Structured Assessment 2018 – **Public Health Wales NHS Trust**

Contents

Report

About this report

1   This report sets out the findings from the Auditor General's 2018 structured assessment work at Public Health Wales NHS Trust (the Trust). The work has been undertaken 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 structured assessment work included interviews with officers and non-executive directors, observations at board, committee and management meetings and reviews of relevant documents, performance and financial data. We also conducted a survey of board members across all health boards and NHS trusts. Nine of the 17 (53%) board members invited to take part at the Trust responded.[1]

3   Our structured assessment work follows similar themes to previous years, although we broadened the scope to include commentary on arrangements relating to procurement, asset management and improving efficiency and productivity. The report groups our findings under three themes – the Trust's governance arrangements, its approach to strategic planning and the wider arrangements that support the efficient, effective and economical use of resources. The report concludes with our recommendations.

4   Appendix 1 summarises the action that has been taken to address previous year's structured assessment recommendations. Appendix 2 sets out the Trust's response to the recommendations arising from our 2018 work.

Background

5   Our 2017 Structured Assessment work found that the Board was working effectively and building upon work to improve and embed arrangements for good governance and organisational effectiveness and engaging with stakeholders to inform the long-term strategy. Arrangements for financial planning and management worked well: once again, the Trust achieved financial balance in 2017-18. It delivered planned savings totalling nearly £2.2 million and retained a small surplus (£28,000). The Trust met financial duties to break even over a rolling three-year period (2015-16 and 2017-18) and to have an approved integrated medium-term plan (IMTP) for the period 2017-18 to 2019-20.

6   Since we reported last year, several developments have taken place. In March 2018, the Trust was designated a World Health Organisation (WHO) collaborating centre on investment for health and wellbeing. The collaborating centre will develop, collect and share new information on how best to invest for better health, reduce inequalities and build stronger communities in Wales, Europe and worldwide as part of a four-year programme of work with the WHO.

7   In July 2018, the Board approved the Trust's long-term strategy, Working to Achieve a Healthier Future for Wales. It also received the key findings and conclusions from the International

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[1] The respondents included five executive directors, two associate members i.e. no voting rights, and two non-executive directors.

Association of National Public Health Institutes peer-to-peer review of the Trust's effectiveness, carried out in autumn 2017. The peer reviewers found that the Trust demonstrates effectiveness in achieving its core purpose but identified areas for improvement. The Trust is addressing many of the issues raised by the peer reviewers through its long-term strategy and is preparing an action plan to address outstanding areas.

Main conclusion

8   **The Trust's corporate governance arrangements generally work well but it could improve the quality and breadth of information presented to the Board**.

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

Governance

10   As in previous years, our structured assessment work examines the Trust's governance arrangements. We comment on the way in which the Board and its sub-committees conduct their business and the extent to which organisational structures support good governance and clear accountabilities. We also look at the information that the Board and its sub committees receive to help it oversee and challenge performance and monitor the achievement of organisational objectives. We have drawn upon results from our survey of board members to help understand where things work well, and where there is scope to strengthen arrangements.

11   We found that **the Trust is generally well led and well governed but could improve the breadth of information presented to the Board.**

Conducting business effectively

12   We looked at how the Board organises itself to support the effective conduct of business. We found that **the Board continues to operate effectively, although there are on-going challenges with the recruitment of non-executive directors**.

13   There is a greater emphasis this year on ensuring the Board has the time to focus on setting the strategic direction, developing the tone and culture of the organisation and ensuring appropriate performance management. There is a good approach to the cycle of Board and committee business, with annual workplans developed in consultation with the Trust Chair, Chief Executive, Committee Chairs and the relevant lead executive directors.

14   The administration of board and committee meetings is good. Meetings run to time and allow appropriate discussion and challenge. There are good flows of assurance and risks from committees to Board and sufficient time is available at board meetings for committee chairs to present matters arising. Where appropriate, the Board will delegate oversight and scrutiny to its committees, for example requesting the People and Organisational Development Committee to look in detail at information on sickness absence and staff turnover.

15   We asked board members about the conduct of board meetings. Our survey found that:

- 8 of the 9 (89%) members felt that there is always or mostly sufficient time to consider all agenda items (Wales average was 71%);
- 8 of the 9 (89%) members felt that the agenda is always or mostly a manageable length (Wales average was 74%);
- 6 of the 9 (67%) members felt that the agenda is always or mostly organised so that the most important items appear first (Wales average was 58%); and
- 7 of the 9 (77%) members felt always or mostly confident in their ability to effectively scrutinise and ask questions (Wales average was 91%).

16 Last year, work was ongoing to develop guidance for preparing board and committees papers to ensure the appropriate quality and style and to aid decision making by board members. In May 2018, the Board approved a decision-making framework, which board members developed collaboratively. The framework acts a guide to those developing proposals for which a board decision is needed and the criteria that board members should consider when reaching a decision to approve proposals. Any proposal for example should be consistent with the Trust's strategic priorities and the risk appetite for that priority.

17 Work continues in developing guidance on the level of evidence needed to show that ethical considerations have been considered or equality and health impact assessment have been completed. In addition, every board or committee paper has an executive sponsor, who will review and sign off the paper as acceptable in terms of quality and style. Board and committee papers are also discussed at the executive team business meeting before wider circulation.

18 We have observed board members being reminded that the decision-making framework is available to guide decisions requested but we are unable to comment on its effect on decision making. The Trust's Research Division is currently evaluating the decision-making framework by reviewing previous board decisions to assess how well decisions marry to the criteria in the framework.

19 Over the last year, the Trust has improved documentation of governance processes as part of a planned programme of work. At its January 2018 meeting, the Board approved amendments to the Standing Orders (SOs) and Scheme of Delegation. The Trust's Standing Financial Instructions (SFIs) were last reviewed in 2014 in line with the revised all-Wales model SFIs published at that time. The Trust plans to revise the SFIs in-line with ongoing national work. Policies and procedures for declarations of interest, gifts and hospitality were also revised when Internal Auditors found that not all staff involved in the procurement process had declared potential interests. The Trust has targeted all relevant signatories who authorise financial transactions to ensure they are aware of their responsibilities and to declare any interests. The Trust is developing an easy read version of the Declarations of Interests, Gifts, Hospitality and Sponsorship Policy as part of work to revamp its intranet governance pages.

20 Last year, the need to fill vacant non-executive posts was becoming pressing. Two non-executive directors joined the Board on a job share basis in April 2018. Two vacancies for non-executive directors remain and recruitment is still difficult. In the meantime, arrangements are in place to increase capacity in the short-term. The Board reviewed and revised all committee terms of reference. The minimum number of committee members (non-executive directors) and quorum for the Quality, Safety and Committee was reduced in line with those for the Audit and Corporate Governance Committee and the People and Organisational Development

Committee. These changes should ensure workloads are manageable and minimise the number of meetings an individual is required to attend.

21   The Board and committees remain committed to reviewing their effectiveness and a cycle of regular self-assessments is included in annual workplans. Limited capacity within the board secretariat over the summer appears to have affected the frequency of reporting against action plans to address the improvements identified. Plans for the People and Organisational Development Committee to review its effectiveness in early 2018 did not materialise and is now planned for the autumn when a new Committee Chair takes over. The Audit and Corporate Governance Committee reviewed its effectiveness in March 2018. Committee members were to consider the findings at an informal workshop and develop an action plan if required. However, the findings and action plan have not yet been presented to the Committee.

22   The Board identified the need to increase its visibility amongst staff and is making reasonable progress to do so. The Chair and Chief Executive Officer regularly travel to meet staff although it is more challenging for other non-executive directors given time pressures arising from ongoing vacancies. The Chair also produces a monthly message for staff while the executive team produce a weekly one, and from March 2018, the Trust began to stream board meetings over the internet.

