IT systems managed by the NHS Wales Informatics Service (NWIS). For example:

- The Welsh Laboratory Information Management System.
- Several serious disruptions to national IT systems in 2018 resulting in loss of service.
- Delays in implementing the programme of national IT systems in 2018. For example, the delayed deployment of the Welsh Community Care Information System has potentially impacted the reliability and availability of IT service across health and social care.

Managing the estate and other physical assets

125 We considered how the Health Board manages its estate and other physical assets. **Asset management strategies are at different levels of development and several asset related risks may need stronger corporate oversight.**

126 The Health Board's asset-related policies and procedures are generally comprehensive, up to date, and accessible through its intranet. The Health Board does not have an overarching asset management strategy. Instead it has several separate strategies at different stages of development. We reviewed the Health Board's asset management strategies for estates, medical equipment and IT. We found the Health Board:

- Has a draft 10-year estates strategy for 2018-28, which the Board considered in September 2018.
- Does not have a current medical equipment management strategy, although an early draft does exist.
- Developed an Informatics Strategic Outline Programme (SOP) for 2016-2021. In 2017 we reported that the Health Board had not prioritised the SOP's full amount of capital and revenue funding.

127 The Health Board is facing several asset related risks:

- High backlog maintenance costs for its estate. At the time of our audit, backlog costs were £130 million. Within this backlog there was £24 million in high-priority backlog costs, a reduction of £2 million compared with last year. High backlog maintenance is a risk because it diverts funding from proactive to reactionary maintenance.
- The IT department has identified several important risks such as: impact of national IT system failures on local healthcare delivery; cyber security threats on service continuity; NWIS related implementation delays; and lack of capacity to deliver new projects at the same time as maintaining business as usual operations.
- In June 2018 we issued our Review of Medial Equipment: Update on Progress report. This provides an update on progress against our 2013 recommendations, most of which the Health Board has not addressed. Our 2018 report set out eight further recommendations, which we consider to be critical for improving the Health Board's oversight and management of medical equipment.

The Health Board's management of some of these corporate risks has been weak, partly due to the absence of an up-to-date and meaningful corporate risk register[16].

[16] Highlighted in an earlier section of the report, see paragraphs 28 to 37

Recommendations

128 This year we have identified some improvement areas previously identified in earlier structured assessment work. It is important that the Health Board tackles our previous recommendations with pace. Our 2018 recommendations are set out in Exhibit 1.

Exhibit 5: 2018 recommendations

2018 recommendations
2017 recommendations R1 The Health Board should complete our 2017 structured assessment recommendations by the end of 2019.
Audit recommendation tracking R2 The Health Board should improve its recommendation tracking by: a. addressing our outstanding 2016 structured assessment recommendation to strengthen tracking arrangements for external audit recommendations; b. including the tracking of internal audit recommendations; and c. completing a review of all outstanding internal and external audit recommendations and reporting the findings to the Audit Committee.
Governance R3 The Health Board should: a. Update the Scheme of Delegation to reflect the delegated responsibility for calculating nurse staffing levels for designated acute medical and surgical inpatient wards; b. Review and update the Standing Orders and Standing Financial Instructions, ensuring these documents are reviewed and approved on an annual basis; c. Improve the format of the registers for declarations of interest and gifts, hospitality and sponsorship and clarify the frequency with which the registers are presented to the Audit Committee; d. Ensure the governance team manage policy renewals and devise a process to keep policy reviews up to date; e. Review all committee terms of reference to make sure they are up to date, do not overlap, and are reviewed annually; and f. Ensure all committees have an up-to-date work programme, which is linked to the cycle of Board meetings and reviewed annually.
Performance management R4 The Health Board should update its performance management framework to reflect the organisational changes that have taken place since 2013.
Financial management R5 The Health Board should provide the Finance Committee, or Board, with an update on progress with its testing and delivery of the All Wales Costing System Implementation Project. R6 The Health Board should ensure that all recommended matches from the next NFI exercise in January 2019 are reviewed and where necessary investigated in a timely manner.

