



**CYFARFOD BWRDD PRIFYSGOL IECHYD  
UNIVERSITY HEALTH BOARD MEETING**

<b>DYDDIAD Y CYFARFOD: DATE OF MEETING:</b>	09 June 2022
<b>TEITL YR ADRODDIAD: TITLE OF REPORT:</b>	Audit and Risk Assurance Committee Annual Report 2021/22
<b>CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:</b>	Paul Newman, Chair, Audit & Risk Assurance Committee
<b>SWYDDOG ADRODD: REPORTING OFFICER:</b>	Paul Newman, Chair, Audit & Risk Assurance Committee

**Pwrpas yr Adroddiad (dewiswch fel yn addas)**

**Purpose of the Report (select as appropriate)**

Ar Gyfer Penderfyniad/For Decision

**ADRODDIAD SCAA  
SBAR REPORT**

**Sefyllfa / Situation**

The purpose of the paper is to present the Audit and Risk Assurance Committee (ARAC) Annual Report to the Board. The attached report provides assurances in respect of the work that has been undertaken by the ARAC in the 2021/22 financial year and provides information relating to the continued development of the role of the committee and its members.

The attached report supports the compilation of the Annual Governance Statement and sets out how the ARAC has met its Terms of Reference; and has been compiled by the Chair of the ARAC with support from the Board Secretary. The ARAC Annual Report was reviewed by ARAC at its meeting on 5<sup>th</sup> May 2022, with it agreed that further comments would be submitted and incorporated and the content of the report agreed by Chair's Action. This was completed on 23<sup>rd</sup> May 2022.

**Cefndir / Background**

The ARAC has a broad role within the Health Board, encompassing a focus on the key purpose of the organisation to deliver safe and effective services and to meet the broad range of stakeholder needs, matters relating to internal financial control, maintenance of proper accounting records and the reliability of financial information. The Committee's primary role is, therefore, to scrutinise and comment upon the adequacy and effective operation of the organisation's overall internal control system. In addition, the Committee provides a form of independent check upon the executive arm of the Health Board.

The Committee, through its in-year reporting, has regularly kept the Board informed about the results of its reviews of assurances, together with any exceptional issues that arose. In accordance with the NHS Wales Audit Committee guidance and generally accepted standards of good practice, the ARAC is required to issue an Annual Report of the Committee Chair, constituting a formal report of the matters that have been considered by the Committee.

The report provides the Board and the Accountable Officer with assurance in respect of the adequacy and effectiveness of the UHB's procedures and systems in maintaining a sound system of internal control and the conclusions drawn for the 2021/22 financial year. This is to include assurance about the rigour of the processes and the quality of the data which lie behind

the statements and provide its own assurance about the reliability of the disclosures when they are submitted to the Board for approval.

**Asesiad / Assessment**

Please see the attached ARAC Annual Report.

**Argymhelliad / Recommendation**

The Board is requested to endorse the Audit & Risk Assurance Committee Annual Report 2021/22.

**Amcanion: (rhaid cwblhau)**

**Objectives: (must be completed)**

Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol: Datix Risk Register Reference and Score:	Not applicable
Safon(au) Gofal ac Iechyd: Health and Care Standard(s): <a href="#">Hyperlink to NHS Wales Health &amp; Care Standards</a>	Governance, Leadership and Accountability
Amcanion Strategol y BIP: UHB Strategic Objectives: <a href="#">Hyperlink to HDdUHB Strategic Objectives</a>	Not Applicable
Amcanion Llesiant BIP: UHB Well-being Objectives: <a href="#">Hyperlink to HDdUHB Well-being Statement</a>	Not Applicable

**Gwybodaeth Ychwanegol:**

**Further Information:**

Ar sail tystiolaeth: Evidence Base:	ARAC agendas & papers
Rhestr Termiau: Glossary of Terms:	Included within the body of the report
Partion / Pwyllgorau â ymgynhorwyd ymlaen llaw y Cyfarfod Bwrdd Iechyd Prifysgol: Parties / Committees consulted prior to University Health Board:	Audit & Risk Assurance Committee