23   The Quality, Safety and Improvement Committee identified the need for committee specific induction and knowledge development and a growing workload. The proposed establishment of a new committee in early 2019 (see paragraph 51) should help to address the Committee's concerns about its increasing workload. The Committee also identified that it may not be sighted of all quality and safety related business and that there were opportunities to improve the approach to service user stories, not least to align them to strategic priorities. A review was proposed to identify gaps in assurance on quality and safety for all areas and to consider possible overlaps with other Committees, while a programme of service user stories linked to strategic priorities was planned. It is unclear whether the proposed review took place or whether service user stories are better aligned to strategic priorities. No update has been provided to track progress ahead of the next self-assessment planned for early 2019. However, service user stories are now linked to specific Committee agenda items to provide a more rounded perspective about the theme or topic under discussion. And, Committee members are confident in requesting assurance on quality and service outcomes. For example, the Committee requested that future reports on the 1000 Lives Programme include information on the quality, progress and outcomes of its activity.

24   The committee specific induction and knowledge development is being addressed as part of a wider board development programme, which the People and Organisational Development team is organising. In addition, specialist expertise has been commissioned to support committee chairs enhance their role in providing assurance to the Board and to provide independent strategic advice to board members, for example in financial management.

Managing risks to achieving strategic priorities

25   We looked at the Board's approach to assuring itself that risks to achieving strategic priorities are well managed. We found that **the Trust has a well-developed board assurance framework supported by an effective risk management system.**

26   The Trust's board assurance framework (BAF) is a firmly embedded board business tool. The BAF format was revised this year in consultation with board members. As part of developing the long-term strategy and the integrated medium-term plan (IMTP), the Board re-evaluated the risks to achieving its strategic priorities. The key controls and sources of assurance, along with mitigating actions, are set out in the BAF. Operational risks and mitigating actions are managed at a directorate and divisional level. All board members responding to our survey agreed or strongly agreed that they were involved in identifying the strategic risks compared with 91% of board members across Wales.

27   Each strategic risk has an assigned executive sponsor responsible for overseeing the mitigating actions set out in the BAF and for providing the appropriate assurances to Board or committees. The executive team reviews the BAF bi-monthly in readiness for board meetings. The Board and Audit and Corporate Governance Committee receive the BAF at every meeting and the relevant sections of the BAF are received by the assuring committee at their respective meetings. At the time of our audit, two of the seven strategic risks (risks 5 and 7) had yet to be assigned to an assuring committee. Last year we were critical that little time appeared to be allocated on committee agendas for scrutiny of the BAF. A review of meeting agendas and observation of committee meetings indicate that more time is now allocated and used. The Quality, Safety and Improvement Committee prioritises review of the BAF for the start of its meeting. The Quality, Safety and Improvement Committee's self-assessment also found that members were satisfied that the information on risk was sufficient and that reports provided information that was clear and robust and of sufficient quality.

28   We asked board members to what extent they agreed or disagreed with several statements about managing strategic risks. The survey findings show that:

- all board members agreed or strongly agreed that they understood the risks to achieving strategic objectives and how they were being managed (Wales average 91%);

- all board members agreed or strongly agreed that the information presented to the Board allowed members to effectively scrutinise actions taken to mitigate risks (Wales average 77%); and

- all board members agreed or strongly agreed that they were clear how risks are both managed and escalated to Board and committees (Wales average 86%).

29   Last year, discussions to define the organisation's risk appetite were underway. The Board agreed the risk appetite for each strategic priority at one of five levels from 'keen' where it will accept risks to deliver challenging objectives to 'risk averse' where it will seek to manage risks down to the lowest possible level. Collectively the individual risk appetites form the annual statement of risk, which the Trust set out in its annual plan. Within each strategic priority there will be specific strategic objectives where the risk appetite at an operational level may differ. The new risk management procedure also makes clear that corporate, directorate and divisional risks should align to the annual statement of risk appetite. In March 2018, the Audit and

Corporate Governance Committee approved the revised risk management procedure, which reflects the new process for publishing the annual statement of risk appetite.

30   The Trust has a well-established risk management system. Last year, the Chief Risk Officer was developing a risk maturity matrix based on the requirements of the international risk management standard ISO31000. The draft risk maturity matrix is now in place, using a scale of one to five[2] to assess the risk management system. The Chief Risk Officer carried out a pilot self-assessment during the summer and found that overall, the risk management system was 'developing', that is, it generally met the requirements of ISO31000. In addition, directorates were asked to self-assess against six key criteria within the Trust's risk management policy and procedure using the same rating scale. The six criteria cover: identifying and articulating risks; assigning risks owners; using Datix to record and track risk; compiling and reviewing risk registers; decision making in terms of how identified risks are managed; and action planning to reduce risk. At the time of our audit, the executive team had yet to decide whether to adopt the maturity matrix and directorate dashboards based on the self-assessment against the six criteria. If adopted, the matrix would be used as a self-assessment tool to produce an annual report for the executive team on the effectiveness of the risk management system.

Embedding a sound system of assurance

31   We also examined whether the Trust has an effective system of internal control to support board assurance. We found that **the Trust's system of assurance is generally robust, nevertheless there is still scope to improve the information reported to the Board on the breadth of the Trust's business**.

32   The Trust's system for updating organisation-wide policies and procedures continues to work well. The corporate governance team continues to maintain the central Policy and Written Control Document Register, which it presents annually to the Board and biannually to the committees. All policies and procedures that have passed their review date or are 'under review' are risk assessed by the named lead for the policy and the assessments shared with the appropriate approving committee. Currently, 61% of organisation-wide policies and procedures are in date, that is not exceeded the review date. The Trust aims to increase this proportion to 75% before end March 2019, which it will monitor as one of the agreed quality and impact indicators (see paragraph 48).

33   The Audit and Corporate Governance Committee's approach for tracking progress against internal and external audit recommendations continues to work well. Progress is considered at every meeting and the pace of progress regularly challenged. The Committee will request periodic detailed reports, such as those on progress against outstanding actions related to our review of the consultant contract. Given the elapsed time between meetings, the Committee continues to emphasise the need for timely updates to prevent gaps in board assurance. It will also receive monthly reports where appropriate, such as the progress reports against the issues highlighted in our review of the collaborative arrangements for local public health resources.

[2] The ratings are unsatisfactory, basic, developing, advanced and exemplar.

The Board and committees also have well established action logs to record agreed actions arising from meetings with updates on actions presented at subsequent meetings.

34   The Trust continues to strengthen and improve arrangements for information governance and information security. The Trust continues to revise and update policies and procedures accordingly and in October 2018, the Quality, Safety and Improvement Committee approved the adoption of the all Wales policies on information and governance and information security. Information governance and IT risks are escalated and de-escalated in line with the Trust's risk management policy and procedures. All information governance and IT risks have assigned owners and action plans for mitigation and the Information Governance Risk Register is presented to both the executive team and Quality, Safety and Improvement Committee on a quarterly basis.

35   The Trust's annual self-assessment using the Caldicott Principles into Practice (C-PIP) toolkit shows continued improvement. The self-assessment score increased from 94% in 2017 to 96% in 2018. Compliance with information governance training has also improved and now stands at 89%, not far off the national target of 95%. Across directorates, compliance ranges from 85% and 97%.

36   The Trust's Information Asset Register is now a live and dynamic tool with information assets added and removed as required. The headings within the Asset Register are based on the needs identified by information asset owners. Staff that we met are confident that person-identifiable data assets are captured while work to define non-personal data assets is ongoing. Information asset owners are designated on a case by case basis and the Trust is developing a training programme for information asset owners. Controls to restrict who can make changes to the Register are in place, while work continues to map data flows and ensure critical points of failure are mapped.

37   Earlier this year, an external review of information governance and information security was undertaken at the Trust as part of a broader programme of work across NHS Wales. The review included an assessment of Cyber Essentials, a gap analysis against the international information security standard ISO27001, General Data Protection Regulations (GDPR) readiness, Network and Information Systems (NIS) Directive readiness and website configuration. The reviewers identified some areas for improvement especially in relation to ISO27001. The Trust is addressing the improvements needed to strengthen information security arrangements and progress against the action plan is regularly monitored by both the Deputy Chief Executive and Executive Director of Operations and Finance and the Executive Director of Quality, Nursing and Allied Health Professions, who are responsible for informatics and information governance and information security respectively.

