

# Annual Audit Report 2023 – Digital Health and Care Wales

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# Summary report

## About this report

- 1 This report summarises the findings from my 2023 audit work at Digital Health and Care Wales Special Health Authority (DHCW) undertaken to fulfil my responsibilities under the Public Audit (Wales) Act 2004. That Act requires me to:
  - examine and certify the accounts submitted to me by DHCW, and to lay them before the Senedd;
  - satisfy myself that expenditure and income have been applied to the purposes intended and are in accordance with authorities; and
  - satisfy myself that DHCW has made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources.
- 2 I report my overall findings under the following headings:
  - audit of accounts
  - arrangements for securing economy, efficiency, and effectiveness in the use of resources
- 3 This year's audit work took place at a time when NHS bodies were still responding to the legacy of the COVID-19 pandemic as they look to recover and transform services and respond to the additional demand in the system that has built up during the pandemic. Furthermore, health bodies were also dealing with a broader set of challenges associated with the cost-of-living crisis, the climate emergency, inflationary pressures on public finances, workforce shortages, and an ageing estate. My work programme, therefore, was designed to best assure the people of Wales that public funds are well managed.
- 4 I aimed to ensure my work did not hamper public bodies in tackling the post-pandemic challenges they face, whilst ensuring it continued to support both scrutiny and learning. We largely continued to work and engage remotely where possible through the use of technology, but some on-site audit work resumed where it was safe and appropriate to do so. This inevitably had an impact on how we deliver audit work but has also helped to embed positive changes in our ways of working.
- 5 The delivery of my audit of accounts work has continued mostly remotely. Auditing standards were updated for 2022-23 audits which resulted in some significant changes in our approach. The specific changes were discussed in detail in my 2023 Audit Plan. The audited accounts submission deadline was extended to 31 July 2023. The financial statements were certified on 28 July 2023, meaning the deadline was met. This reflects a great collective effort by both my staff and DHCW's officers.
- 6 I also adjusted the focus and approach of my performance audit work to ensure its relevance in the context of the post-pandemic challenges facing the NHS in Wales. I have commented on how NHS Wales is tackling the backlog of patients waiting for orthopaedic treatments. I have also published an NHS Workforce Data Briefing

that brings together a range of metrics and trends to help illustrate the challenges that need to be gripped locally and nationally. The data briefing complements my assessments of how the workforce planning arrangements of individual NHS bodies are helping them to effectively address current and future workforce challenges. My local audit teams have commented on the governance arrangements of individual bodies, as well as how they are responding to specific local challenges and risks. My performance audit work is conducted in line with INTOSAI auditing standards<sup>1</sup>.

- 7 This report is a summary of the issues presented in more detailed reports to DHCW this year (see **Appendix 1**). I also include a summary of the status of work still underway, but not yet completed.
- 8 **Appendix 2** presents the latest estimate of the audit fee that I will need to charge to cover the costs of undertaking my work, compared to the original fee set out in the 2023 Audit Plan.
- 9 **Appendix 3** sets out the audit of accounts risks set out in my 2023 Audit Plan and how they were addressed through the audit.
- 10 The Chief Executive and the Director of Finance have agreed the factual accuracy of this report. We presented it to the Audit and Assurance Committee on 13 February 2024. The Board will receive the report at a later Board meeting and every member will receive a copy. We strongly encourage DHCW to arrange its wider publication. We will make the report available to the public on the [Audit Wales website](#) after the Board have considered it.
- 11 I would like to thank DHCW's staff and members for their help and co-operation throughout my audit.

## Key messages

### Audit of accounts

- 12 I concluded that DHCW's accounts were properly prepared and materially accurate and issued an unqualified audit opinion on them. My work did not identify any material weaknesses in internal controls (as relevant to my audit).
- 13 I made one recommendation in the Audit of Accounts Report. I will review the actions taken by DHCW to implement this as part of my audit of the 2023-24 financial statements.
- 14 My review of the IT environment and application controls applied to the national financial systems hosted by DHCW and used by other NHS organisations in Wales

<sup>1</sup> INTOSAI (International Organisation of Supreme Audit Institutions) is a global umbrella organisation for the performance audit community. It is a non-governmental organisation with special consultative status with the Economic and Social Council (ECOSOC) of the United Nations.

assured me that financial values produced by the systems for 2022-23 were likely to be free from material misstatement, although some controls could be strengthened.

