

# Structured Assessment 2021 (Phase Two) – Corporate Governance and Financial Management Arrangements: Health Education and Improvement Wales

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# Summary report

## About this report

- 1 This report sets out the findings from phase two of the Auditor General's 2021 structured assessment work at Health Education and Improvement Wales (HEIW). Our structured assessment work is designed to help discharge the Auditor General's statutory requirement to be satisfied that NHS bodies have made proper arrangements to secure economy, efficiency, and effectiveness in their use of resources under section 61 of the Public Audit (Wales) Act 2004. Our [2021 structured assessment phase one report](#) considered HEIW's operational planning arrangements and how these are helping to lay the foundations for effective recovery.
- 2 The COVID-19 pandemic required NHS bodies to quickly adapt their corporate governance and decision-making arrangements to ensure timely action was taken to respond to the surge in emergency COVID-19 demand and to ensure the safety of staff and patients. Our [2020 structured assessment report](#) considered HEIW's revised governance arrangements and was published in October 2020.
- 3 NHS bodies have continued to respond to the ongoing challenges presented by COVID-19, whilst also starting to take forward plans for resetting and recovering services affected by the pandemic. Our 2021 structured assessment work, therefore, was designed in the context of the ongoing response to the pandemic thus ensuring a suitably pragmatic approach to help the Auditor General discharge his statutory responsibilities whilst minimising the impact on NHS bodies as they continued to respond to COVID-19.
- 4 Phase two of our 2021 structured assessment has considered how corporate governance and financial management arrangements have adapted over the last 12 months. The key focus of the work has been on the corporate arrangements for ensuring that resources are used efficiently, effectively, and economically. We have also considered how business deferred in 2020 has been reinstated and how learning from the pandemic is shaping future arrangements for ensuring good governance and delivering value for money. We have also sought to gain an overview of the Board's scrutiny of the development and delivery of HEIW's 2021-22 Annual Plan.
- 5 We have provided updates on progress against any areas for improvement and recommendations identified in previous structured assessment reports.

## Key messages

- 6 Overall, we found that **HEIW is well governed with clear, effective arrangements to manage its finances.**
- 7 HEIW continues to have good arrangements to conduct Board and committee business effectively and is proactively managing current and future independent member vacancies. HEIW has good systems of assurance. Arrangements to

manage risk and audit recommendations are strong. And the organisation is taking steps to improve its quality management processes relating to training and education. The 2021-22 Annual Plan received appropriate Board approvals and reflected Welsh Government feedback, and the organisation continues to balance supporting NHS-wide recovery whilst delivering education and training.

- 8 HEIW manages its financial resources well and has good arrangements to monitor and report its financial activity. The organisation met its financial duties at the end of 2020-21 and has a clear financial plan for 2021-22. HEIW continues to have strong and transparent systems of financial control to monitor financial activity and prevent and respond to fraud. Financial monitoring and reporting are clear and timely, but there is opportunity to analyse and report on cost benefits, outcomes, and impact of spend.

## Governance arrangements

- 9 Our structured assessment work considered HEIW's governance arrangements while continuing to respond to the challenges presented by the pandemic.
- 10 We found that **HEIW continues to have effective Board and committee arrangements and good systems of assurance and is improving its training and education quality management arrangements.**