38   Our review of Board and committee papers indicates that neither the Board nor the Quality, Safety and Improvement Committee (or the operational Information Governance Working Group that reports to the Committee) had considered the external review findings with one exception, GDPR readiness. The Board received the findings in relation to GDPR readiness at its May 2018 meeting. The findings showed that the Trust fully complied with half of the requirements based on the assessment criteria and by the time of the board meeting in May, there were only a couple of areas left to address to ensure full compliance with ongoing work to address them.

39   Notwithstanding the good progress made and the oversight provided by the executive directors, the external assessors' recommendations were not considered by the Board or its committees in the same way as those arising from other external or peer reviews. There may be opportunities to ensure a consistent approach to the way external recommendations are managed.

40   The external assessors also found that the role of the Data Protection Officer (DPO) was not set out in the Trust's information governance policy, a finding which we also reported on last year. At that time, the Trust planned to update its policy at the next iteration, while the national Information Governance Management Advisory Group was discussing whether a consistent approach could be agreed across NHS bodies. Since then, the Trust has adopted the all Wales information governance and information security policies but neither policy specifies the role of DPO simply stating that specific responsibilities will be delegated to the DPO. The GDPR findings presented at the May 2018 board meeting indicate that there are clear policies and procedures for handling of personal data but have yet to reference the Data Protection Officer. The designation of the DPO is clearly visible in the privacy notice set out on the Trust's website and internal documents setting out the structure of the risk and information governance team. The Trust acknowledges that it still needs to set out the role and lines of accountability of the DPO within its information governance structures and plans to present a paper to the new Knowledge, Research and Information Committee.

41   The Trust has increased the level of activity around cyber security and this year for the first time, cyber security is identified as a strategic risk and recorded on the board assurance framework. The Trust is acting to ensure that the appropriate controls are in place to mitigate risks alongside ongoing work to address the recommendations from the gap analysis against ISO27001. Information security risks continue to be managed within the overall Risk Management Policy and the procedure for managing information incidents has been revised. The Trust has also made good progress to address Internal Audit recommendations on cyber security with seven of the eight recommendations fully addressed. The Trust is also strengthening the capacity and capability in cyber security by recruiting a specialist, who took up post in October 2018.

42   Last year, the Board concluded that the information it received was acceptable but there was potential for improvement. Work to map assurance sources and to ensure availability of the right information continues. Our survey sought board members' views about whether the information needed for effective oversight and scrutiny had been agreed and the level of confidence in the information received. Most (89%) board members reported that the Board had agreed the information it needed compared with 79% across Wales. Board members were generally confident in the quality and accuracy of the information received and that it was sufficient to inform decision making and to support effective scrutiny. However, not all board members were confident that the information received covered the breadth of the organisation's business or strategic issues.

43   We have been critical that the IMTP Delivery Framework does not include performance measures for important elements of the Trust's business. We recommended that realistic measures be developed to ensure the same level of board scrutiny across all business activities. The arrangements for monitoring and reporting against the Trust's IMTP Delivery

Framework have remained largely the same, although indicators for the Diabetic Eye Screening Wales service are now included. The Delivery Framework has not been expanded to include measures covering the full breadth of the Trust's business. Instead, the Trust is placing reliance on measuring delivery of key products against the milestones set out in the annual plan. Some products (outputs and actions) relate to activity for areas not currently covered in the Delivery Framework, but these products are not linked to performance, quality and impact measures.

44   The Quality, Safety and Improvement Committee continues to receive information on some parts of the Trust's business not included in the IMTP Delivery Framework, such as Research and Development (R&D), the 1000 Lives Improvement Programme, and most recently the WHO Collaborating Centre. The Committee's annual workplan indicates that it will receive information for other areas of work and national programmes in due course. The Board workplan also shows that it has or will receive similar reports in future. These developments are a positive step but as part of assurance mapping the Board needs to decide what information is needed for those parts of the business not currently part of the IMTP Delivery Framework or captured in the integrated performance report.

45   Cover papers that accompany board and committee papers, including the integrated performance report, now include a cross-reference to the relevant strategic priorities and wellbeing objectives. The cover papers also provide a high-level summary impact analysis in relation to equality and health impact assessments, risk and assurance, health and care standards, financial and implications and people implications although the detail provided varies markedly.

46   The Trust's integrated performance report continues to draw the Board's attention to key issues of under-performance. The dashboards continue to show performance against planned trajectories and indicators are rated using the RAG (red, amber, green) system to denote variance against target. Trend data show performance over the preceding 12 months with a summary of performance and the action being taken to address areas of underperformance.

47   Over the last couple of years, the Trust has implemented several streams of work to demonstrate the quality and impact of its work as part of its broader quality governance arrangements. The Trust established the 'value and impact measurement project' to define what values-based healthcare means for the organisation with work largely focused on resource use to achieve value and impact. The value and impact measurement project will be absorbed into the Trust's wider work on evaluation. Although various Trust activities are evaluated, the Trust found that there is limited understanding on why some activity is evaluated and others not, the quality of evaluations conducted, the extent to which evaluations focus on outcomes or the effectiveness of interventions and whether learning from evaluation is shared. A paper setting out proposals to strengthen evaluation activity has been prepared and we were told that a decision by the executive team is awaited.

48   Work to develop quality and impact indicators concluded earlier this year. More than 100 quality and impact indicators (focused on safety, effectiveness, feedback, leadership and culture) were developed in partnership with divisional and directorate staff. Twenty-six indicators were identified as appropriate for reporting at a corporate level and presented to the Board for approval in May 2018. The remaining indicators were considered too operational and will be monitored at a directorate level. Work to integrate the 26 indicators into the quality section of the

integrated performance report was ongoing at the time of our audit with directorates expected to compile and report on the relevant corporate level indicators on a quarterly basis. The Trust plans to review and refine the quality and impact indicators on an annual basis; the first review is planned for end March 2019. We noted that at least two indicators overlap with performance indicators already included in the IMTP Delivery Framework and the target for one differs. The overlapping indicators are:

- the Welsh Government target for staff influenza vaccine uptake is 65% while the IMTP Delivery Framework states 60%; and

- 90% of serious incidents are reported within 24 hours and investigations completed within 60 working days, while the IMTP Delivery Framework indicator states 90% of serious incidents due for assurance which were assured within agreed timescales.

Since our audit, 15 of the 26 quality and impact indicators were included in the integrated performance report received by the Board at its November 2018 meeting.

Ensuring organisational design supports effective governance

49 We looked at how the Trust organises itself to support effective governance to deliver strategic priorities and ensure clear lines of accountability. We found that **organisation and committee structures are changing to further improve oversight and scrutiny of statutory functions and delivery of strategic priorities**.

50 In the past, we have been critical of the lack of information reported to the Board on the breadth of the Trust's business and functions and delivery of its strategic priorities. The appointment of a new Chair in September 2017 and the development of the long-term strategy has provided the impetus to critically appraise committee arrangements and organisational design.

51 The Board identified a need to establish a Knowledge, Research and Information Committee to provide advice and assurance on the quality and impact of the Trust's knowledge, health intelligence and research activities. The Board also identified a need for a Technology and Innovation Advisory Forum to provide advice on new ways of working that exploit new and existing technology for improving health and wellbeing. The forum is expected to meet twice yearly at a minimum and to report to the new committee. The new committee will take on responsibility for research governance, data quality and information governance that currently sits with the Quality, Safety and Improvement Committee. An Official Statistics Group has been established to ensure that the Trust fulfils its role as a producer of official statistics and complies with the 2018 Code of Practice for Statistics. The group will report to the Quality, Safety and Improvement Committee until the new committee is established in early 2019 when non-executive director vacancies are filled.

