

Digital Strategic Partner

Final Internal Audit Report

2024/25

Hywel Dda University Health Board



Substantial Assurance

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Review Reference

Fieldwork

Executive Sign Off

Audit Committee

Executive Lead

Audit Team

HDU-2425-26

February - March 2025

24th April 2025

May 2025

Huw Thomas, Director of Finance

James Johns, Head of Internal Audit

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Executive Summary

Purpose

Review arrangements relating to the contract for the strategic partner.

Hywel Dda Local University Health Board has contracted a long term digital transformation strategic partner in order to plan, access and manage the capacity necessary to fully deliver the scale of the digital ambitions. The partnership will do this by fully leveraging the capacity and expertise that exists, both within the Health Board and with a strategic partner, significantly accelerating the pace of delivery of our Digital Response and digital priorities.

Overview

We have concluded substantial assurance on this area. The matters requiring management attention include:

- Ensuring that there is an assessment of the full range digital capabilities required and how these are to be accessed.
- Ensuring the draw down against the contract fits with the overall prioritisation for the whole organisation.

Full details of matters arising are detailed within the Findings & Agreed Action Plan.

Scope & Assurance Summary

Objectives	The objectives and associated assurance ratings are not necessarily given equal weighting when formulating the overall audit opinion.	Related Findings	Assurance
1	The contract specification was developed in conjunction with key stakeholders and clearly identifies the aims, benefits and success criteria.	-	Substantial
2	The procurement and tender adjudication process were appropriately completed with the selected contractor best meeting the criteria.	-	Substantial
3	The aims of the contract clearly links to the organisational and digital strategies and fits into the digital operating model.	1	Reasonable
4	Appropriate contract / SLA management processes are in place to ensure value for money.	2	Substantial

Management Actions

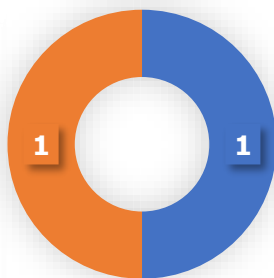


High Priority



Medium Priority

Themes



■ Resourcing

■ Finance Management & Control

Risk Types

Financial Loss

Findings & Agreed Action Plan

Objective 1: The contract specification was developed in conjunction with key stakeholders and clearly identifies the aims, benefits and success criteria.

Substantial

Overview / Summary of Observations

The aim of the contract is to provide a strategic partner who can provide resource and expertise to deliver the Health Boards digital transformation. The digital transformation programme was underpinned with a business case which identified the key drivers and challenges and which linked digital transformation to the organisational strategy.

The business case sets out what would be needed from the partner, the skills and capabilities required and the anticipated benefits and success criteria from the arrangements.

The contract specification was developed by the Director of Digital, with support provided by an external company, on the basis of gaining the resources to push forward digital transformation. The specification was then shared for comments more widely within the Health Board before being finalised and approved by the group of staff who made up the evaluation panel.

Our review of the specification confirmed that it includes a requirement to provide the capabilities and skills identified within the business case, and articulates the need to enable digital transformation, with the specific details for each aspect noted as to be agreed jointly as the contract progresses.

Objective 2: The procurement and tender adjudication process were appropriately completed with the selected contractor best meeting the criteria.

Substantial

Overview / Summary of Observations

The procurement process was led/managed by Procurement Services and used the specification as the core statement of needs for the contract. The procurement followed the appropriate procedure within appropriate timelines and utilised a pre qualification questionnaire (PQQ) to narrow down the companies invited to tender. These were assessed using pre defined and published criteria and the top suppliers invited to interview, following which the preferred supplier was identified.

Our testing noted that the tender invitation questions link to the specification, with appropriate weighting of the questions for the adjudication process. The team involved in assessing the PQQ and tender response was comprised of appropriate staff and included a representative from DHCW. We also note that it is clear how the scoring was derived from the responses received.

Subsequent to the procurement process, there was a legal challenge from one bidder. This was reviewed and responses provided to the points raised which validated the procurement process and the choices made. Following further communication the challenge was dropped.

There was regular reporting of the process to Strategic Resources Committee, with the procurement report, which set out the processes with a supplier recommendation (CGI) provided to the November 2024 meeting for approval.

Objective 3: The aims of the contract clearly links to the organisational and digital strategies and fits into the digital operating model.

Reasonable

Overview / Summary of Observations

The Digital Transformation Business Case noted that there were difficulties in establishing a digital operating model that would enable delivery of transformation. These included lack of knowledge and training, no single digital care record, infrastructure weaknesses, lack of staff and multiple ongoing pilots for digital systems. The business case set out the aim of utilising the strategic partner to deliver an effective operating model across the key domains.

The contract supports the people domain by intending to provide digital staff resource, enable knowledge transfer, and upskilling the wider staff group in the Health Board. There is to be a formal change management process alongside communication and engagement, and digital technology is intended to deliver a single patient record with integration and interfacing with other systems. Delivery of the digital programme is integrated into the governance processes for Digital within the Health Board and we note in relation to this that a new Digital Committee is in the process of being established.

We note that a draft partnership charter has been developed and is currently being reviewed that sets out the roles of the Health Board and of the company, and how the partnership fits into the digital operating model.

The operating model has HDU digital staff working alongside CGI staff to enable knowledge transfer. We note that work orders are being developed for upcoming projects and as part of that a RACI (Responsible, Accountable, Consulted, Informed) analysis has been produced that shows the staff groups that will be working on different aspects, and the associated responsibilities, which shows joint working. We also note that CGI staff will be working from HDU sites and the two groups of staff have been introduced.