**Effaith: (rhaid cwblhau)**

**Impact: (must be completed)**

<b>Ariannol / Gwerth am Arian: Financial / Service:</b>	A sound system of financial control enacts robust financial control, safeguards public funds and the Health Board's assets and resources. Robust governance arrangements underpinning financial
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	management contribute towards internal control and value for money being achieved.
<b>Ansawdd / Gofal Claf: Quality / Patient Care:</b>	If applicable, included within the report.
<b>Gweithlu: Workforce:</b>	If applicable, included within the report.
<b>Risg: Risk:</b>	A sound system of internal control ensures that any risks to the achievement of the Health Board's objectives are identified, assessed and managed.
<b>Cyfreithiol: Legal:</b>	If applicable, included within the report.
<b>Enw Da: Reputational:</b>	If applicable, included within the report.
<b>Gyfrinachedd: Privacy:</b>	Not applicable
<b>Cydraddoldeb: Equality:</b>	Not applicable



**GIG**  
CYMRU  
**NHS**  
WALES

Bwrdd Iechyd Prifysgol  
Hywel Dda  
University Health Board

## **AUDIT AND RISK ASSURANCE COMMITTEE**

### **ANNUAL REPORT**

**2021-22**

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## 1 Introduction

- 1.1 The Audit and Risk Assurance Committee (ARAC) was established under Board delegation with approved Terms of Reference and Operating Arrangements that are aligned to the NHS Wales Audit Committee Handbook, published by the Welsh Government (WG). The Committee is an independent Committee of the Board and has no Executive powers other than those specifically delegated in the Terms of Reference.
- 1.2 The Committee, through its in-year reporting, has regularly kept the Board informed regarding the results of its reviews of assurances, together with any exceptional issues that arose. In accordance with the NHS Wales Audit Committee Handbook guidance and generally accepted standards of good practice, the Committee is required to issue an Annual Report, constituting a formal report of the matters that it has considered during the year. The purpose of this report, therefore, is to provide the Board and the Accountable Officer with assurance in respect of the adequacy and effectiveness of the University Health Board's (UHB) procedures and systems in maintaining a sound system of internal control, and the conclusions drawn for the 2021/22 financial year. This report supports the compilation of the Accountability Report and sets out how the Committee has met its Terms of Reference.

## 2 Role and Purpose

- 2.1 The Committee supports the Board by critically reviewing governance and assurance processes on which the Board places reliance. The primary role of the Committee is, therefore, to ensure the system of assurance is valid and suitable for the Board's requirements; as such it reviews whether:
- Processes to seek and provide assurance are robust and relevant;
  - The controls in place are sound and complete;
  - Assurances are reliable and of good quality; and
  - Assurances are based on reliable, accurate and timely information and data.

The Committee provides a key source of assurance to the Board, ensuring that the organisation has effective controls in place to manage the significant risks to achieving its objectives and that controls are operating effectively. The Committee's principal duties have consistently included reviewing *"the establishment and maintenance of an effective system of good governance, risk management and internal control across the whole of the organisation's activities, both clinical and non-clinical"*. Integral to this is the Committee's focus upon seeking assurance that the organisation has an effective framework of internal control to address principal risks and that the effectiveness of the framework is regularly reviewed.

- 2.2 During the year, the Committee has supported the Board by seeking and providing assurance that controls are in place and are working as designed, and by challenging poor sources of assurance. The Committee has a relatively broad role, encompassing scrutiny of, and comment upon, the adequacy and effectiveness of the UHB's overall governance, risk management and internal control, covering both

clinical and non-clinical areas. This also includes reviewing the Accountability Report before it is submitted to the Board for approval.

2.3 The Committee discharges this duty by fulfilling its responsibilities as outlined in its Terms of Reference. In performing its duties, the Committee works to an approved work plan, based on scheduled agenda topics, together with a range of specific issues, which are subject to review. It is supported by the activities of Audit Wales (AW) as the External Auditor; NHS Wales Shared Services Partnership (NWSSP): Audit and Assurance – Internal Audit (IA) and Specialist Services Unit (SSU), and Local Counter Fraud Specialists.

