Archwilio Cymru
Audit Wales

Remit letter delivery

Digital Health and Care Wales

September 2026

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Audit snapshot

What we looked at

1 We looked at how Digital Health and Care Wales (DHCW) is working to deliver its remit letters 2025–26 and 2026-27.

2 This includes assessing:

- how it plans and prioritises its remit letter actions;
- its financial risk and governance arrangements supporting remit letter delivery; and
- the progress it has made in meeting the requirements set out in the remit letters.

Why this is important

3 There is increasing focus on DHCW's delivery. In March 2025, the Welsh Government issued a remit letter setting out its funding and priorities for 2025–26. In March 2025, DHCW was escalated to Level 3 (Enhanced Monitoring)[1] due to concerns about delivery of major digital programmes.

4 The Welsh Government issued its second remit letter in March 2026. It again set out the financial allocation but noted that the Digital Priorities Investment Funding was under review and not yet agreed. In April 2026, the Welsh Government escalated DHCW to Level 4 – Targeted Intervention. This related to concerns around delivery, accountability and leadership.

[1] NHS Wales escalation and intervention arrangements | GOV.WALES

What we have found

5 We found that DHCW has taken a logical approach to planning by combining the Welsh Government's requirements with its own plan. However, the late availability of the remit letters makes planning harder and leaves less time to deliver. DHCW had a clear funding plan for 2025-26 supported by its core allocation and additional Digital Priorities Investment Funding. This helped it achieve financial balance at the year end.

6 The outlook for 2026–27 is more uncertain. The Digital Priorities Investment Fund approach is under review and not agreed. This is a challenge when the organisation has already committed large amounts of resources to major programmes. A recruitment freeze, the need to make savings, and potential loss of experience increase the risk that some of its plans may not be delivered.

7 DHCW's reporting does not clearly or sufficiently show how well it is meeting the Welsh Government's remit letter requirements. Integrating the remit letter deliverables into its plans helps delivery but also makes progress harder to track. As a result, we could not form a view on the extent of progress of the 2025-26 remit letter deliverables in isolation. Broader analysis of the totality of plan delivery indicates that a large amount of work, around 30%, was delivered in Month 12. This raises concerns about the delivery timetable creating pressures towards the end of the financial year.

What we recommend

8 We have made three recommendations to DHCW focussing on:

- Working with the Welsh Government to get an earlier understanding of next year's remit letter requirements.
- Regular reporting to the Board on the financial risk to delivery of remit letter priorities.
- Ensuring there is a process for reporting distinctly against remit letter priorities.

Key facts and figures

The 2025–26 remit letter included 94 deliverables and 71 milestones. These sat alongside 345 original IMTP milestones.

The 2025–26 remit letter set out a core funding allocation for DHCW. This included nearly £71 million in revenue, around £20 million for primary care IM&T and £3 million in discretionary capital. It also provided around £20 million in revenue and £9 million in capital funding for national priority programmes.

The 2026-27 remit letter set out 20 key priorities, supported by a range of outcome measures.

The 2026–27 remit letter set out a baseline core funding allocation for DHCW. This included nearly £78 million in revenue, over £22 million for primary care IM&T, around £8 million in non-fiscal resource funding and £0.2 million for primary care development. Unlike 2025–26, the remit letter did not include confirmed funding for discretionary capital or national priority programmes.

Digital Priorities Investment Funding for 2026-27 was not agreed at the time of our review.

Our findings

Planning and prioritisation

DHCW is taking a logical planning approach, but it needs to work with the Welsh Government to start this process earlier

9 Late availability of remit letter requirements has made it harder for DHCW to effectively plan and compressed the time it has available to deliver them. DHCW took a logical approach that integrated remit letter requirements into its wider plans. For both the 2025-26 and 2026-27 remit letters, late publication and the lack of strong engagement between Welsh Government and DHCW made it harder for DHCW to fully incorporate them into the Integrated Medium-Term Plan (IMTP).

10 In both years, the draft IMTP was prepared for approval at the March Board meeting. In 2025–26, it then took around another three months to align the IMTP with the remit letter requirements. In part, this was due to the large number of different deliverables in both the IMTP and the remit letter. The 2025-26 remit letter included 94 deliverables and 71 milestones. These sat alongside 345 original IMTP milestones. DHCW's 2025–28 IMTP states that it prioritised remit letter requirements over existing plans. This may have resulted in some planned work to be stopped or delayed. In addition, further Welsh Government priorities were introduced through the Escalation Improvement Plan.

11 DHCW managed these changes through its standard change control process and were approved by the Board. The timescale and process limited the potential for any broader stakeholder engagement on the remit letter requirements during this time. The Board was well informed on the progress of aligning plan and remit letter requirements. A further update in July 2025 reported that 86% of remit letter and IMTP milestones were aligned and integrated into plans. No further update on the outstanding reconciliation was provided to the Board.