The partnership enables HDU to access skills and capabilities that do not currently exist within the Health Board, and although there is a general awareness of the gaps, there has not been a formal analysis of the full range digital capabilities required and which sets out how these are to be accessed across the spectrum from fully in house to fully contracted. Without this the staffing model is not fully defined and the benefits of the contract related to upskilling may not be fully realised.

Key Findings	Risk & Impact	Agreed Management Action
<p>1 Staffing Model</p> <p>There has not been a formal analysis of the full range digital capabilities required and which sets out how these are to be accessed across the spectrum from fully in house to fully contracted. Without this the staffing model is not fully defined and the benefits of the contract related to upskilling may not be fully realised.</p>	<p>The full benefits of the strategic partner may not be realised</p>	<p>Agreed Action:</p> <p>As part of any new business case for transformation, the Digital Team will conduct a digital capability assessment to ensure the utilisation of a diverse workforce model. This approach will include developing internal talent ("grow your own") and integrating the expertise of our strategic partner.</p> <hr/> <p>Expected Evidence of Implementation:</p>

			<p>Design a capability assessment</p> <p>Create a system for ongoing feedback and improvement of digital capabilities and staffing models.</p>
	<p>Theme: Resourcing</p>	<p>Medium Priority</p> <p>Control Operation</p>	<p>Officer: Digital Director</p> <p>Target Implementation Date: August 2025</p>

Overview / Summary of Observations

The contract specification is clear that activity under the strategic partnership will be developed on a call-off work order basis. These are to be developed in partnership and include milestones for delivery, with a focus on outcomes and outputs.

The business case sets out the overarching programme for digital transformation and shows how its to be monitored and the benefits to be delivered. There is a benefits lead in place and success evaluation processes are set out at key stages.

There is a lead contact within CGI who acts as a focal point for managing the contract and there are regular meetings with the Director of Digital with reports provided by CGI for discussion at the meetings. Our review of these meeting noted that they cover the progress being made against active work orders, future planning and pipeline, ongoing actions and risks.

Reporting on progress with the contract and partnership is within the standard governance arrangements for the Health Board, with updates provided to the Executive Team and into Committee, which in future will be the Digital, Data and Information Committee.

The costs association with the contract are monitored. The contract has a maximum annual spend of £7.5m, however the current agreed spend within Digital is £1.8m, with a pot of £2.5m within the Health Board which can be bid for. Additional finance can potentially be gained from appropriate business cases. CGI is a large, multinational company specialising in digital, as such there is a risk that they can dominate the contract. The Director of Digital noted that they are providing a lot of resource, and that programmes of work are moving faster than anticipated, with future proposed work orders being developed along with business cases. We note that as the contract progresses, there may be a risk of pressure on the Health Board to move faster which will lead to expenditure on Digital items taking up all the available funding, with other areas not being as efficient and effective in the bidding process. As such the Health Board should ensure that draw down against the contract fits with the overall prioritisation for the whole organisation. We also note an identified risk that the capacity within clinical services will not be sufficient to support the level of digital work within their areas.

The Director of Digital also noted that a number of departments have approached digital with requests for CGI input, while assuming that the costs re covered by the Digital contract. So the expectations should be managed and the costs which will be incurred should be clearly stated.

Work under the contract is called off under 2 general types of work: task and finish items and output based items, and with values over £200k requiring greater structure and planning.

There is a planned programme of work for the next 12 months and work orders are being developed accordingly. Our review of these (Flow / Integration and EPMA) noted that they are developed as a joint effort and reviewed by Procurement. The work orders have requirements and measurables set out, milestones, along with acceptance criteria and due dates, identify the resource needed and skills and note any dependencies. As such there is a clear mechanism to monitor the delivery of contracted work.

We note that the contract is in the early stages and has not yet fully bedded in. There is a framework for monitoring delivery and performance of services provided against the contract and this is operating currently. The Health Board should ensure that this oversight is maintained as the contract proceeds.

Key Findings	Risk & Impact	Agreed Management Action
<p>Financial Risk</p> <p>There may be a risk of pressure on the Health Board to move faster which will lead to expenditure on Digital items taking up all the available funding, with other areas not being as efficient and effective in the bidding process.</p>	<p>Financial Risk</p>	<p>Agreed Action:</p> <p>Ensure that each business case and work package is processed through the established committee governance within the Board, starting with the Digital, Data, and Innovation Committee and subsequently progressing to the Board</p>
	<p>Medium Priority</p>	<p>Expected Evidence of Implementation:</p> <p>Establish a programme and work package approval process</p>
<p>Theme: Finance Management & Control</p>	<p>Control Operation</p>	<p>Officer: Digital Director</p> <p>Target Implementation Date: August 2025</p>

Appendix A

Assurance Opinion

	Substantial	Few matters require attention and are compliance or advisory in nature. Low impact on residual risk exposure.
	Reasonable	Some matters require management attention in control design or compliance. Low to moderate impact on residual risk exposure until resolved.
	Limited	More significant matters require management attention. Moderate impact on residual risk exposure until resolved.
	Unsatisfactory	Action is required to address the whole control framework in this area. High impact on residual risk exposure until resolved.
	Advisory	Given to reviews and support provided to management which form part of the internal audit plan, to which the assurance definitions are not appropriate. These reviews are still relevant to the evidence base upon which the overall opinion is formed.

Prioritisation of Findings

Priority	Explanation
High	Significant risk to achievement of a system objective OR evidence present of material loss, error, or misstatement. Poor system design OR widespread non-compliance.
Medium	Some risk to achievement of a system objective. Minor weakness in system design OR limited non-compliance.

Website: [Audit & Assurance Services - NHS Wales Shared Services Partnership](#)

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