52 At the time of our audit, the Trust was consulting with staff on proposed changes to organisational structures, which are largely unchanged since 2015. Now, as then, the Board considered the optimal design of the organisation to deliver its new long-term strategy, to address recommendations from the review of the health intelligence function and to strengthen board-level oversight of the breadth of its various functions. The evidence, health intelligence and research functions will be brought together into a new Knowledge Directorate with a board level director appointed in due course. The WHO Collaborating Centre will become a

standalone directorate, which will absorb the Trust's Policy and International Development Division.

53   The Trust is working to embed a culture of quality and good governance in all that it does. Changes within the Corporate Governance team during summer 2018 provided the Trust with an opportunity to create an integrated governance model for which the executive director for the Quality, Nursing and Allied Health Professionals Directorate will be responsible. A new governance division within this Directorate will bring together the corporate governance function, that currently sits with the Board Secretariat, with quality and clinical governance, information governance and risk management arrangements. Responsibility for research governance will sit within the new Knowledge Directorate. The Board Secretariat will become the Board Business Unit providing advice and support to the Board to enable it to discharge its responsibilities. The Board Business Unit will be comprised of the Board Secretary, who will head the Board Business Unit, a Board Business Manager and a Board Business Officer. The Board Secretary and the Business Unit will work closely with the governance division to ensure a seamless relationship, flow of information and assurance process, within and between the wider organisation, the Board and its Committees.

Strategic planning

54   Our work examined how the Board sets its strategic objectives and how well the Trust plans for the delivery of its objectives within the resources that it has or can make available. We also wanted to know if the Trust is monitoring progress in delivering these plans effectively.

55   We found that **there is a cohesive and well aligned planning framework with changes to performance reporting underway to better assess progress against strategic priorities and the value and impact delivered**.

Setting the strategic direction and deloping the plans

56   We looked at how the Board goes about setting its priorities in engagement with key stakeholders, the approach to strategic planning, and whether appropriate strategies and plans underpin the strategic plan. We found that **there is a cohesive approach to strategic planning and the Trust is working to align workforce plans more effectively**.

57   In July 2018, the Board approved the Trust's long-term strategy, Working to Achieve a Healthier Future for Wales, with the title reflecting what the Trust sees as its core purpose. The strategy is the culmination of extensive engagement with staff, stakeholders and the public during 2017. The Board was engaged in developing the long-term strategy through regular development sessions, workshops and briefings. All board members responding to our survey reported that they were always or mostly involved in setting the vision and strategic priorities.

58   The long-term strategy sets out seven strategic priorities for 2018-2030, the outcomes and impact the Trust expects to achieve and the public health outcomes it seeks to influence. The seven priorities are mirrored in the Trust's wellbeing objectives, which in turn are mapped to the wellbeing goals for Wales.

59   The Trust's IMTP (strategic plan) sets out the objectives underpinning each strategic priority to be delivered between 2018 and 2021, and the objectives were also informed by the wider engagement on the long-term plan. The IMTP was approved by the Board on 31 March 2018 and received approval from the Cabinet Secretary for Health and Social Services in June 2018. In May, the Board approved the Trust's annual plan, which is derived from directorate level plans. The annual plan describes the key products (outputs or actions) and associated milestones to be achieved or delivered month by month in year one of the IMTP.

60   The Trust continues to engage with key stakeholders to influence policy development or take forward collective action for improving population health and wellbeing. Examples of this engagement activity include:

- a series of periodic meetings between the Trust's Chair and Chief Executive Officer with Welsh Government officials, Ministers and Cabinet Secretaries to enable discussion of the Trust's work and common areas of focus in relation to officials' portfolio areas;

- a series of meetings between the Trust's Chair and Chief Executive Officer and respective counterparts at the health boards;

- a jointly designed board development session between the Trust's Board and that of Aneurin Bevan University Health Board, which focussed on how the organisations could align themselves more effectively to take forward work on prevention; and

- a series of workshops between Trust senior staff and Directors of Public Health from each health board to agree core elements of a joint planning process for a small number of public health priorities where collective action is needed.

61   The Trust continues to adopt an inclusive bottom-up approach to developing the IMTP. This year, it established a planning group comprised of representatives of the senior leadership team and directorate business leads. A series of regular planning events were facilitated by the Trust's planning and performance team to enable cross-organisational planning and to prevent directorates planning in silos. The planning events focused on developing clear products (outputs/actions) linked with finance and workforce resources that could be measured in terms of achievement against milestones for delivery. The planning group was strongly encouraged to set realistic milestones by building in the elapsed time for approval of products by the executive team or others.

62   Staff that we met told us that by planning together there was better awareness of directorates' collective contribution to achieving strategic objectives. The Trust acknowledges that it will take time to change the planning culture to one in which planning is a continuous activity in which everyone is involved and not simply an annual event led by the corporate centre.

63   The IMTP is underpinned by a balanced financial plan, which includes a breakdown of planned expenditure on strategic and discretionary capital plans totalling £1.6 million to cover equipment and IT replacement costs. To achieve financial balance in 2018-19, the Trust needs to deliver savings totalling £2.19 million and savings schemes were identified at the start of the year. These savings will cover inflationary cost pressures and service specific pressures and to create a transitional investment fund to support the changes required by the long-term strategy. The IMTP indicates that much of the investment funding will be of a pump priming nature and non-recurrent, while re-investment of individual directorate 1% efficiency plans will not be granted until savings plans are delivered.

64   The finance team continue to risk assess savings schemes in respect of uncertainty around achievability. The Trust has a good track record in delivering savings but this year it built an element (25%) for underachievement into financial planning assumptions to ensure contingency for any slippage, particularly for high risk savings. A large proportion (63%) of the planned savings are expected from changes in staff establishments, which the finance team assessed as low risk. We discuss performance against savings plans in paragraph 95.

65   Of the total savings identified, £400,000 (18%) is linked to organisational efficiency workstreams to create additional in year investment. These efficiency savings, related to workforce, procurement, travel and subsistence and estates were assessed as high risk particularly as they are not expected to materialise until part way through the year. At the time of our audit, work to deliver organisational efficiency savings was underway (see paragraphs 89 and 95).

66   In developing the financial plan, the Trust reviewed activities to rebase budgets and to ensure all current and planned activity linked to its strategic priorities. This is now embedded into annual plan updates at directorate level to challenge activity and ensure it remains relevant. The Trust has a good understanding of its cost base. There is no single approach to demand and capacity planning because of the diverse range of functions provided by the Trust, while few of its activities lend themselves to detailed unit costings. For example, demand may relate to evidence of effectiveness to inform public health policy and health improvement interventions or demand for laboratory tests, where cost per specimen can be derived. At the time of our audit, the Trust was mapping resources to individual strategic priorities to better understand how resources are allocated. The first analysis of the resource mapping was shared with the Board at its meeting in November 2018.

67   The Trust recognises that its approach to workforce planning has typically focused on in-year needs, such as delivering a balanced budget. Consequently, the IMTP provides a snapshot of the workforce with only a few workforce assumptions set out, namely predicted annual turnover and the increase in salary costs. The IMTP highlights workforce challenges identified within workforce plans at a directorate and divisional level, such as the reliance on small numbers of specialists who are approaching retirement age or hard to fill vacancies where there are national skills shortages. The People and Organisational Development team is working to develop an organisation-wide workforce plan that sets out workforce requirements over the lifetime of the IMTP and to support delivery of the long-term strategy. The team anticipates the workforce plan will be ready to inform the 2019-22 IMTP. Development of skills and approaches to support workforce planning are discussed in paragraphs 90 and 91.

68   Last year, we reported that the Trust had an ambitious programme of informatics developments planned to support delivery of the IMTP, but the digital strategy and programme management arrangements had yet to be approved and implemented. The digital strategy is still to be formally agreed and the Trust plans to update its digital approach in line with the long-term strategy. The 2018-21 IMTP sets out the developments that the Trust plans to take forward to deliver its digital strategy. However, our board member survey found that only four of the nine members responding agreed that the digital strategy underpinned delivery of the IMTP. The Trust has indicated that there are significant dependencies between service developments and the availability of discretionary capital, which influences the scope and pace of progress with digital developments. At the time of our audit, the informatics and estates teams were working

together to identify how digital technology and the estate might change or adapt over the long term to support delivery of the long-term strategy.