2.4 In discharging these responsibilities, the Committee is required to review:

- Internal financial control matters, such as safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information;
- Adequacy of disclosure statements (Accountability Report including the Annual Governance Statement, Annual Quality Statement, Performance Report, and Annual Report), which are supported by the opinion of the Head of Internal Audit, the AW Annual Audit Report and other opinions;
- The adequacy of relevant policies, legality issues and the Codes of Conduct;
- The policies and procedures relating to fraud and corruption;
- The system for risk management, to ensure this is robust in identifying and mitigating risks, enabling the Audit and Risk Assurance Committee to provide the Board with assurance that the risks impacting on the delivery of the UHB's objectives are being appropriately managed.

2.5 As a consequence of the scrutiny described above, a number of outcomes from the work of the Committee during the year have resulted in escalation of certain matters to the Board, and in these cases, the Committee has made recommendations and undertaken further actions in order to seek and provide assurance to Board that issues of concern have been addressed where possible, thus supporting the UHB's governance and assurance systems. These have included:

2.5.1 The **Head of Internal Audit Annual Report and Opinion 2020/21** provided a reasonable assurance rating, with the majority of assurance ratings being positive and only 3 limited assurance rated report received. The Committee reiterated the view that information regarding the findings of audits conducted on national bodies such as NHS Wales Shared Services Partnership (NWSSP), NHS Wales Informatics Service (NWIS)/Digital Health & Care Wales (DHCW), Welsh Health Specialised Services (WHSSC) and Emergency Ambulance Services Committee (EASC) should be shared with Health Boards on a routine basis. Throughout 2021/22, National Internal Audits has been added as an item to draft agendas to act as a prompt for officers.

2.5.2 Concerns around the assurance offered by the **Management of Fire Enforcement Notices IA report**, despite its rating of substantial assurance. Whilst welcoming the progress identified, it was noted that the report only

focuses on two sites and that investment – and resultant compliance – is dependent on Welsh Government approval of a Business Case. It was emphasised, therefore, that the report, whilst positive, does not necessarily reflect the level of challenge still ahead. Ongoing monitoring of Fire Safety issues is undertaken by the Health & Safety Committee (HSC). The progress made thus far provides an example of robust and positive partnership working under challenging circumstances.

- 2.5.3 The findings of the **Women & Children's Phase 2 IA report** resulted in a rating of limited assurance and had identified issues resulting from a poorly performing contractor and from the impact of COVID-19. Delays have impacted on general conditions and provision of overnight accommodation, both of which were highlighted in the 2015 Royal College of Paediatrics and Child Health report. The Committee agreed that there are clearly lessons to be learned from this project, and noted that these would be considered in detail at the People, Planning & Performance Assurance Committee (PPPAC). It was, however, also agreed that this matter should be highlighted to the Board, with a suggestion that a lessons learned exercise needs to be conducted. The Board welcomed this feedback regarding the project, particularly in view of the anticipated new hospital build, which represents a significant commitment. It was suggested that a wider review into the governance in relation to capital projects be conducted, to be scrutinised by the Committee (see 2.5.5, below). The third review of the delivery and management of the project took place at the latter part of 2022 which concluded that the supply chain performance (SCP) issues have continued, however a reasonable assurance was determined to reflect the efforts of the Health Board to manage both its own, and the SCP performance impact on the programme/cost. However, the successful delivery of the project relies on the ongoing management of the SCP performance.
- 2.5.4 A lack of assurance from the **Withybush General Hospital Wards 9 & 10 Lessons Learnt Advisory Review** that the necessary improvements had been made. The review had focused on an overspend on this project, stemming from unforeseen work and underfunding of certain areas. It was observed that there were several similarities with the Women and Children's Phase 2 project, including deficiencies in completion of returns and in providing responses to Welsh Government. Concern was also expressed regarding the use of verbal authority/verbal amendments to contracts, and the proposed timing of the Post Project Evaluation (PPE). The Committee was reminded that a full review into Capital Governance arrangements had been requested by the Board (see 2.5.5, below).
- 2.5.5 Following a review of its Terms of Reference, the findings and conclusions of the **Review of Capital Governance Arrangements**. Whilst the report, and the assurance it provides regarding the processes and systems in place were welcomed, concerns were expressed with regards to the organisation's capacity to manage the challenges associated with capital projects, particularly in view of the significant future capital projects planned by the Health Board. Subsequently, the Committee received and reviewed

the requested management response and agreed that progress against the action plan would be monitored via the Strategic, Development and Operational Delivery Committee (SDODC), with an update presented to the February 2022 SDODC meeting.