## Conducting business effectively

- 11 We found that **HEIW has effective Board and committee arrangements and is proactively managing current and future independent member vacancies.**
- 12 The COVID-19 pandemic continues to place restrictions on public meetings, but as reported in our 2020 Structured Assessment, HEIW has maintained public access to Board business. Board and committee meetings continue to be held virtually, with Board meetings live streamed. Positively, in July 2021, HEIW also started to live stream Board committee meetings. Members of the public can join the live webcast or recordings are available on HEIW's YouTube channel after the meeting. HEIW reported that virtual working has increased levels of public engagement, for example 70 people registered to dial into this year's Annual General Meeting, and all attendees were encouraged to ask questions.
- 13 Our observations of Board and committee meetings found that meetings are well managed by chairs who are now more experienced at chairing virtual meetings. Members and attendees are now familiar with virtual meeting etiquette which ensures meetings run smoothly. Meeting agendas are appropriate, balanced and allow good time for discussion. HEIW has an experienced Board, and all members continue to engage and fully participate in meetings. There is a healthy relationship between executive and independent members, with the latter providing healthy challenge, whilst also offering encouragement. Meetings are well supported by the corporate governance team, two IT officers and a Welsh language officer. HEIW's register of interest for the Board is up to date and published on its website.
- 14 HEIW continues to have clear standards for managing Board and committee papers, such as publishing papers in advance of meetings and preparing minutes soon after meetings take place. These standards are complied with most of the time. Meeting papers are circulated seven days in advance, which independent members generally felt left enough time to review the papers. However, some independent members felt the papers could be more concise, this is something HEIW is working to improve. Last year, HEIW started to publish short meeting summaries and unconfirmed minutes within 14 days of the meeting. Overall, these arrangements have continued, however, since Board meetings are live streamed and recordings made available, the Board meeting summaries are no longer necessary, so HEIW has stopped producing them. HEIW continues to produce high quality meeting papers, with good coverage of strategic, governance,

performance, and assurance matters. To improve standards further, in March 2021 the Board secretary ran a corporate governance training course for the Senior Leadership Team and delivered a session on writing papers for the Board and committees.

- 15 The Board remains committed to learning and improvement. The Board and its committees continue to conduct effectiveness reviews, this year most took place in quarter four. Each Board and committee member completed an individual effectiveness survey, and the results informed improvement plans. Generally, independent members felt their learning and development are well supported. For example, they have an annual appraisal, bi-monthly Board development sessions, which they have a say in shaping, ad-hoc training such as recent training on whistleblowing procedures, and can request training. But some members felt that the programme of regular training needs further development to also include personal development in areas where individual independent members are required to provide specialist expertise.
- 16 HEIW has a relatively stable independent member cohort, however, it has been holding a vacancy since March 2021. Recruitment was delayed because of the Senedd elections but has now restarted. In the interim, duties have been spilt amongst existing members. HEIW will recruit two independent members as the Vice Chair will retire at the end of January 2022. From next year, HEIW will need to replace one independent member per year as individuals' terms come to an end. HEIW should ensure it is well prepared by ensuring it has a comprehensive induction and training programme in place for independent members.
- 17 HEIW has a full complement executive team, having made three executive level appointments over the last 18 months: the Director of Nursing and Health Professional Education, Director of Planning, Performance and Corporate Services and the Director of Digital Development<sup>1</sup>. Of the three new appointments, two are secondments meaning that of the eight executive directors, four are secondees. In addition, the Director of Finance is due to leave at the end of December 2021. In May 2021, Audit and Assurance Committee members raised concerns about the number of seconded senior members of staff and reference is also made in the annual governance statement. Unless managed well this could be destabilising for the Executive Team. HEIW explained that whilst it is taking steps to reduce the number of secondees, it sees secondments as beneficial to the organisation by bringing in external perspectives, and beneficial to the secondee by offering a development opportunity. Actions are in hand to replace the temporary Director of Finance role with a permanent appointment.
- 18 Last year, in response to the pandemic, HEIW made very few changes to its governance arrangements, largely maintaining business as usual, so has not had to reinstate any processes and procedures. The Crisis Management Team was

<sup>1</sup> The Director of Planning, Performance and Corporate Services and the Director of Digital Development are members of the Executive Team but are not Board members.

established in March 2020 to focus on HEIW's operational response. Over the course of the year, the team was stood down or met less frequently to reflect need. At the time of writing this report, the team had just been reinstated as COVID-19 case numbers were rising.