- 15 DHCW achieved financial balance for the year ending 31 March 2023, and all other material financial transactions were in accordance with authorities and used for the purposes intended, so I have issued an unqualified opinion on the regularity of the financial transactions within DHCW's 2022-23 accounts.
- 16 DHCW met its financial duty to break even against its Revenue and Capital Resource Limit for the year ending 31 March 2023.
- 17 I placed no substantive report alongside my opinion this year as there were no issues to report.

## **Arrangements for securing efficiency, effectiveness, and economy in the use of resources**

- 18 My programme of Performance Audit work has led me to draw the following conclusions:
  - the General Medical Services Digital Programme Board has reasonably effective governance arrangements in place, but opportunities exist to clarify its decision-making authority and position within DHCW's wider governance framework. The Programme Board maintains good oversight of risks, performance, and benefits realisations relating to GMS digital services. However, its role in maintaining financial oversight of GMS digital services appears to be limited.
  - from an all Wales perspective, despite an increasing NHS workforce, there remain vacancies in key areas, high sickness and staff turnover resulting in over-reliance on agency staffing. More positively, NHS Wales is becoming a more flexible and equal employer.
  - DHCW is improving its strategic approach to workforce planning and is taking steps to manage current workforce challenges, but there is scope to increase focus on the longer term and improve arrangements for monitoring and oversight to ensure that actions are having the desired impact.
  - DHCW's corporate governance, assurance, planning, and financial management arrangements are generally good, with some opportunities to strengthen them further. However, DHCW is facing significant resource, financial, and investment risks that will need to be carefully managed to ensure it achieves both immediate priorities and longer-term objectives while remaining financially sustainable.
- 19 These findings are considered further in the following sections.

# Detailed report

## Audit of accounts

- 20 Preparing annual accounts is an essential part of demonstrating the stewardship of public money. The accounts show the organisation’s financial performance and set out its net assets, net operating costs, gains and losses, and cash flows. My annual audit of those accounts provides an opinion on both their accuracy and the proper use (‘regularity’) of public monies.
- 21 My 2023 Audit Plan set out the key risks for audit of the accounts for 2022-23 and these are detailed along with how they were addressed in **Appendix 3 Exhibit 4**.
- 22 My responsibilities in auditing the accounts are described in my [Statement of Responsibilities](#) publications, which are available on the [Audit Wales website](#).

## Accuracy and preparation of the 2022-23 accounts

- 23 I concluded that DHCW’s accounts were properly prepared and materially accurate and issued an unqualified audit opinion on them. My work did not identify any material weaknesses in internal controls (as relevant to my audit) however I brought some issues to the attention of officers and the Audit and Assurance Committee for improvement.
- 24 The unaudited accounts were submitted by the required deadline. The working papers provided were comprehensive and of good quality, and officers generally responded to audit queries and requests for further information promptly, but delays were experienced in some instances.
- 25 I must report issues arising from my work to those charged with governance (the Audit and Assurance Committee) for consideration before I issue my audit opinion on the accounts. My Financial Audit Engagement Lead reported these issues on 18 July 2023. **Exhibit 1** summarises the key issues set out in that report.

### Exhibit 1: issues reported to the Audit Committee

Issue	Auditors’ comments
Uncorrected misstatements	<p>One immaterial misstatement was identified which was not corrected by management. The misstatement related to a small number of non-current assets which were held at a negative value in the accounts. The combined total of the assets was £112,000.</p> <p>We accepted Management’s view that the issue was essentially a timing difference and that there was little</p>

	benefit in amending the statement of accounts for relatively low values.
Corrected misstatements	There were initially misstatements in the accounts that were corrected by management.
Other significant issues	<p>Two other significant issues were included in my Audit of Accounts Report:</p> <ul style="list-style-type: none"> <li>• The draft staff report was not fully compliant with the Welsh Government Manual for Accounts, requiring additional auditor input and additional time to complete the audit work; and</li> <li>• Officer’s engagement with auditors throughout the audit process has been helpful and constructive but although not impacting upon the overall delivery of the accounts as per timetable, in certain instances responses could have been received in a timelier manner.</li> </ul> <p>We completed a post project learning meeting with officers in September 2023 to discuss the issues arising from the 2022-23 audit and are meeting again with officers in January 2024 to discuss more detailed arrangements for the audit of the 2023-24 financial statements.</p>

26 I also undertook a review of the Whole of Government Accounts return. I concluded that the counterparty consolidation information was consistent with DHCW’s financial position on 31 March 2023 and the return was prepared in accordance with the Treasury’s instructions.