- 2.5.6 Ongoing concerns regarding the error rates in relation to **Post Payment Verification (PPV)**, with assurance requested that these issues were being addressed urgently and not left until revisits for resolution, particularly in view of similar discussions at previous meetings. It was also suggested that PPV data needed to be triangulated with information from regulator/inspectorate visits, such as Healthcare Inspectorate Wales. As part of the associated **Primary Care PPV Update Report**, assurance was provided that there are robust processes in place within the Primary Care team, and that clinical issues are considered alongside PPV data. Support was being provided to practices, with the Primary Care team tailoring the response to the issues involved and preparing an action plan. Counter Fraud colleagues are involved when necessary. The Committee was assured by this additional information/context and subsequently received a further update on general PPV activity, noting both current and planned work (including a programme of enhanced/tailored training) and that overall, HDdUHB is performing well.
- 2.5.7 Concerns relating to the **Audit Wales Welsh Health Specialised Services Committee (WHSSC) Governance Arrangements Review** and associated management/Welsh Government response. Subsequently, a further report was received, which demonstrated the progress to date had been presented to the WHSSC Joint Committee in January 2022. It was noted that a number of the actions fall under the remit of Welsh Government.
- 2.5.8 Issues raised during discussion of the **Radiology Directorate Update** around recruitment in Radiology, particularly graduate recruitment, and the need for these to be discussed at a higher level. A number of challenges had impacted on the UHB's ability to achieve the level of progress intended. Without sufficient staff, any plans – however robust – are inoperable. Shortfalls in staff result in increased locum and agency costs and poorer outcomes for patients. This topic was subsequently discussed by both the Executive Team and the People, Organisational Development & Culture Committee (PODCC), with it noted that the issue is not restricted to Radiology. Meetings between the Director of Workforce & OD and representatives from HEIW also took place during January and February 2022. An update would be provided to PODCC. A further update was received in April 2022 which continued to emphasise the significant challenges and underlying fragility which are impacting on the service's ability to address the 2 outstanding recommendations. The Committee recognised that it would be unlikely that the outstanding recommendations would be closed until the service was in a more stable position. The Committee received assurance of the work currently underway to address the situation in the short, medium and long term which included undertaking a demand and capacity review to inform workforce requirements and planning, insourcing capacity to support current delivery, exploring regional

solutions with ARCH (A Regional Collaboration for Health) and considering role redesign. With this in mind the Committee agreed that it would be more appropriate this area should be scrutinised/monitored by one of the other Board level Committees.

2.5.9 The continued impact of COVID-19 on **Clinical Audit**, which has been monitored by the Committee throughout the year, with updates provided at the 19 October 2021 and 19 April 2022 meetings. The October 2021 report included a retrospective summary of the audit programme conducted during the previous two years. Whilst the national Clinical Audit programme has now resumed, Welsh Government remains sensitive to the need for Health Boards to prioritise their pandemic response. There has been an increase in mandatory and local clinical audit compliance rates. The UHB has resumed its local 2021/22 clinical audit programme, whilst recognising pressures on services and their ability to respond/participate. A further update will be provided to the Committee in June 2022.

2.5.10 The inconsistency of Quality Governance arrangements within the UHB, as evidenced in the **Audit Wales Review: Review of HDdUHB Quality Governance Arrangements**. Whilst recognising that, due to the impact of COVID-19, certain elements of the UHB's routine systems/processes have been stood down at certain points, there has been a commitment to maintain governance arrangements wherever possible. However, inconsistency exists within the organisation as regards Quality Governance arrangements. The arrangements are most robust at Board and Board Committee level but less so in other parts of the UHB. Subsequently, various actions were taken to address inconsistencies and to strengthen governance processes, including:

- Re-issuing to teams an expected standard agenda of themes to be covered via business processes;
- Scheduling of events supported by the Organisational Development team;
- Initial discussions around developing a governance structure and organisational structure that will be able to meet the UHB's objectives as it emerges from the pandemic.