- 19 During 2021, HEIW has been planning for a significant addition to its remit. From April 2022, HEIW will be hosting the Office of the Chief Digital Officer for Health and Care<sup>2</sup>. Under these arrangements, HEIW will provide core corporate governance services to the Chief Digital Officer and their office of behalf of the Welsh Government. These services include corporate governance, workforce and organisational development, financial management support, procurement, information technology and Welsh language services. In June 2021, HEIW established a project team to oversee the set-up of the Office of the Chief Digital Officer, this includes recruiting a Chief Digital Officer and about 30 staff. A programme project board has also been set up with the Welsh Government. To ensure independent members feel informed about this development, the Board received an update at its July 2021 meeting and members have also received separate informal briefings. Until the hosting arrangement goes live, it is difficult to say what impact it will have on HEIW's resources. This is something HEIW will need to keep under review.

## Planning for recovery<sup>3</sup>

- 20 We found that **the Annual Plan received appropriate Board approvals and reflected Welsh Government feedback. The organisation continues to balance supporting NHS-wide recovery whilst delivering education and training.**
- 21 The Board discussed the draft 2021-22 Annual Plan at its March 2021 meeting and approved it for submission to the Welsh Government for feedback. The Welsh Government's feedback on the draft was largely positive. It noted that the plan was ambitious, there was a strong focus on reducing inequalities and there was alignment between strategic objectives and the workforce strategy. The Welsh Government also highlighted some areas that could be strengthened, such as reflecting HEIW's ongoing national role in workforce recovery and planning and engagement with stakeholders to ensure alignment with, and across, the health system. The final Annual Plan, including additions to address Welsh Government

<sup>2</sup> A new entity within NHS Wales, with a 'whole system' remit to support digital transformation across health and care in Wales.

<sup>3</sup> NHS bodies are required to submit a three-year Integrated Medium Term Plan (IMTP) to the Welsh Government on an annual basis. The IMTP process for 2020-2023 was paused by the Welsh Government in March 2020, to allow NHS bodies to focus on responding to the COVID-19 pandemic. Instead, health bodies were required to submit quarterly plans during 2020-21 as well as prepare an annual plan for 2021-22 by 31 March 2021. Our 2021 structured assessment phase one report considered HEIW's operational planning arrangements.



feedback was approved by the Board in June 2021 and submitted to the Welsh Government within the required timeframe. As with HEIW's 2020-21 quarterly plans, the Annual Plan set out the organisation's aims for supporting wider NHS Wales COVID-19 recovery alongside ensuring the delivery of training and education.

- 22 Our phase one Structured Assessment found that HEIW has effective arrangements to oversee delivery of its operational plans, which reflected its recently approved Performance Framework. The Performance Framework outlines a quarterly cycle of Board reporting. As expected, in September 2021, the Board received the quarter one integrated performance report which includes an update on progress against milestones outlined in the Annual Plan. As at quarter one, HEIW had made good progress against most of the 59 milestones; 33 were complete or on track (green), 23 were off track but recoverable within the quarter (amber) and three were off track and not recoverable within the quarter (red).

## Systems of assurance

- 23 We found that **HEIW has good arrangements to manage risk and audit recommendations and is improving quality management processes to provide assurance on the quality of its training and education.**

## Managing risk

- 24 We found that **HEIW has continued to improve its risk management arrangements and maintained oversight of strategic and operational risks.**
- 25 HEIW's Board Assurance Framework (BAF) documents the organisation's strategic risks and control mechanisms. It reflects the six strategic aims set out in its 2021-22 Annual Plan and 2020-23 Integrated Medium Term Plan (IMTP). It identifies seven strategic risks which reflect the challenge posed by the ongoing pandemic as well as non-COVID risks. The BAF is reviewed annually by the Board and Audit and Assurance Committee. The Board reviews and approves its risk appetite annually, the last time being in January 2021. No significant changes were made.
- 26 In 2019, we found that whilst HEIW had developed its BAF, it needed to better map assurance and controls to support the BAF. It is pleasing to see that in July 2021 the Audit and Assurance Committee received the BAF Strategic Risks Control Framework. The document clearly identifies and maps the controls and key sources of assurance against HEIW's strategic risks. At the Audit and Assurance Committee it was suggested that identified gaps in assurance should be considered by the committee whilst the gaps in assurance are closed. The document forms part of the BAF so will be reviewed regularly by the Audit and Assurance Committee.
- 27 Last year we found that the Audit and Assurance Committee scrutinises the corporate risk register at its in-committee sessions. For transparency, we recommended that unless risks are of a sensitive nature, the corporate risk register