12 The change control process included an assessment of the impact of the remit letter. This included the resources and workforce required to deliver it. However, there is no clear evidence of any major or specific reallocation of resources to meet the remit letter requirements.

13 This year’s 2026–27 remit letter set out a smaller and less detailed set of priorities and deliverables. As a result, the reconciliation process took less time. It mainly involved a single meeting between the Welsh Government and DHCW officers and identified only eight areas that required action, including planned care and the vaccine programme. However, there were still some uncertainties. These include questions around the Digital Priorities Investment Fund, and the impact of a recruitment freeze which we discuss later in this report.

14 The integration process described above embeds remit letter requirements within wider IMTP priorities. The approach ensures that DHCW has a single agreed plan for the year, rather than competing priorities. Whilst this is helpful to support delivery, it does make it difficult to track which specific requirements are being delivered. We did not find clear reporting of remit letter delivery either during or at the year-end. We discuss this later in the report.

Financial risk and mitigation

Financial uncertainties in 2026–27 could significantly undermine remit letter delivery

15 DHCW received its 2025–26 funding letter late in the planning process, but this did not lead to major financial risks. The letter confirmed baseline core funding of £78.944 million and £3.250 million for investment. It also included extra funding for national priorities through the Digital Priorities Investment Fund.

16 Because much of this funding and the main programmes were continuing from previous years, DHCW had a good level of certainty and confidence in delivery. DHCW did need to update its plans and adjust how it used its resources to match the final funding letter. But overall, the approach and certainty of funding enabled DHCW to focus on delivering its plan.

17 DHCW has a clear approach for managing and reporting its financial risks. Its February Board Corporate Risk Register report noted that DHCW had absorbed some in-year costs. These included costs linked to ministerial priorities and health board spend on the NHS App. Despite this, DHCW stayed within its budget for 2025–26 and reported a small underspend of £0.241 million[2].

18 There are significant uncertainties about how the 2026–27 remit letter priorities will be resourced. While there has been a smoother approach for overall integration of this year's remit letter requirements into plans, the financial risks to delivery are far greater. Although core funding of £77.710 million is set out in the letter, there is still no certainty of wider programme funding **(Exhibit 1).** This issue stems from the review being undertaken of the Digital Priorities Investment which means there is currently no guarantee of this funding.

[2] The year-end position is taken from unaudited financial reporting (monthly monitoring returns) to the Welsh Government.

Exhibit 1: 2025-26 and 2026-27 financial allocation in the remit letter, £ Million

Allocation	2025-26 (£ million)	2026-27 (£ million)
Core funding allocation Revenue	£70.9	£77.7
Non-Fiscal Resource	£8.1	£8.1
Primary Care IM&T	£19.7	£22.4
Primary Care Development	Not included	£0.2
Discretionary Capital	£3.3	Not included
National Priorities Revenue (DPIF)	£20.2	Not included
National Priorities Capital (DPIF)	£9.0	Not included

Source: DHCW

19 In March 2026, DHCW informed the Welsh Government it has committed pay and non-pay expenditure to major digital programmes for 2026-27. DHCW's 2026-27 financial plan figures submitted to Welsh Government include £32.9 million in revenue and £13.1 million for digital investment. This creates risks for other digital priorities. Where funding is not confirmed, DHCW has included the work in its plans as unfunded deliverables. This includes national programmes such as the NHS Wales App, the National Data Resource, Connecting Care, and the Welsh Community Care Information System. This helps to show clearly where the risks and assumptions sit.

20 DHCW has committed to make savings to stay within its budget. One requirement for 2026–27 is to pause most recruitment. DHCW can still recruit for critical roles, but it must first look at options such as moving existing staff into new roles.

21 The longer the recruitment freeze lasts, the greater the risks are likely to become. Uncertainty about future funding may also increase risks over time. This could lead to overspending, scaling back plans, or losing skilled staff because of financial uncertainty. DHCW has completed a baseline review of its departments to look at delivery, risks, workforce and priorities. This work will feed into a full financial review by the end of June 2026. After that, the Welsh Government will decide whether the recruitment freeze should continue.

22 The Board is well-sighted on the main financial risks for 2026–27. These include risks to the funding and delivery of some national programmes, the sustainability of DHCW's funding model, reliance on short-term funding, and workforce risks. It has also highlighted risks linked to delayed or undelivered 2025–26 deliverables which may carry over into 2026-27.

23 We understand that decisions about funding during the year will follow normal approval and control processes. However, the financial position is changing quickly, so DHCW needs to keep the Board updated on risks, backup plans, and actions to manage them. It may require the Board to agree a smaller set of key delivery priorities. It is especially important that risks are escalated quickly from the Portfolio Delivery Committee, as they could affect delivery of key programmes.