In addition, the UHB committed to undertake a review to enhance the capacity across operational and corporate teams to ensure a consistent approach to managing assurance, risk and safety, with a number of interim milestones identified and to strengthen the operational governance arrangements.

2.5.11 A lack of progress and improvement around **RCP Medical Records Keeping Standards**, the length of time these issues had been ongoing and the potential impact. A range of actions was required on each site, together with broader UHB wide actions. COVID-19 pressures have impacted on clinicians' ability to take this work forward; nevertheless, an action plan has been put in place, led by the site Quality Improvement leads. A further update will be provided to the Committee in June 2022.

- 2.5.12 Concerns regarding the Discharge Processes Advisory Review, with the Committee requesting that a formal management response be prepared. Whilst recognising that this will need to be revisited in light of recent Welsh Government guidance, the management response had committed to various actions. A summit on home-based care, involving Local Authority partners and other stakeholders, was scheduled for April 2022, however was deferred until the Summer of 2022. Audit Wales are also undertaking work in this sphere, which will feed into future discussions.
- 2.5.13 Concerns were raised during discussion of the **Medical Staff Recruitment IA report**. Whilst the report received a reasonable assurance rating, this had identified issues around various processes, including delays in the appointment system. There were also concerns regarding the format of the management response, which was subsequently reviewed/revised and re-submitted. The Committee agreed that the report should be shared with PODCC for ongoing monitoring and review.
- 2.5.14 Outstanding cost queries with Local Authority partners from the **Cost Advisor Review - Establishment of Field Hospitals**. Whilst these costs were not material from an accountancy perspective, the amounts involved are significant. An update on progress with these queries was subsequently received, with the majority having been resolved.
- 2.5.15 Concern regarding the findings and assurance rating of the **Deployment of Welsh Patient Administration System (WPAS) into Mental Health & Learning Disabilities (MHL) IA report**. The audit had identified slippage in implementation for various reasons, together with a number of other issues. These had been compounded by insufficient resource allocation and a failure to conduct a formal post-implementation review. The Committee requested that various actions be undertaken prior to the next meeting, with concerns being highlighted to the Board. A follow-up audit in February 2022 provided an improved reasonable assurance rating, with progress having been made in addressing the Matters Arising previously identified. Assurance was provided that there had been no harm to patients; however, the project had involved additional staff time. It was acknowledged that there are lessons to be learned from the deployment of WPAS in MHL, with it agreed that a further review should be conducted within in the 2022/23 audit year, to provide assurance regarding progress and evidence benefits to the service (see also para 7.5.3).
- 2.5.16 Limited progress on **Records Management**, as evidenced by a briefing paper on this topic. A range of actions have been undertaken by the UHB; however, others require completion. There continue to be areas of concern, with a Planning Objective intended to take forward this area of work. There has been progress in terms of digitisation/storage of records, and the UHB has also made arrangements for outsourcing the scanning of inactive records. The organisation now has an Electronic Document Management System (EDMS) and the required infrastructure in place. As requested, a further update was presented to the Committee in April 2022 which provided

significant assurance on the progress made to digitalise records with the UHB, resulting in the closure of two further recommendations.

2.5.17 References to **training needs** in three separate Internal Audit reports were noted, together with the fact that the organisation's ability to deliver training is currently compromised. It was agreed that a discussion with the Director of Workforce & OD would take place.

2.5.18 Concerns in relation to the **External Validation exercise**, both in terms of the external provider being unable to meet the original schedule for delivery and (based on the figures/costs provided) whether the work could be undertaken with the requisite skill and care. Additional assurance was provided around local evaluation of validation output, and triangulation with the Waiting List Support work, to ensure that patients are safe during their time on the waiting list. It was anticipated that the yield and impact would increase during the next couple of months. An update would be provided on the outcome of the validation exercise when this is complete.

2.5.19 Limited Assurance received from the Internal Audit of the systems and controls in place within the governance arrangements of the TriTech Institute. The assurance rating was based on the lack of a Board approved business case and a clear financial structure. Whilst the Committee acknowledged that the institute is a relatively new, innovative initiative that had not intentionally mis-stepped, it must now demonstrate that it is governed appropriately. The Committee welcomed the honesty and recognition of management of the areas for improvement and noted the substantial progress towards addressing these. A follow up review has been included in the Internal Audit Plan for 2022/23.