69   Other than the arrangements for scoring bids for discretionary capital (see paragraph 103), no formal arrangements are in place to prioritise digital developments. Proposed changes to organisational and committee structures (as described in paragraph 51) should support prioritisation and ensure appropriate oversight and scrutiny of the pace of delivery of the digital strategy. Work to build effective informatics training services continues with training for things like the Microsoft Surface hubs, AirWatch and the 'Tarian' system are underway. Training will continue to expand particularly with the development of the new Cervical Screening Information Management System.

Monitoring and reporting on delivery of the strategic plan

70   Finally, we looked at whether progress with implementing the strategic plan is effectively monitored and reported. We found that **arrangements for monitoring and reporting on the annual plan are largely unchanged, and progress is now reported more frequently**.

71   The Board retains overall responsibility for the oversight and scrutiny of the annual plan while operational responsibility for delivery remains with divisional directors and other senior managers accountable to the executive team. At the time of our audit, the Trust was developing a new accountability framework for the delivery of individual strategic priorities set out in the IMTP and the annual plan. Programme management arrangements are being established to clarify and strengthen accountability for delivering the products (outputs and actions) in agreed timescales. At the time of our audit, the executive team was identifying the senior responsible officers (SROs) for each strategic priority. The SROs will share responsibility for the programme management arrangements and ensuring risks to delivery are managed and escalated to the executive team as required. The intention is to improve both leadership and cross-organisational working to achieve strategic priorities, although it is too early to form a view on the effectiveness of these new arrangements.

72   Progress against the annual plan is summarised in the integrated performance report on a planned basis each quarter. The format of the progress report is the same as last year and uses the RAG (red, amber, green) system to show the number of actions (products) that are on-track or completed within agreed milestones or those actions behind schedule. Progress is also illustrated against strategic priorities and by directorate. Reasons for delays are set out in a detailed exception report where delivery against strategic priority milestones is behind schedule or will not be completed in agreed timescales. The one noticeable difference to the progress report is the inclusion of the strategic objective reference number, which makes cross referencing to the annual plan and IMTP much easier. In future, reporting on progress of strategic priorities by directorate may be more challenging when dual SRO accountability for delivery is introduced. At an operational level, reporting on the production of products, including the quality assurance and sign-off, will be largely through directorates, while progress against the agreed milestones will be monitored by the executive team.

73   In 2017, we were critical that reporting against the annual plan was infrequent given the Trust's intention to report quarterly. The Board received the third and final progress report for the 2017-18 annual plan in May 2018. This final report provided clearer information on the number of

actions to be carried forward into the 2018-19 annual plan[3], including several actions from the 2016-17 plan. Information in the exception report also linked outstanding actions to the relevant strategic objective in the 2018-19 annual plan and the anticipated timescales for delivery. This year, we found that the Board is now receiving quarterly reports on progress against the 2018-19 annual plan. Despite our concerns about the frequency of reporting, all board members agreed or strongly agreed that the information they received gave them a good understanding about performance in relation to delivering the IMTP (Wales average 90%).

74 The IMTP sets out the Trust's ambition to design and implement a new performance management framework by the end of 2018. The Trust wants to demonstrate more effectively progress against strategic priorities, as well as the value and impact delivered. Our interviews with staff indicate that it is likely to take longer if the Trust needs to develop and agree outcome and impact measures related to strategic priorities.

75 During interviews with key staff, we were told that future Board agendas will be organised to allow detailed consideration of one strategic priority at each meeting, apart from priority 7 (building and mobilising knowledge and skills to improve health and well-being across Wales). Priority 7 will be largely delivered by parts of the Trust's business not currently monitored and reported as part of the Delivery Framework or captured in the integrated performance report. As such, this may be a lost opportunity for assurance unless the new committee provides the oversight and scrutiny and board assurance.

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

76 Efficient, effective and economical use of resources largely depends on the arrangements the organisation has for managing its workforce, its finances and other physical assets and the procurement of goods and services. In this section we comment on those arrangements. We found that **the Trust generally manages its workforce, finance and physical assets well day to day with good support available to managers and budget holders, but it could improve aspects of procurement, financial reporting and workforce performance**.

Managing the workforce

77 The workforce is the Trust's biggest asset, not least because pay represents such a significant proportion of expenditure. It is important that the workforce is well managed and productive because staff are critical for day-to-day service delivery and for delivering efficiency savings and quality improvements. We found that **the Trust's arrangements and support for managing and developing the workforce continue to improve with improvements reflected in some key performance measures**.

[3] 57 of the 324 actions set out in the 2017-18 annual plan were incomplete at year end, including 7 actions from the 2016-17 annual plan.

78 The Trust's workforce dashboard continues to provide a broad range of metrics, a summary of performance and remedial actions for improvement. In addition, the People and Organisation Development Committee undertook 'deep dives' into sickness absence and staff turnover.

79 Exhibit 1 shows how the Trust is performing in relation to some key workforce measures compared with the Wales average. The data show that Trust's performance is mixed.

Exhibit 1: performance against key workforce measures[4]

Workforce measures	Trust	Wales average
Sickness absence	4.1%	5.3%
Turnover	10.3%	6.9%
Vacancy	0.7%	2.6%
Appraisals	47%	67%
Statutory and mandatory training	89%	73%

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

80 Currently, the Trust performs better on sickness absence compared with the Wales average but the 12-month rolling average at July 2018 was above the 3.25% target. The rolling 12-month average has been increasing from 3.8% at July 2017 to 4.1% at July 2018. The deep dive highlighted variation in sickness absence rates within and between the Trust's directorates, ranging from less than 1% to 4.7%.

81 During 2017-18, 1,846 periods of sickness absence were recorded and of these, short-term absences lasting less than 28 days made up 86%. Long-term absences that last 28 days or more made up 14% of absences. Our analysis of the Trust's data shows that 1,328 short-term sickness absences lasted seven days or less and resulted in 3,547 lost work days. As well as lost work days, sickness absence cost the Trust £2.1 million in salary costs alone during 2017-18.

82 In addition to its ongoing programme of work to address sickness absence, such as the cycle of is sickness absence audits, the Trust is rolling out sickness absence training for line managers. This training includes improving the quality of information captured on reasons for sickness absence, given one in ten reasons is recorded as 'unknown'. However, the effect of these initiatives is not yet evident on the 12-month rolling average sickness absence rate.

83 'Anxiety/stress/depression/other psychiatric illnesses' remains the most frequently cited reason for sickness absence. To address this issue, the Trust developed a stress prevention and mental wellbeing policy, implemented initiatives to support stress and anxiety management and

to improve mental wellbeing in the workplace, as well as signing the 'Time to Change' pledge[5]. It is perhaps too early to assess the impact of these initiatives on sickness absence. However, the proportion of absences attributed to 'anxiety/stress/depression/other psychiatric illnesses' is reducing. At August 2018, 25.5% of absences were attributed to this reason compared with 31.9% at July 2017.

84   The Trust remains committed to looking after the health and wellbeing of its staff more broadly and it achieved the Silver Corporate Health Standard earlier this year. It is currently piloting Time to Move, an internal programme that gives staff one hour a week for physical activity and every meeting of the People and Organisational Development Committee starts with a staff story. Work continues to address the findings from the 2016 NHS staff survey and Medical Engagement Scale. Regular progress reports against the action plan are presented to and challenged by the People and Organisational Development Committee. Most actions are complete with the remaining actions on track for completion by April 2019.