2018 recommendations	
Information Governance	
R7	The Health Board should complete the outstanding actions from the Information Commissioner's Office (ICO) 2016 review of the Health Board's data protection arrangements.
R8	The Health Board should achieve full compliance with the General Data Protection Requirement by May 2019.
R9	The Health Board should improve its response times to requests for information from Freedom of Information Act and Data Protection Subject Access Requests.
Information Technology	
R10	The Health Board should complete a review of the structure and governance of its information and information technology functions to support delivery of the strategic digital approach.
R11	The Health Board should routinely update IT Disaster Recovery plans after key changes to IT infrastructure and networks and at scheduled intervals and test plans to ensure they are effective.

Appendix 1

Progress implementing previous recommendations

Exhibit 6: Status of previous recommendations

Recommendation	Action taken in response	Completed
2017 recommendations		
R1 For 2018-19, the Health Board needs to use intelligence such as benchmarking data to identify stretch targets on a case-by-case basis in areas where greater levels of savings could be made.	The Health Board intends to change the basis of cost-improvement-targets (CIP) for 2019-20.	Yes. Changes are planned for 2019-20.
R2 To ensure compliance with the NHS planning framework, the Health Board needs to ensure that the Strategy and Engagement Committee regularly scrutinises progress on delivery of the Annual Operating Plan, and subsequent three year integrated medium term plans.	The new S&D Committee's work plan includes scrutiny of key elements of the Annual Operating Plan, 10-year strategy and transformation programme. The Committee and the Board still need to receive appropriate progress updates against the Annual Operating Plan deliverables to ensure they are on track.	Partly

Recommendation	Action taken in response	Completed
R3 To enable effective scrutiny, the Health Board needs to improve the quality of its papers to Board and Committees by ensuring that the length and content of the papers presented is appropriate and manageable.	The length of Board and committee papers has improved compared to last year, but inconsistencies and variation remain. The Health Board's introduction in September 2018 of a revised cover report template should encourage more succinct reporting.	Partly
R4 To improve transparency, the Health Board needs to ensure that the Finance Committee papers are made available on its website in a timely manner.	At December 2018, the October 2018 Finance Committee papers were not available on the Health Board's website.	No
R5 The Health Board needs to strengthen its corporate risk assurance framework (CRAF) by: • mapping risks to the Health Board's strategic objectives; • reviewing the required assurances; • improving clarity of risk descriptors; and clarifying to the reader the date when risks are updated and/or added.	Until recently, the Health Board had made little progress in updating the CRAF. The CRAF was last presented to the Board and committees in November 2017. We recognise the Health Board has recently taken steps to start developing a separate Board Assurance Framework and Corporate Risk Register. The draft BAF was received at both the Audit Committee and Board in November and December respectively.	No

Recommendation	Action taken in response	Completed
R6 The Health Board needs to focus its attention on strengthening its information governance arrangements in readiness for the General Data Protection Regulations, which come into force in May 2018. This should include: • updating the information governance strategy; • putting in place arrangements for monitoring compliance of the primary care information governance toolkit; and • developing and completing an Information Asset Register; • ensuring that an identified data protection officer is in place; and • improving the uptake of information governance training.	Progress to date: • An up-to-date Information Governance strategy does not yet exist. The Health Board has drafted its strategic approach in the Information Governance Policy. The Health Board plans to agree and implement this approach later in 2018. • NWIS has developed the information governance toolkit for primary care GP's and intend to monitor compliance at a GP cluster level. These compliance monitoring arrangements for are still being developed. The Primary Care Clinical Board is liaising with the NHS Wales Informatics Service to confirm and agree these arrangements. • Information asset registers have been developed within the corporate directorates and clinical boards, but further work is required to fully complete this. The Health Board is planning further work to: identify personal information held; identify information flows; and identify information sharing arrangements. • An interim Data Protection Officer (DPO) is in post as required under the GDPR. The Health Board expects to appoint an experienced and senior information governance manager to the statutory DPO function in early 2019. • More staff have completed information governance training. However, compliance with information governance training (69%) is well below the national target (95%).	Partly