## Regularity of financial transactions

- 27 DHCW’s financial transactions must be in accordance with authorities that govern them. DHCW must have the powers to receive income and incur expenditure. Our work reviews these powers and tests that there are no material elements of income or expenditure which DHCW does not have the powers to receive or incur.
- 28 Where DHCW does not achieve financial balance, its expenditure exceeds its powers to spend and so I must qualify my regularity opinion.
- 29 DHCW achieved financial balance for the year ending 31 March 2023, with an underspend of £204,000 against its Revenue Resource Limit and an underspend

of £88,000 against its Capital Resource Limit. All other material financial transactions were in accordance with authorities and used for the purposes intended, so I have issued an unqualified opinion on the regularity of the financial transactions within DHCW's 2022-23 accounts.

- 30 I have the power to place a substantive report on DHCW's accounts alongside my opinions where I want to highlight issues. As DHCW met both of its financial duties: to achieve financial balance and to have an approved one-year plan in place; and there were no other issues warranting report, I did not issue a substantive report on the accounts.

## Review of nationally hosted IT systems

- 31 DHCW hosts a number of national financial systems which are used by other NHS organisations in Wales. These IT systems include the:
- National Health Application and Infrastructure Services system, used for NHS patient demographics and the payments engine for calculating primary care General Medical Services contractor payments by NHS Wales Shared Services Partnership;
  - CareFlow Hospital Pharmacy system, provided by DHCW to NHS organisations and used for ordering, stock receipting and invoicing of Hospital dispensed pharmaceutical items and drugs for payment via Oracle Accounts Payable;
  - losses and Special Payments Register system, provided by DHCW to NHS organisations for the recording, payments processing and provisioning from Welsh Legal and Risk reports arising on claims for clinical negligence and personal injury from patients and staff; and
  - NHS national ICT infrastructure and Wales wide area network, the communication links between all NHS organisations in Wales, provided by DHCW.
- 32 My IM&T auditors reviewed the IT environment and application controls that are applied to these systems for the purposes of providing assurance for NHS financial audit opinions in 2022-23. My IM&T auditors also considered progress made by DHCW in addressing my 2021-22 audit recommendations as well as any outstanding recommendations made in previous years.
- 33 My IM&T auditors found that the IT controls we examined assured us that financial values produced by the systems for 2022-23 were likely to be free from material misstatement, although some controls could be strengthened. I have made a small number of IT recommendations in the 2022-23 work that should be addressed by DHCW in order to minimise the potential for future application and infrastructure system risks. My IM&T auditors also found that some good progress has been made in addressing prior year IT recommendations.

## Arrangements for securing efficiency, effectiveness, and economy in the use of resources

- 34 I have a statutory requirement to satisfy myself that DHCW has proper arrangements in place to secure efficiency, effectiveness, and economy in the use of resources. I have undertaken a range of performance audit work at DHCW over the last 12 months to help me discharge that responsibility. This work has involved:
- examining the effectiveness and efficiency of the General Medical Services Digital Programme Board's governance arrangements, as well as its approach to financial management.
  - publishing an NHS Workforce Data Briefing that brings together a range of metrics and trends to help illustrate the challenges that need to be gripped locally and nationally.
  - reviewing the effectiveness of DHCW's workforce planning arrangements.
  - undertaking a structured assessment of DHCW's corporate arrangements for ensuring that resources are used efficiently, effectively, and economically.
- 35 My conclusions based on this work are set out below.

## Review of the General Medical Services (GMS) Digital Programme Board<sup>2</sup>

- 36 My work considered the effectiveness and efficiency of the GMS Digital Programme Board's governance arrangements, as well as its approach to financial management. My work found that the Programme Board has reasonably effective governance arrangements in place, but opportunities exist to clarify its decision-making authority and position within DHCW's wider governance framework. The Programme Board maintains good oversight of risks, performance, and benefits realisation relating to GMS digital services. However, its role in maintaining financial oversight of GMS digital services appears to be limited.
- 37 The Programme Board has reasonably effective arrangements in place to conduct its business. Whilst the Programme Board's Terms of Reference clearly set out its role, responsibilities, membership, and operating arrangements, we found that they could be enhanced to:

<sup>2</sup> The GMS Digital Programme Board, established in 2005, is hosted by DHCW. It oversees strategic digital developments and services to GP Practices in Wales as part of the GMS contract.