85   The Trust plans to revisit the original 2016 staff survey action plan now that the findings from the 2018 NHS staff survey are available. The latest findings indicate improvements, such as the increase in appraisals but there are also areas where there is more work to do for example in tackling the reported increase in work-related stress or improving the management of change. The Trust's Organisational Development team are leading work to support development of action plans at both an organisation and division or directorate level.

86   Although the Trust's turnover rate (10.3%) is higher than the Wales average (6.9%), it is reducing and better than the rate we reported last year (11.9%). A 'deep dive' on staff turnover was presented to the People and Organisational Development Committee in July. The Trust is using the detailed findings to inform initiatives on retention, such as reintroducing exit interviews alongside the exit questionnaire, flexible working and undertaking further work to look at the use of fixed-term contracts given this was one of the frequently cited reasons for leaving. Although turnover is relatively high compared with the Wales average, the number of advertised vacancies in any one month is small. The time taken to recruit to vacancies is improving and in July, recruitment took 41.4 days (within 44 days target) compared with 64.7 days last year.

87   There is ongoing work to improve compliance with annual appraisals and performance reviews for non-medical and non-dental staff. The latest data from the Electronic Staff Record system (ESR) reported to the Board in November 2018 show that over half (57%) of the staff had been appraised in the previous 12 months. The Trust is confident that actual compliance is higher because not all appraisal information is routinely captured on ESR. This assertion is supported by the 2018 NHS Wales staff survey findings in which 80% of Trust staff reported having had a personal appraisal and development review (PADR) in the last 12 months compared with 71% in 2016. Work continues to ensure the timely completion and recording of PADRs, but the Trust still has a way to go before achieving its ambition for all staff to have a minimum of two formal performance reviews each year. Compliance with medical/dental appraisal and revalidation is 100%. Overall compliance with statutory and mandatory training (i.e. the core skills training

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[5] Time to Change is a social movement working to end the stigma and discrimination experienced by people with mental health problems.

framework) is 89%, exceeding the NHS Wales target (85%). The Trust continues to work towards its own target of 95%.

88   Data from health bodies' financial monitoring returns to Welsh Government continue to indicate that the Trust spends less on agency staff (medical and non-medical) than most other NHS bodies in Wales. In 2017-18, the Trust's expenditure on agency staff was £2.1 million, more than double the previous year. Agency expenditure as a proportion of the total pay bill was 2.8% compared with 3.7% across Wales (ranging from 0.3% to 6.5%). The Trust anticipates that overall agency expenditure will be the same this year given its ongoing reliance for locum and agency cover within the Microbiology Division where recruitment of consultant medical microbiologists and biomedical scientists is proving challenging. At the end of October, agency expenditure as a proportion of the total pay was 2.8% of the pay bill. Work is ongoing to secure reductions in the cost of medical locum cover as part of the broader programme of work to provide a high quality, safe and sustainable Microbiology service, with regular scrutiny of progress against the action plan by both the People and Organisation Committee and the Board.

89   The biggest proportion (38%) of agency expenditure is on administrative and clerical staff compared with medical staff (34%), healthcare scientists (27%) and allied health professionals (1%). As part of organisational efficiency savings this year, the Trust is looking to deliver savings totalling £200,000 by reducing the use of administrative and clerical agency staff. At the time of our fieldwork, the People and Organisational Development team was reviewing the high use of administrative and clerical agency staff to understand the reasons and to make recommendations to reduce it. The team identified that some arrangements were non-compliant with the framework for the supply of agency workers and was acting to address the issue. Since our audit work, all future requests for administrative and clerical agency workers are now submitted to the Establishment Control Panel for approval. For each request not approved by the Panel, the budget will be removed from the proposed cost centre and held in a central fund. At the end October, the Trust's financial return to Welsh Government shows that it had yet to start delivering efficiency savings related to agency staff.

90   When we reported last year, the Trust was introducing a workforce planning toolkit based on the 'six steps to integrated workforce planning' advocated in the NHS Wales Planning Framework. The People and Organisational Development team, in conjunction with the NHS Wales Workforce and Education Development Service, provided training to managers responsible for workforce planning. The People Business Partners, some of whom hold post-graduate qualifications in workforce planning, supported managers to complete the toolkit. The team indicated that managers were generally able to articulate their vision for the workforce but the depth and breadth of understanding of factors affecting workforce planning varied. The team also identified the need to involve the Trust's Heads of Professions in strategic workforce planning to identify cross-organisational issues for different professional groups.

91   Although there is no organisation-wide workforce plan currently, the People and Organisational Development team reviewed the directorate workforce plans on a pan-organisational basis to identify recurrent themes. A comprehensive summary of the themes and action taken was shared with the People and Organisational Development Committee in July. The themes include the need for skills in managing organisational change and support for matrix working to

move away from a directorate model to cross-organisation collaboration where responsibility for delivering strategic priorities is shared. The team also identified that development was focused on individual learning needs and that managers need support to align individual development needs with the skills the Trust needs to deliver the long-term strategy.

Managing finance, procurement and assets

92   We considered financial and budget management, financial controls, procurement and asset management and operational support and processes. We found that **the Trust's arrangements for financial management continue to work well with good support for budget holders but there is scope to improve aspects of financial reporting and compliance with procurement processes**.

93   The Trust's arrangements for the management and scrutiny of financial performance, including savings plans, are largely robust. Our work on the annual accounts identified that financial controls are sound. The finance business partner model provides effective support to budget holders. This year, we looked at what proportion of finance staff hold accountancy qualifications across. Our analysis shows that 72% of the Trust's finance team hold an accountancy qualification with the rest of the team in training. Across Wales, less than half the staff (43%) within finance teams hold accountancy qualifications. The finance business partners meet monthly with division and directorate managers to scrutinise the financial position relative to budgets and agree the actions needed to manage risks and recover overspends or offset them by gains elsewhere. The executive team continue to scrutinise the overall financial position on a quarterly basis, including the performance of individual savings schemes.

94   The Trust continues to forecast a break even for the year ended 31 March 2019 and at the end of October its financial monitoring return to the Welsh Government showed a small surplus (£55,000). The Trust's integrated performance report to the Board is consistent with the Welsh Government financial monitoring return. However, we noted a difference between the financial monitoring return and the integrated performance report in relation to the volume of savings achieved.

95   The Welsh Government financial monitoring return shows that the Trust had delivered £1.14 million (52%) of its planned savings (£2.198 million) at the end of October. Based on our discussions with officers, the financial monitoring return is based on the assumption that savings are planned and delivered in more or less equal twelfths. However, directorate and divisional budgets were reduced at the start of the financial year to secure the level of savings required. Therefore, full year savings totalling £2.11 million (96%), largely attributable to pay, had already been achieved at the end of October, and reported to the Board through the integrated performance report. The financial monitoring return for month seven, however, shows that the Trust has yet to deliver any organisational efficiency savings (£400,000), which it expected to materialise part way through the year. The Trust reports that its break-even forecast is no longer reliant on delivery of these organisational efficiency savings.

96   The content and format of the finance reports to Board remains largely the same. Last year, we recommended that the Trust include information within board finance reports on the performance of re-investment plans funded through planned efficiency savings. The Trust intended to include information from month six onwards as investment is made. We would

expect to see this information included in the reports from November in line with the cycle of board meetings. However, the integrated performance report did not include information on re-investment. All board members responding to our survey agreed or strongly agreed that the information they received gave them a good understanding about financial performance.

97   The Trust is strengthening procurement arrangements to ensure compliance with policies and procedures. Procurement activity is largely devolved to NHS Shared Services-Procurement Services (Procurement Services) through a Service Level Agreement. There is an all-Wales procurement strategy, which is underpinned by an all Wales business plan but there is no overall Trust procurement plan. Procurement activity is largely driven by the Trust's strategic and discretionary capital plans and linked to asset replacement. Issues around compliance with procurement processes has led the Trust to develop a system to capture planned procurement activity, and eventually to inform a procurement workplan. This system should help ensure timely advice and guidance that supports improved compliance, as well as securing value for money from purchases and contracts.