Recommendation	Action taken in response	Completed
R7 The Health Board needs to ensure that the level of information reported to the Resource and Delivery Committee on its performance is sufficient to enable the Committee to scrutinise effectively. This should include: • ensuring that the Committee receives more detailed performance information than that received by the Board. Consideration should be made to including a summary of the Clinical and Service Board dashboards used in the monthly executive performance management reviews; • expanding the range of performance metrics to include a broader range of key performance indicators relating to workforce. Consideration should be made to revisiting the previous workforce KPIs reported to the previous People, Planning and Performance Committee.	Overall this recommendation has been partly addressed. • The S&D Committee continues to receive a high-level performance dashboard, which is less detailed than the performance report received by the Board. • Since September 2018, the S&D Committee receives six-monthly updates against the workforce plans, including key workforce metrics.	Partly
R8 The Health Board needs to revisit its Informatics Strategic Outline Plan in light of the financial resources	Executives approved the informatics strategic approach. The Health Board revisited its Informatics Strategic Outline Plan and revised its delivery approach in the unapproved Integrated Medium-Term Plan.	Yes

Recommendation		Action taken in response	Completed
	available and seek Board approval of the revised strategic approach.		
R9	To ensure resilience to security issues, such as cyber-attacks, the Health Board should consider identifying a dedicated resource for managing IT security.	In early 2018, the Health Board received an external review of cyber security arrangements. The review recommended improvements to cyber security arrangements. In response the Health Board is developing a formal cyber security improvement action plan. It plans to bring in specialist cyber security skills in early 2019 to address these recommendations and establish a specialist cyber security team.	Partly
R10	To improve scrutiny of the Health Board's informatics service, the Health Board should expand the range of key performance indicators relating to informatics to include the cause and impact of informatics incidents.	The Health Board plans to review in early 2019 the structure and governance of its information and information technology functions to deliver the digital strategy.	No
2016 recommendations			
R13	Strengthen tracking arrangements for external audit recommendations by providing more detailed information to the Audit Committee on the extent to which both performance and financial audit recommendations have been completed, and ensure that all action plans are monitored through to completion by the relevant committees of the Board.	There is a tracker for WAO recommendations. The current arrangements don't provide enough clarity around what happens to recommendations where committees other than the audit committee are responsible.	Partly

Appendix 2

Health Board's response to this year's recommendations

When the relevant committee has considered this report, we will insert a shortened version of the Health Board's response in the report before we publish it on the Wales Audit Office website.

Exhibit 7: management response to 2018 recommendations

Recommendation	Management response	Completion date	Responsible officer
2017 recommendation R1 The Health Board should complete our 2017 structured assessment recommendations by the end of 2019	Agreed and these will be monitored to ensure this happens through Management Executives and reported to Audit Committee	31/12/2019	Director of Corporate Governance
Audit recommendation tracking R2 The Health Board should improve its recommendation tracking by: a. addressing our outstanding 2016 structured assessment recommendation to strengthen tracking arrangements for external audit recommendations; b. including the tracking of internal audit recommendations; and c. completing a review of all outstanding internal and external audit recommendations and reporting the findings to the Audit Committee.	Agreed this will be presented to the next Audit Committee Agreed as above response Agreed as above response	26/02/2019 26/02/2019 26/02/2019	Director of Corporate Governance Director of Corporate Governance Director of Corporate Governance

Recommendation	Management response	Completion date	Responsible officer
Governance			
R3 The Health Board should:			
a. Update the Scheme of Delegation to reflect the delegated responsibility for calculating nurse staffing levels for designated acute medical and surgical inpatient wards;	Agreed in progress as result of Internal Audit Report	31/03/2019	Director of Corporate Governance
b. Review and update the Standing Orders and Standing Financial Instructions, ensuring these documents are reviewed and approved on an annual basis;	Agreed and timetabled to be undertaken on an annual basis going forward	31/03/2019	Director of Corporate Governance
c. Improve the format of the registers for declarations of interest and gifts, hospitality and sponsorship and clarify the frequency with which the registers are presented to the Audit Committee;	Agreed registers will be improved in format and reported to Audit Committee twice a year	23/04/2019	Director of Corporate Governance
d. Ensure the governance team manage policy renewals and devise a process to keep policy reviews up to date;	Agreed	31/10/2019	Director of Corporate Governance
e. Review all committee terms of reference to make sure they are up to date, do not overlap, and are reviewed annually; and	Agree in progress	31/03/2019	Director of Corporate Governance
f. Ensure all committees have an up-to-date work programme, which is linked to the cycle of Board meetings and reviewed annually.	Agreed work plans for each Committee and the Board are in development	31/03/2019	Director of Corporate Governance