- provide greater clarity on the Programme Board’s decision-making authority as well as its position within DHCW’s wider governance and accountability framework to support effective flows of assurance;
  - reference the Standing Orders and Standing Financial Instructions of DHCW, as the host body; and
  - outline the arrangements for declaring and recording conflicts of interest at the start of each meeting.
- 38 The Programme Board has a stable membership, with appropriate senior leadership representation from a wide range of organisations including DHCW, Welsh Government, Health Boards, and individual General Practices. Attendance at meetings is good. Meetings run to time, are of sufficient length, and are conducted appropriately. The Programme Board also has effective arrangements in place to communicate and engage with its various stakeholders. Whilst the Programme Board has an agreed work programme in place, it is not set out in a way that clearly shows how business will be prioritised and managed over the course of the year. The Programme Board’s sub-group structure appears to be operating effectively. However, the absence of a Finance Group is limiting the Programme Board’s ability to oversee, scrutinise, and challenge the financial performance of GMS digital services effectively.
- 39 The Programme Board generally receives high quality, detailed, and informative papers to enable decision-making, scrutiny, and assurance. However, opportunities exist to strengthen financial reporting to the Programme Board. The Programme Board maintains appropriate oversight of risks, performance, and benefits realisation. There are reasonably effective flows of assurance from the sub-groups to the Programme Board; however, there is scope to strengthen the assurances provided to DHCW, as the host body. The Programme Board has effective and robust systems in place to ensure scrutiny of commissioned and procured suppliers and products. However, its role in maintaining ongoing oversight of project budgets, internal controls, and financial performance is limited. This will need to be addressed as it did not operate within its budget for 2022-23, and is predicting future deficits due to inflationary cost pressures.

## NHS workforce data briefing

- 40 In September 2023, I published a [data briefing](#) which set out key workforce data for NHS Wales. My briefing highlighted continued growth of NHS Wales, and reflected that in some instances, the growth in staff levels, particularly in nursing and some medical specialties hasn’t kept up with increasing demand.
- 41 The pandemic clearly had an impact on staff and the workforce remains under significant pressure. The recent key trends show increased staff turnover, sickness absence and vacancies. This has resulted in greater reliance on external agency staffing and notably increased agency costs to £325 million in 2022-23. Wales is growing its own workforce, with increased nurses and doctors in training.

- 42 Despite this, there is still a heavy reliance on medical staff from outside of Wales, demonstrating a need to both ensure that education commissioning is aligned to demand, but also that health bodies are able to recruit sufficient graduates, once they have completed their training. My report also highlights some positive trends that show that the NHS is becoming a more flexible and equal employer.

## Workforce planning arrangements

- 43 My review examined whether DHCW has effective arrangements to support workforce planning. It focussed on the strategic and operational workforce planning, how it uses workforce information and how it works with its stakeholders to develop solutions. The work also considered the organisation's capacity and capability to identify and address key short and long-term workforce challenges and how it monitors whether its approach is making a difference.
- 44 My work found that DHCW is improving its strategic approach to workforce planning and is taking steps to manage current workforce challenges, but there is scope to increase focus on the longer term and improve arrangements for monitoring and oversight to ensure that actions are having the desired impact.
- 45 At the time of my work, the key workforce challenge at DHCW related to filling current and future vacancies for digital professionals, in a highly competitive commercial market. DHCW has indicated that demand for digital professionals is expected to continue to grow significantly over the next decade. Since its establishment, DHCW's workforce has grown by around 25% to just under 1,100 full-time equivalent staff in March 2023. Although it has kept agency costs to a minimum to date, these may increase if the organisation's establishment continues to grow at a level that it has in the past. Compared to other NHS bodies, the organisation has relatively low turnover and vacancy rates.
- 46 DHCW is improving its strategic approach to workforce planning, but it needs an implementation plan to guide delivery and a greater focus on addressing future risks. The People and Organisational Development Strategy, focuses on the short- to medium-term, and whilst DHCW is taking steps to improve strategic workforce planning it needs a greater focus on longer-term workforce risks. At present though, DHCW does not yet have an implementation plan to deliver the strategy. It is taking positive steps to better understand its current and future workforce demands and is improving workforce intelligence through the development of directorate level workforce plans. There is a commitment to engaging with internal and external stakeholders to help address current and future workforce challenges.
- 47 DHCW is effectively managing its workforce challenges and current risks, but it will need to keep its resources to support workforce planning under review. In the short term, it has a reasonable level of resources to support workforce planning, but it will need to keep this under review as the organisation continues to grow and change. The organisation understands and actively manages its workforce risks with mitigating actions that are helping to reduce the level of workforce risk. Developing directorate level workforce plans and improving workforce data has the

potential to highlight new workforce risks. This will need to be kept under review as directorate plans evolve. DHCW is actively and appropriately managing its current workforce challenges through a range of recruitment, retention, and workforce development activities.