98   Procurement capacity is limited. The Trust has a dedicated Head of Procurement and support from the wider team within Procurement Services, who are employed by NHS Shared Services. The Trust is also working with Procurement Services to agree procurement support for the hosted units, like the NHS Collaborative. The Trust is working with the Head of Procurement to upskill the finance team to better support procurement activity. The Trust is also establishing a procurement business partner model to reinforce roles and responsibilities of Trust staff and those of Procurement Services. A procurement champions group has been established to reinforce day-to-day procedural compliance and ensure operational oversight of the procurement schedule.

99   The Head of Procurement is responsible for overseeing procurement activity, monitoring compliance with procurement processes and procedures and supporting the Trust to develop policies and procedures that are compliant with public sector procurement legislation. Last year, Internal Audit Services reviewed the Trust's procurement arrangements and assessed them as providing reasonable assurance. The Internal Audit Service identified areas for improvement which the Trust, in collaboration with Procurement Services, continues to address. The improvements being made include: ensuring individuals who are signatories to financial transactions sign the Declaration of Interest Register; clarifying roles and responsibilities of the Trust and those of Procurement Services; working with Procurement Services to develop an interactive procurement guide; regular monitoring of procurement expenditure below the quotations threshold to ensure cumulative expenditure with suppliers does not breach procurement limits; and regular monitoring of non-catalogue expenditure.

100   The Trust's SFIs set out the requirements for three written quotations to be obtained for the purchase of goods and services between the value of £5,000 and £25,000 (exclusive of VAT), four written competitive tenders for goods and services where the value is from £25,000 up to the OJEU[6] threshold and five tenders where the value exceeds the OJEU threshold. In general, all goods and services in the public sector should be acquired by competition to ensure value

6 The Official Journal of the European Union is the publication in which all tenders from the public sector which are valued above a certain financial threshold according to EU legislation, must be published.

for money is obtained. Single quotation action (SQA) and single tender actions (STA) should be an exception and only used when a single firm or contractor or a propriety item of service is required. In these cases, the purchase must be formally authorised.

101   All STAs, SQAs and extension of contracts are regularly reported to the Audit and Corporate Governance Committee as required by the Trust's SFIs. We compared the number and the value of STAs and SQAs highlighted in the procurement reports presented to the Committee between September 2016 and August 2018 (Exhibit 2). Our analysis shows that the number of STAs and SQAs increased from 40 to 59. Information presented in the procurement reports for the period September 2016 to August 2017 shows that STAs and SQAs accounted for 44% of procurement expenditure (on competitive quotations, competitive tenders, STAs and SQAs) reported to the Committee. The format of procurement reports changed from September 2017 and information on competitive quotations and competitive tenders is no longer reported, and we are unable to calculate the proportion of procurement expenditure attributed to STAs and SQAs between September 2017 to August 2018. In addition, the procurement reports now include information on STAs and SQAs where a file note has been placed as a record of decisions or authorisation of variations from normal practice. The change in reporting format may account for the apparent increase in STAs and SQAs. However, based on the narrative presented in the reports for this period, only 28 of the 59 STAs and SQAs were endorsed, that is followed procurement procedures. The remaining 31 were 'not endorsed'. Nonetheless, procurement proceeded indicating that controls could be improved. The procurement reports and Committee discussions show that the Trust is taking further action to strengthen procurement procedures.

Exhibit 2: number and value of single tender actions and single quotation actions between September 2016 and August 2018

	01/09/16 to 29/08/17	30/08/17 to 10/08/18
Number of STAs and SQAs	40	59
Value of STAs and SQAs	£1,774,722	£2,069,963

Source: Wales Audit Office analysis of Public Health Wales procurement reports

102   The Trust's Business Leads Group, which includes the Head of Procurement, monitors procurement activity at an operational level. One of the standing agenda items is the procurement of non-catalogue items where the target is to purchase 80% of goods and services from the all Wales catalogue. At the end of quarter one 2018-19, catalogue coverage was reported to be 64%.

103   The Trust's capital funding for 2018-19 is £1.61 million - £1.29 million of discretionary capital and £322,000 of strategic capital. Strategic capital funding is for the development of a new information system for Cervical Screening Wales service. To allocate discretionary capital, the Trust invites bids from across the organisation. The capital planning group scores the bids against a prioritisation matrix and submits the list of approved and prioritised bids to the

executive team for ratification. The list of approved schemes was included in the July 2018 integrated performance report to the Board. A total of £1.13 million of the discretionary capital was allocated to the schemes. A small sum (£163,000) is unallocated and held for contingency, although the contingency was higher than the sum initially identified (£25,000) in the IMTP financial plan. The unallocated discretionary capital now stands at £260,000 as the strategic capital allocation reduced by £100,000 and the discretionary capital allocation increased accordingly because not all the funding for the cervical service information management system will be spent by the end of March 2019.

104   The Welsh Government financial monitoring returns indicate that expenditure on discretionary capital schemes was planned from month four onwards and from month two onwards for strategic capital. Planned expenditure on both discretionary and strategic capital is adjusted each month to reflect actual expenditure and to reprofile spend until the end of the financial year. A review of the financial returns shows that expenditure on both discretionary and strategic capital schemes is nonetheless behind profile. At month six, expenditure on discretionary and strategic capital was £109,000 and £97,000 respectively (13% of the total capital funding available). Capital funding is used for replacing equipment at the end of life, but the finance section of the integrated performance report does not currently highlight risks to service delivery because of delays in planned expenditure. The Trust should consider including information in finance reports on whether delays in planned expenditure is having an adverse impact on service delivery.

105   The Trust's asset base is relatively small with roughly half the assets linked to Screening and Microbiology services. There is no overarching asset management plan, but local plans are in place within some divisions, such as informatics. The Trust has a comprehensive asset register for its freehold estate and equipment, which identifies the scale and cost of replacements. The asset register is maintained by a designated individual within the finance team while corporate and local policies and procedures set out roles and responsibilities for the management and disposal of assets.

106   Major procurement schemes are funded with strategic capital covering full purchase and ongoing maintenance and revenue costs. The finance section of the July 2018 integrated performance report provided information on the Trust's capital replacement programme for the next five years, including the type and cost of equipment for the different areas of the Trust's business.

107   Unlike other NHS bodies, the Trust does not have significant backlog maintenance costs. However, it has identified some discretionary capital funding to improve aspects of leased premises to ensure the working environment is fit for purpose and meets health and safety requirements. Before the end of 2018, the Trust also intends to assess its freehold estate in relation to physical condition and space utilisation for example, as well as reviewing the energy performance of its sites and the steps to be taken to improve energy performance.

Recommendations

2018 recommendations
Procurement
R1 The number of STAs and SQAs appears to be growing and the narrative set out in procurement reports indicates that controls could be further strengthened. The Trust should: a) establish a system to monitor and report on trends in STAs and SQAs; b) consider reintroducing information on the total number and value of competitive tenders and quotes to provide context against which to assess the number and value of STAs and SQAs; and c) provide the Audit and Corporate Governance Committee with information on the effectiveness of actions to ensure compliance with procurement policies and procedures.