should be considered at the public Audit and Assurance Committee session, this is now a regular occurrence. We consider this recommendation closed. The corporate risk register is reviewed at each Audit and Assurance Committee and annually by the Board. The document has a clear format, detailing the risk reference, date added, risk appetite for each risk, mitigating actions, inherent and residual risk, RAG status and progress. Changes to risk scores are detailed in the cover paper. It is encouraging to note that in April 2021 internal audit issued a 'substantial assurance' report on its follow-up review of risk management, an improvement on its previous 'reasonable assurance' rating.

## Quality and safety assurance

- 28 We found that **HEIW understands the importance of strong quality governance and is taking the necessary steps to enhance and improve systems and processes.**
- 29 Whilst HEIW does not deliver patient facing services, it recognises the importance of delivering good quality training for the safety of its students and NHS patients. Last year we found that HEIW maintained oversight of the quality and safety of its training throughout the pandemic. This year, HEIW is working to improve its quality assurance processes for training and education. It recognised processes for training in areas such as medicine are mature and well established, but less so for the training of other health professionals. As such HEIW is in the process of developing a quality framework which will span all professions. The advantage of this approach is that it will standardise quality management processes, ensure consistent terminology and allow information to be shared more effectively. This is a positive development, though early days. The Education Commissioning and Quality (ECQ) Committee received initial proposals in September 2021.
- 30 The ECQ Committee continues to provide quality assurance to the Board. Last year we questioned whether quarterly meetings were adequate both for regular business and at times of crisis when quality and safety issues are critical. Since then, the ECQ Committee has established two sub-groups: the Internal Multi-Professional Education Group (IMPEG) and the External Education Group (EEG). To date the sub-groups have met twice each. Initial feedback suggests that the IMPEG is working well but the EEG might be more effective as a stakeholder review group. This proposal is due to be discussed by the Board in November 2021.
- 31 HEIW intended to produce an Annual Quality Statement (AQS) for 2020-21, but the Welsh Government advised the organisation not to produce a separate statement. Instead, in 2020-21 the quality statement was incorporated in the Annual Governance Report. This is likely to be the case for 2021-22 as well.
- 32 In January 2021, the Board approved HEIW's complaints policy, which is tailored from the standard all-Wales complaints policy to reflect HEIW's role as an education and training provider. The Welsh Government is keen for the all-Wales putting things right and duty of candour policies to apply to HEIW. Both are geared

towards patient facing services, so any guidance will need to be adapted to bear relevance to HEIW's remit. HEIW is currently liaising with the Welsh Government to understand its expectations.

## Tracking progress against audit and review recommendations

- 33 We found that **HEIW continues to have robust arrangements for tracking the progress of audit recommendations.**
- 34 HEIW continues to have robust arrangements for tracking audit recommendations. The audit recommendations tracker is reviewed at each Audit and Assurance Committee and provides a progress update against internal and external audit recommendations. The tracker uses an RAG system to highlight which recommendations are overdue, not due yet and complete. The Committee agrees whether it is content that the action taken against green (complete) recommendations is sufficient so that they can be taken off the register. A cover sheet accompanying the tracker gives an overview position.
- 35 The organisation has one outstanding Structured Assessment recommendation from 2019. This relates to developing and reporting IT key performance indicators (KPIs) for scrutiny and challenge. Progress reported to the October 2021 Audit and Assurance Committee stated that monthly performance meetings are scheduled to review performance and develop KPIs. At the same meeting, it was confirmed that HEIW's Digital Strategy will be a deliverable for 2022-23, meaning our recommendation related to developing and approving a digital and IT strategy is complete.