- 48 Whilst DHCW's Board maintains reasonable oversight of workforce matters, there needs to be stronger focus on the extent to which actions taken are having an impact. The Board has reasonable oversight of the People and Organisational Development Strategy, receiving a year-one update in September 2023. It also has oversight over a limited number of workforce performance metrics through its Integrated Organisational Performance Report and workforce performance information. However, there are opportunities to improve workforce metrics, People and Organisational Development Strategy update reports, and have a greater focus on impact.

## Structured assessment

- 49 My 2023 structured assessment work took place at a time when NHS bodies were continuing to deal with the legacy of the COVID-19 pandemic in terms of recovering and transforming services and responding to the additional demand in the system that built up during the pandemic. Furthermore, they were also dealing with a broader set of challenges associated with the cost-of-living crisis, the climate emergency, inflationary pressures on public finances, workforce shortages, and an ageing estate.
- 50 My team focussed on DHCW's corporate arrangements for ensuring that resources are used efficiently, effectively, and economically, with a specific focus on: Board transparency, effectiveness, and cohesion; corporate systems of assurance; corporate approach to planning; and corporate approach to managing financial resources. Auditors also paid attention to progress made to address previous recommendations.

## Board transparency, effectiveness, and cohesion

- 51 My work considered whether DHCW's Board conducts its business appropriately, effectively, and transparently. I paid particular attention to:
- public transparency of Board business;
  - arrangements to support the conduct of Board business;
  - Board and committee structure, business, meetings, and flows of assurance;
  - Board commitment to hearing from staff, users, other stakeholders; and
  - Board skills, experiences, cohesiveness, and commitment to improvement.
- 52 My work found that DHCW has a stable and cohesive Board that conducts its business appropriately, effectively, and transparently. However, opportunities remain to enhance some arrangements further.

- 53 DHCW's Board and committees operate appropriately, effectively, and transparently. The committee structure is well embedded with well managed meetings, good arrangements to support flows of assurance, and good quality and timely information. There is good scrutiny, challenge, and discussion in Board and committee meetings on the key risks, challenges, and opportunities facing the organisation.
- 54 DHCW's Board is stable, cohesive, and demonstrates a commitment to continuous improvement. The Board is committed to strengthening its arrangements for engaging with DHCW staff, but opportunities remain for it to engage directly with citizens, and clinical service-users in other health bodies.
- 55 DHCW has recently taken responsibility for overseeing delivery of Welsh Government funded digital programmes and is taking positive steps to establish a new committee to maintain oversight of programme delivery as part of its corporate governance arrangements. However, the longer-term chairing arrangements of the new committee will need to be kept under review.

## **Corporate systems of assurance**

- 56 My work considered whether DHCW has a sound corporate approach to managing risks, performance, and the quality and safety of services. I paid particular attention to the organisation's arrangements for:
- overseeing strategic and corporate risks;
  - overseeing organisational performance;
  - overseeing the quality and safety of services; and
  - tracking recommendations.
- 57 My work found that DHCW's systems of assurance are robust and operating effectively, but opportunities exist to enhance some of these arrangements further.
- 58 DHCW is managing its strategic and corporate risks effectively and developing a greater understanding of its risk appetite. It maintains a high-quality Board Assurance Framework (BAF) which is fully owned and actively used by the Board. Whilst committees undertake regular deep dives on principal risks, there is scope to make greater use of the BAF to shape Board and committee business.
- 59 There are reasonably effective performance management arrangements in place. However, there is scope to improve the content of reports to more clearly articulate actions required to improve underperformance. DHCW has effective quality assurance arrangements and is making good progress in implementing the new duties of quality and candour. It also has effective arrangements in place for monitoring the implementation of internal and external audit recommendations.