Appendix 1

Progress implementing previous recommendations

Exhibit 4: actions in response to 2017

Recommendation		Action taken in response	Completed
R1	Board finance reports omit information on whether re-investment priorities funded by efficiency savings identified in the budget strategy have been successfully delivered. The Trust should therefore include information on the performance of re-investment plans funded through efficiency savings within its finance reports to Board.	The Trust intends to include information on identified efficiency savings reinvested from month six onwards. However, the integrated performance report presented to the Board in November 2018 did not include any information on re-investment of planned efficiency savings.	No
R2	The Trust is a mandatory participant of National Fraud Initiative (NFI) data matching exercise but it has not made effective use of the data matches provided for 2016-17. The 2018-19 NFI data matching exercise begins in October 2018 at which time the Trust should put in place an action plan to ensure that the data matches it receives from that exercise are reviewed and where necessary investigated in a timely manner.	Our review of the NFI web-application shows that the Trust undertook a review of most of the recommended matches by the end of 2017. Whilst the Trust's review focused exclusively on the matches recommended as high priority, in view of the late timing of the review work, we consider that this approach was reasonable. In future exercises, we would expect the Trust to commence review of the data matches as soon as possible following their release. In addition to reviewing all the high priority matches recommended for review, we would also expect the Trust to carry out a review of a sample of remaining data matches. The Trust anticipates that it will receive the data matches for the latest NFI data-matching exercise in January 2019 at which time it intends to put in place a plan to review them in a timely way.	No - not expected until January 2019

Recommendation	Action taken in response	Completed
R3	The EU General Data Protection Regulations (GDPR), which take effect from 18 May 2018, mandate the role of Data Protection Officer (DPO). However, the role of DPO, and where it sits within the Trust's governance structures, is not described in the Trust's new Information Governance Policy. The Trust should clearly set out the role and responsibilities of DPO and lines of accountability associated with the role.	Last year, we reported that the Executive team agreed the DPO designation but the role of the DPO, and where it sat within governance structures, was the only role not described in the Trust's Information Governance Policy. In response to our recommendation the Trust had planned to revise its policy to include the role of the DPO when the policy was next reviewed. The designation of DPO is clearly visible in the privacy notice set out on the Trust's website. The GDPR findings presented at the May 2018 board meeting also indicate reference to the role and lines of accountability of the DPO were still to be set out in policies and procedures for handling personal data. In the meantime, the all Wales Information Governance and Information Security Policies were developed, which the Trust adopted. These policies do not set out the role of the DPO and indicate that specific responsibilities will be delegated to the DPO, but these responsibilities are not specified in the all Wales policies. In July 2018, the Trust set out new arrangements for providing specialist support and advice to all divisions and directorates in relation to information governance. Each member of the risk and information governance team has responsibility for a directorate, as well as a specialist are of responsibility, such as information asset management, but the role of the DPO is not set out. The Trust plans to present a paper to the new Knowledge, Research and Information Committee setting out the role of the DPO.	No but plan in place to address it
R4	The Internal Audit Service completed an audit of the Trust's cyber security arrangements at the same time as the Trust was developing the new Information Security Policy and supporting procedures. The Trust	The Trust did not identify any gaps in the Information Security Policy following the Internal Audit review of cyber security. The Internal Audit follow-up review found that the Trust had made good progress in fully addressing 7 of the 8 recommendations and partially addressing the final one.	Yes

Recommendation	Action taken in response	Completed
	should compare the Internal Auditors' findings with the new policy and supporting procedures to ensure there are no gaps.	
R5	The Delivery Framework does not cover the full breadth of the Trust's business. The Trust should therefore agree realistic measures for those parts of the business not currently covered by the Delivery Framework, such as NHS Quality Improvement/1000 Lives, health intelligence and national health improvement programmes like the 'first 1000 days', to enable Board scrutiny, and to report on them accordingly.	The Delivery Framework now includes performance measures for the Diabetic Eye Screening Wales service but has not been expanded to include measures (qualitative or quantitative) covering all parts of the Trust's business. The Quality, Safety and Improvement Committee continues to receive reports on the breadth of activity undertaken by the Research and Development (R&D) Division and performance against Welsh Government R&D indicators and the 1000 Lives Improvement Programme. The Board now receives a report twice a year on the R&D activity and performance against the Welsh Government performance indicators. The Quality, Safety and Improvement Committee and Board workplans indicate that they will receive information for other areas of work in due course, such as the WHO Collaborating Centre annual report, Health Intelligence and information from the First 1000 Days Programme Board.	Yes
R6	The Delivery Framework indicates that progress against the annual operational plan will be reported quarterly but was reported only twice in the public domain. Meanwhile, NHS Planning Guidance for 2017-2020 indicates that boards should receive an overall assessment of progress against the integrated medium-term plan in public session at least bi-annually. The Trust should therefore:	The Trust's annual plan indicates that progress in delivering the strategic objectives underpinning strategic priorities will be reported quarterly. The Board received the report on performance for the first quarter (April to June) in July and for quarter two (July to September) in November 2018. At the end of quarter two 86% of milestones/actions are on track to be completed within target timescales or have been completed. The Board received its third and final report on delivery of the 2017-18 annual plan in May 2018. The report provided, for the first time, information on the number of actions to be rolled forward into the 2018-19 annual plan. The Trust's annual report highlights a small number of achievement in 2017-18 against the strategic priorities.	Yes

Recommendation	Action taken in response	Completed
a. clarify the frequency of reporting against the Delivery Framework; and b. prepare a report setting out the overall progress against the integrated medium-term plan milestones and the impact.	The Trust is working to develop a new performance framework to better assess progress against strategic priorities and to describe value and impact delivered.	
R7 The Trust has yet to finalise its Digital Strategy for taking forward proposals set out in the integrated medium-term plan and the Strategic Outline Programme, including putting in place the necessary governance arrangements for oversight and scrutiny. Meanwhile, recommendations from our previous audit of the Trust's IT capacity and infrastructure were judged to be complete, which may have been premature given that the strategy has yet to be finalised. The Trust should: a. move to finalise the Digital Strategy; b. identify a clinical lead for informatics developments; c. develop effective IT training services; and	The digital strategy has not been formally agreed but remains relevant. The Trust has decided that a clinical lead for informatics is not essential to the delivery of its digital strategy, but most digital projects do have clinical leads. The informatics team has begun to provide some training on elements such as Microsoft Surface hubs, AirWatch and the 'Tarian' system and plans to expand training as new systems are rolled out. Proposed changes to organisational and committee structures should support prioritisation and ensure appropriate oversight and scrutiny of delivery.	Yes

Recommendation	Action taken in response	Completed
d. establish the proposed Digital Transformation Board and agree its terms of reference.		

Appendix 2

Trust's response to this year's recommendations

Exhibit 5: management response to 2018 recommendations

Recommendation	Management response	Completion date	Responsible officer
R1 The number of STAs and SQAs appears to be growing and the narrative set out in procurement reports indicates that controls could be further strengthened. The Trust should: a) establish a system to monitor and report on trends in STAs and SQAs; b) consider reintroducing information on the total number and value of competitive tenders and quotes to provide context against which to assess the number and value of STAs and SQAs; and c) provide the Audit and Corporate Governance Committee with information on the effectiveness of actions to ensure compliance with procurement policies and procedures.	Work has already commenced to strengthen controls through the establishment of a procurement value plan and involvement of procurement champions. There is a robust mechanism for reporting and recording procurement activity and the report is reviewed by the procurement champions. The number and value will reflect volume and nature of procurement and trends would not indicate concerns. The following are actions taken to date: • The procurement activity report has been reviewed and now highlights the activity associated with File Notes. This is line with the Procurement ISO Quality Procedures, which sets a requirement to "place a note on file" as a record of decisions or authorisation of variations from the norm. This form has been produced to meet these requirements.	Completed	Huw George, Deputy Chief Executive and Executive Director of Operations and Finance

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	• Requisitions presented for approval are checked for compliance when they reach the Buyer. If insufficient information is provided e.g. if three quotations are requested and not provided, then the requisition is returned to the requestor. Actual copies of quotations must be attached to the requisition for the buyer to ensure compliance. • We have now adopted a 'Value Plan' approach (Organisational Efficiency Procurement Plan) where we reflect on activity and agree the specific areas that need addressing, particularly ensuring a 'once for all directorate' approach and where possible on a 'once for Wales' basis. This is where the Local Procurement Team would liaise with Central Sourcing colleagues. The supporting information we review provides detailed analysis of expenditure to inform priorities. This is particularly helpful with threshold monitoring and where the service may not have realised it has a collective need. We are also working with procurement champions to ensure monitoring of their actual contract spend against the contract value, for which prior approval for		

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	expenditure will have been granted, and to inform Procurement in sufficient time to allow for further procurement procedures to be applied to remain compliant with SFI's.		