## Managing financial resources

- 36 Our work considered HEIW's financial performance, financial controls and arrangements for monitoring and reporting financial performance.
- 37 We found that **HEIW manages its financial resources well and has good arrangements to monitor and report its financial activity.**

## Achieving key financial objectives

- 38 We found that **HEIW achieved its financial duty for 2020-21 and has a clear financial plan for 2021-22.**
- 39 HEIW met its first financial duty to ensure that it did not exceed the aggregate of funding allotted to it for the financial year. It achieved an underspend of £95,000 against its revenue resource limit of £234.8 million and an underspend of £21,000 against its capital resource limit of £105,000.
- 40 HEIW's first IMTP (2020-2023) was deemed approvable by the Welsh Government, but in Spring 2020 the IMTP process was paused because of the pandemic. A temporary quarterly planning arrangement was put in place for all

NHS bodies for 2020-21, with their 2019-20 planning duty running on into 2020-21. HEIW was therefore not subject to a second financial duty for 2020-21 there being no extant administrative duty in place.

- 41 Like other health bodies, COVID-19 is having an impact on HEIW's expenditure and service delivery. At the end of month 5, the organisation reported a £311,545 underspend against its profiled budget. This is mainly due to lockdown restrictions reducing face to face training and the holding of some vacancies. However, HEIW is forecasting a break-even position at the year-end 2021-22. HEIW is not required to deliver a cost improvement plan.
- 42 Encouragingly, HEIW's Annual Plan clearly sets out its financial approach and includes a five-year financial plan, running from 2021-22 to 2025-26. As required by the Welsh Government, the Annual Plan is accompanied by the relevant minimum data sets.

## Financial controls

- 43 We found that **HEIW continues to have strong and transparent systems of financial control to monitor financial activity and prevent and respond to fraud.**
- 44 HEIW has robust financial systems and controls, which have not changed significantly since last year. The organisation has reviewed and amended its standing orders (SO) and standing financial instructions (SFI) to reflect the model SO and SFIs issued by the Welsh Government, both documents were approved by the Audit and Assurance Committee in July 2021. The Committee also reviewed and approved proposed changes to the delegated financial limits.
- 45 The organisation is transparent about counter-fraud and procurement compliance, with the Audit and Assurance Committee receiving updates at most meetings. In May 2021, the Board received the procurement compliance annual report, covering April 2020 to March 2021. The compliance report details what type of action was taken, for example single quotation actions, single tender action or contract extension, and the reason it was taken. The explanations provided are clear and provide enough detail to understand the rationale.
- 46 In January 2021, HEIW received a reasonable assurance internal audit report on financial systems. The review covered the asset register, cash management, general ledger, income and debtors and manual payments. The review made seven recommendations, with only one high priority relating to ensuring that HEIW keeps an inventory list for all its assets, and each has a named asset manager.

## Monitoring and reporting

- 47 We found that **HEIW's financial monitoring and reporting continue to be clear and regular, but there is an opportunity to include analysis on cost benefits, outcomes, and impact of spend.**

- 48 The Board continues to receive timely monthly financial reports, either through Board meetings or circulated separately in months between Board meetings. The monthly financial report gives a clear overview of the latest financial position, covering the revenue financial position, commissioning funding, capital expenditure, balance sheet and performance against the public sector payment policy. A more detailed supporting report provides analysis of variation by directorate. In addition to the finance report, the Board receives a copy of the monthly monitoring report as submitted to the Welsh Government, which aligns with the finance report. Independent members were very complimentary about the financial information they receive but felt that reporting could be further matured by including analysis on cost benefits, outcomes, and impact of spend.
- 49 In June 2021, the Audit and Assurance Committee received the annual Audit of Accounts Report which found no significant issues.



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