Assessment of delivery

DHCW's reporting approach makes it difficult to clearly see the extent of remit letter delivery

24 DHCW reports progress against plans, deliverables, and any areas of non-delivery to the Board through several routes. These include the regular Performance Report, IMTP and major programme reporting, and updates on the Escalation Plan. The Portfolio Delivery Committee oversees all major programmes and tracks progress against key milestones. However, the wide range of reports makes it more difficult to achieve clear and consistent picture of performance.

25 The approach of aligning remit letter and IMTP deliverables was practical and pragmatic. This is positive as it creates a combined rather than competing programme to deliver. However, it means that the current reporting approach does not clearly separate IMTP deliverables from remit letter requirements. As a result, it is not always clear how well DHCW is meeting the Welsh Government's requirements. Reporting is also not clear enough for us to provide a firm assessment on specific 2025-26 remit letter delivery.

26 DHCW's integrated performance report to the March 2026 Board indicated that as of February DHCW had delivered 65% of all IMTP milestones. An updated performance report to the May 2026 Board noted that 94% of IMTP milestones had been delivered. Whilst this is a strong outcome, it does suggest DHCW had left itself with significant progress left to achieve with only one month remaining in the financial year.

27 While stretching plans help demonstrate ambition, they can also create internal pressure areas, potential risk, and affect organisational credibility. These risks maybe further compounded by the financial uncertainties for 2026-27.

28 DHCW has remained at Escalation Level 3 for major programmes since March 2025 and has now moved to Level 4. This is likely to bring increasing scrutiny on delivery. It makes it more important to clearly demonstrate that the Welsh Government remit letter requirements are being delivered. It will require DHCW to set a stretching but realistic ambition and a more transparent reporting approach to be able at the end of the year to demonstrate remit letter delivery.

29 This would enable DHCW to better assure itself on progress against the remit letter and identify any risks and changes to key priorities. This would also help highlight any gaps, including areas of potential or actual non-delivery. In addition, it would support more transparent reporting of these issues, along with agreed actions and mitigation plans.

Recommendations

30 The following table details the recommendations arising from our work.

R1	DHCW should work with the Welsh Government earlier so that it can prepare an Integrated Medium Term Plan incorporating remit letter requirements by the beginning of the next financial year. **(Paragraph 9)**
R2	DHCW should ensure it provides regular reports to the Board on the level of financial risk to the delivery of remit letter priorities and the 2026–29 IMTP. These reports should also clearly set out the planned mitigation action. **(Paragraph 23)**
R3	DHCW should ensure there is a single, clear, and transparent process for reporting progress specifically against remit letter priorities including any re-prioritisation or re-allocation of resources. **(Paragraphs 12 and 28)**

Appendices

1 About our work

Scope of the audit

The aim of this audit is to assess how well DHCW is responding to the strategic and operational demands set out in its 2025–26 and 2026–27 remit letters. This includes reviewing how effectively DHCW has integrated these requirements into its existing plans, such as the 2025–28 and 2026–29 IMTP.

It also considers the strength of governance and oversight arrangements for supporting delivery, and the progress made in delivering the remit letter requirements.

Audit questions and criteria

Questions

Our audit addressed the following questions:

- Has DHCW integrated the remit letter's deliverables and milestones into its existing planning framework, including the IMTP and Annual Plan?
- Does DHCW demonstrate good oversight of remit letter delivery?
- Are DHCW's revised plans supporting delivery of remit letter requirements?

Our audit questions were shaped by:

- Our 2025 structured assessment review of DHCW.
- Discussion with DHCW Board members.
- Review of DHCW's 2025-26 and 2026-27 remit letters.
- External reference input from the Welsh Government.

Criteria

The audit used the following audit criteria (what we might expect to see):

- DHCW has effectively integrated remit letter requirements into existing plans and appropriately prioritised resources to support delivery.
- DHCW has introduced and demonstrates effective finance, governance and assurance arrangements that improves likelihood of effective remit requirement delivery.
- DHCW is demonstrating that its actions have helped to achieve many key deliverables part way into the year, which is improving the likelihood that remit requirements will be met by the end of the year.

Methods

We reviewed a range of documents, including:

- Board and committee papers and minutes.
- Key governance documents, including the remit letters for 2025-25 and 2026-27, the DHCW response to the 2026-27 remit letter, and the DHCW 2025 Annual Report.
- Key strategies and plans, including the IMTPs for 2025-28 and 2026-29.
- Key risk management documents, including the Board Assurance Framework and Corporate Risk Register.
- Notes of 2026-27 remit letter/IMTP alignment discussions between the Welsh Government and DHCW officers.
- Monthly Monitoring Returns

We interviewed the following key stakeholders:

- Interim Chair.
- Interim Vice Chair.
- Chief Executive Officer.
- Executive Director of Digital Strategy.
- Executive Medical Director.
- Director of Corporate Affairs/Board Secretary.

We observed Board meetings as well as meetings of the Portfolio Delivery Committee.

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Audit Wales

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: info@audit.wales

Website: www.audit.wales

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