## **Corporate approach to planning**

- 60 My work considered whether DHCW has a sound corporate approach to planning. I paid particular attention to the organisation's arrangements for:

- Producing and overseeing the development of strategies and corporate plans, including the Integrated Medium-Term Plan; and
  - Overseeing the delivery of corporate strategies and plans.
- 61 My work found that DHCW's planning arrangements continue to mature, but opportunities remain to develop detailed supporting delivery plans for some corporate plans and strategies to support effective monitoring and oversight. It is facing significant resource and investment risks which may impact on the delivery of its key strategic and transformational priorities.
- 62 DHCW's approach for developing strategic and corporate plans is generally effective, with good Board-level oversight and involvement. The Integrated Medium-Term Plan (IMTP) for 2023-26 is shorter and more concise as compared to previous versions. It clearly articulates DHCW's priorities, timescales, outcomes, and risks. However, a significant number of priorities in the IMTP have not been resourced, and DHCW often commits to work outside its agreed IMTP which places a further strain on organisational resources. This creates deliverability risks and highlights a need to better engage with partners during the IMTP development process to better understand requirements and the resources to deliver them.
- 63 DHCW is making good progress in developing its long-term strategy and is beginning work on introducing a new product-focussed operating model to support the delivery of its strategic objectives and IMTP priorities. Whilst this new approach should bring several benefits, there are some significant risks associated with its implementation that will need to be managed carefully. DHCW is currently undertaking work to demonstrate its value to the wider NHS in Wales. However, progress has been slow to date, and this work still does not guarantee receipt of additional investment from Welsh Government. It will, therefore, need to plan for this scenario should the risk of not securing additional resources materialise.
- 64 DHCW has reasonably effective arrangements for overseeing and scrutinising IMTP delivery. We also found improvement in the quality of underpinning business / delivery plans for some wider corporate strategies and plans. However, this level of information is not available for all corporate strategies and plans, therefore inhibiting effective progress monitoring. There is also scope to provide clearer strategy and plan progress updates to help the Board understand if they are achieving the intended impact

## **Corporate approach to managing financial resources**

- 65 My work considered whether DHCW has a sound corporate approach to managing its financial resources. I paid particular attention to the organisation's arrangements for:
- Achieving its financial objectives;
  - Overseeing financial planning;
  - Overseeing financial management; and
  - Overseeing financial performance.

- 66 My work found that DHCW continues to have a generally effective approach to financial planning, monitoring, and reporting. However, increasing financial challenges and an over reliance on non-recurrent savings could impact on its future financial sustainability.
- 67 DHCW achieved financial balance for 2022-23 and is forecasting a break-even position for 2023-24. However, there is uncertainty around the financial position in future financial years. Whilst it has good financial planning and financial management arrangements, it is facing increasing financial risks and continues to place an over-reliance on non-recurrent (vacancy) savings. These matters will require more organisational focus and rigour to reduce the impact on its future financial sustainability. Scrutiny and oversight of financial performance is appropriate, but Board may need to strengthen its arrangements should the financial challenges increase.

# Appendix 1

## Reports issued since my last annual audit report

### Exhibit 2: reports issued since my last annual audit report

The following table lists the reports issued to DHCW in 2023.

Report	Date
<b>Financial audit reports</b>	
Audit of Financial Statements Report	July 2023
Opinion on the Financial Statements	July 2023
<b>Performance audit reports</b>	
Review of the General Medical Services (GMS) Digital Programme Board	September 2023
NHS Workforce Data Briefing	September 2023
Structured Assessment 2023	December 2023
Review of Workforce Planning Arrangements	January 2024
<b>Other</b>	
2023 Detailed Audit Plan	May 2023

My wider programme of national value for money studies in 2023 included reviews that focused on the NHS and pan-public-sector topics. These studies are typically funded

through the Welsh Consolidated Fund and are presented to the Public Accounts Committee to support its scrutiny of public expenditure. Reports are available on the [Audit Wales website](#).

### Exhibit 3: performance audit work still underway

There are several performance audits that are still underway at DHCW. These are shown in the following table, with the estimated dates for completion of the work.

Report	Estimated completion date
Review of Financial Efficiencies	April 2024
Review of stakeholder engagement arrangements	April 2024

# Appendix 2

## Audit fee

The 2023 Audit Plan set out the proposed audit fee of £188,852 (excluding VAT). My latest estimate of the actual fee, on the basis that some work remains in progress, is in keeping with the fee set out in the outline.