Recommendation	Management response	Completion date	Responsible officer
Performance management R4 The Health Board should update its performance management framework to reflect the organisational changes that have taken place since 2013.	We accept that the performance management framework should be reviewed to ensure it fully supports the organisational business.	30/09/209	Deputy CEO/Director of Transformation
Financial management R5 The Health Board should provide the Finance Committee, or Board, with an update on progress with its testing and delivery of the All Wales Costing System Implementation Project.	The UHB accepts the need to provide an update on progress with this project. As a series of Welsh Costing Returns (WCRs) have now been submitted to Welsh Government using the new system, a comprehensive update on the implementation and future use of the costing development can now be made. It is intended to provide a paper to the Finance Committee following finalisation and publication of WCRs within Wales.	April 2019	Director of Finance
R6 The Health Board should ensure that all recommended matches from the next NFI exercise in January 2019 are reviewed and where necessary investigated in a timely manner.	For the forthcoming NFI exercise, the Health Board will endeavour to increase its compliance in respect of the number of recommended matches checked. A large number of these matches are however in relation to Accounts Payable and this will require further matching and review by the NHS Wales Shared Service Partnership. Consequently this is not wholly within the control of the Health Board.	December 2019	Director of Finance

Recommendation	Management response	Completion date	Responsible officer
Information Governance R7 The Health Board should complete the outstanding actions from the Information Commissioner's Office (ICO) 2016 review of the Health Board's data protection arrangements.	CAV UHB is committed to continually improving mitigation of its risks of non-compliance. We are taking an improvement approach in line with the rest of Wales and in regular discussion with the ICO's office. Progress has been made on the registering of major assets and new flows of information. We intend to progress the assessment of our existing significant flows, adopting a risk based approach.	01/06/2019	Director of Digital & Health Intelligence
R8 The Health Board should achieve full compliance with the General Data Protection Requirement by May 2019.	Delivery of the CAV UHB's updated action plan will reduce the risks we carry in relation to non-compliance with GDPR. Prioritisation of risks and mitigating actions are part of our continuous improvement plan, aimed at achieving full GDPR compliance during 2019.	31/12/2019	Director of Digital & Health Intelligence
R9 The Health Board should improve its response times to requests for information from Freedom of Information Act and Data Protection Subject Access Requests	CAV UHB has recently appointed additional staff resulting in a positive impact on response times for FOI and Subject Access Requests. This will be monitored as we continue to move towards achieving fully compliant response times.	31/03/2019	Director of Digital & Health Intelligence

Recommendation	Management response	Completion date	Responsible officer
Information Technology R10 The Health Board should complete a review of the structure and governance of its information and information technology functions to support delivery of the strategic digital approach.	The newly appointed head of digital and health intelligence is developing a new structure to reflect combined information and IT services with the aim of establishing functions that can best support the digital transformation agenda.	31/03/2019	Director of Digital & Health Intelligence
R11 The Health Board should routinely update IT Disaster Recovery plans after key changes to IT infrastructure and networks and at scheduled intervals and test plans to ensure they are effective.	The CAV IT Disaster Recovery plan is reviewed annually at a minimum and in response to specific circumstances. Testing is undertaken (both Check list and Technical) and multiple system restores are performed successfully annually. Additional infrastructure and software have been put in place to improve this process. A schedule of testing is being developed as part of the technical roadmap work.	31/03/2019	Director of Digital & Health Intelligence

Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ

Tel: 029 2032 0500
Fax: 029 2032 0600
Textphone: 029 2032 0660

E-mail: info@audit.wales
Website: www.audit.wales

Swyddfa Archwilio Cymru
24 Heol y Gadeirlan
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500
Ffacs: 029 2032 0600
Ffôn testun: 029 2032 0660

E-bost: post@archwilio.cymru
Gwefan: www.archwilio.cymru