# Appendix 3

## Audit of accounts risks

### Exhibit 4: audit of accounts risks

My 2023 Audit Plan set out the risks of material misstatement and/or irregularity for the audit of DHCW's 2022-23 accounts. The table below lists these risks and sets out how they were addressed as part of the audit.

Audit risk	Proposed audit response	Work done and outcome
<p>There is a presumed risk of fraud from revenue recognition which is viewed as a significant risk [ISA 240]. This risk has been rebutted as there is little opportunity to manipulate revenue recognition as most income is received from Welsh Government and Local Health Boards.</p> <p>As most public-sector bodies are net spending bodies there is an increased risk that expenditure maybe misstated due to improper recognition of expenditure [Practice Note 10]. The requirement for operating expenses not to exceed the Resource Limit gives rise to the risk that year end expenditure and creditor transactions could be materially misstated in an attempt to keep within this level.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>test the appropriateness of accruals made at the year-end; and</li> <li>perform focussed cut-off testing on post year end payments to ensure expenditure is appropriately accrued.</li> </ul>	<p>My team identified that £131,000 of services received in 2023-24 had been incorrectly recognised as expenditure in the 2022-23 financial statements. Management corrected this misstatement.</p>
<p>The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.32-33].</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>test the appropriateness of journal entries and other adjustments made in preparing the financial statements;</li> </ul>	<p>On a sample basis my team tested both journal entries and accounting estimates and found no evidence of the management override of controls.</p>

Audit risk	Proposed audit response	Work done and outcome
	<ul style="list-style-type: none"> <li>• review accounting estimates for bias;</li> <li>• evaluate the rationale for any significant transactions outside the normal course of business; and</li> <li>• add additional procedures to address any specific risks of management override which are not addressed by the mandatory work above.</li> </ul>	My team were satisfied that the accounts were free from material error
<p>A new accounting standard, IFRS16 Leases, has been adopted by the FReM for 2022-23.</p> <p>IFRS16 will significantly change how most leased assets are accounted for as leased assets will need to be recognised as assets and liabilities in the Statement of Financial Position.</p> <p>There are also significant additional disclosure requirements specific to leased assets that will need to be reflected in the financial statements.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• consider the completeness of the lease portfolios identified by DHCW needing to be included in IFRS16 calculations;</li> <li>• review a sample of calculated asset and liability values and ensure that these have been accounted for and disclosed in accordance with the Manual for Accounts; and</li> <li>• ensure that all material disclosures have been made.</li> </ul>	The work was carried out as proposed. My team did not identify any issues.
<p>Laboratory Information Network Cymru (LINC) and Radiology Informatics System Procurement (RISP) digital programmes were transferred to Digital Health and Care Wales from Public Health Wales NHS Trust on 1 January 2023.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• test the completeness, classification and accuracy of balances transferred from Public Health Wales NHS Trust; and</li> <li>• complete verification procedures to ensure assets transferred still exist at year</li> </ul>	The work was carried out as proposed. My team did not identify any issues.

Audit risk	Proposed audit response	Work done and outcome
	end or have been disposed of during the year.	
<p>Special Health Authorities have a financial duty to ensure their expenditure does not exceed the aggregate of funding allotted to them for a financial year.</p> <p>Although a surplus is reported against both revenue and capital resource allocation, the existence of this duty increases the risk that management judgements and estimates included in the financial statements could be biased to help achieve this financial duty.</p>	<p>We will focus our testing on areas of the financial statements which could contain reporting bias.</p>	<p>My team undertook a range of audit work to provide assurance over the risk of bias to ensure that the actual year end position was true and fair.</p> <p>This included:</p> <ul style="list-style-type: none"> <li>• detailed sample testing of transactions either side of the year-end to ensure that they were recorded in the correct accounting period. This was focussed on the areas of greatest risk.</li> <li>• ensuring that accounting estimates were prepared on a reasonable basis and were supported by appropriate accounting judgements.</li> </ul> <p>My team were satisfied that the accounts were free from material error.</p>
<p>There are material provisions and contingent liabilities included in the draft financial statements. By their nature, provisions and contingencies are subject to management judgements and estimation.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• Review provisions and contingencies included against the requirements of International Accounting Standard (IAS) 37; and</li> <li>• Review key documents, minutes of Board and Committee meetings, relevant professional advice</li> </ul>	<p>The work was carried out as proposed. My team did not identify any issues.</p>

Audit risk	Proposed audit response	Work done and outcome
	obtained and discuss with officers to identify any potential omitted provisions or contingencies.	





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