2.5.20 The approval of the Internal Audit Plan, which set out proposed audit work, and Internal Audit Charter for 2022/23, which outlined how Internal Audit will operate in collaboration with the UHB.

2.6 Other items identified by the Committee as requiring Board attention included:

2.6.1 Completion of the task whereby Board had requested assurances around outstanding audit/regulatory/inspectorate recommendations, with the closure of 76 recommendations during the course of this exercise, and the intention that this exercise be undertaken on an annual basis.

2.6.2 The review of the adequacy of the Declaring, Registering and Handling Interests, Gifts, Hospitality, Honoraria and Sponsorship arrangements currently in place and the proposed actions for 2021/22 to promote and improve the adequacy of these arrangements, which include targeting staff deemed to be within high risk groups, increased staff communications to raise awareness and exploring use of the Declaration of Interest functionality within ESR. The Committee received the next annual review in April 2022.

2.6.3 The approval of all documentation relating to year end at its meeting on 10 June 2021.

2.6.4 The approval of the revised UHB's Standing Orders (SOs) and Standing Financial Instructions (SFIs) at the Board meeting on 5 May 2021

2.6.5 The ratification of the Committee's Terms of Reference.

2.6.6 Changes to the Financial Scheme of Delegation, approved at the meeting on 14 December 2021.

2.6.7 The recognition of the positive findings and the work undertaken as highlighted in the following reports:

- COVID-19 Mass Vaccination Programme (Advisory Review);
- Patient Experience (Reasonable Assurance);
- Management of Fire Enforcement Notices (Substantial Assurance);
- Digital Modelling (Substantial Assurance);
- COVID-19 Governance Update (Advisory Review);
- Local Deployment of the Welsh Immunisation System (WIS) (Reasonable Assurance);
- Human Tissue Act (HTA) Compliance (Reasonable Assurance);
- Annual Recovery Plan and Planning Objectives (Reasonable Assurance);
- IT Back Up Arrangements (Substantial Assurance);
- Waste Management (Reasonable Assurance);
- Workforce Planning (Substantial Assurance);
- Organisational Values and Staff Wellbeing (Reasonable Assurance).

2.6.8 Consideration of the three Planning Objectives assigned to ARAC, noting that 3B was not included in the Planning Objectives for 2022/23 submitted to Board in January 2022, as it is part of routine 'business as usual' work; 3F has been completed; and 3H has been deferred to 2022/23 and will be reported to the Strategic Delivery and Operational Performance Committee (SDODC) going forward.

2.7 In enacting its responsibilities, the Committee is very clear on its role in seeking assurances, with the assurance function being defined as:

- Reviewing reliable sources of assurance and establishing satisfaction with courses of action;
- Forming an opinion, based upon analysis and evaluation of evidence gained from review, and supported by independent validation, both internal and external.

### **3 Committee Structure and Meetings**

3.1 A key element of the Committee is that it comprises solely of Independent Members, providing a basis for it to operate independently of any decision-making process and to apply an objective approach in the conduct of its business.

3.2 The membership of the Committee has undergone a number of changes due to the expiration of Independent Member tenures (Michael Lewis and Simon Hancock) and a reduction in the number of Members from 6 to 5, and for 2021/22 was as follows:

NAME	ROLE	DATES
Paul Newman	Committee Chair	Full year
Judith Hardisty	Committee Member	Full year
Owen Burt	Committee Member	To 30 <sup>th</sup> April 2021
Maynard Davies	Committee Member	Full year
Winston Weir	Committee Member	Full year
John Gammon	Committee Member	Full year

- 3.3 During the financial year 2021/22, eight scheduled meetings of the Committee were convened, with meetings held in May and June 2021 to review the draft and final Financial Statements and the Accountability Report for 2020/21. A high level of commitment from Committee Members has been demonstrated throughout the year, as recorded in the attendance of meetings held. All meetings were quorate.
- 3.4 Although invited to attend certain meetings to provide assurances and explanations to the Committee on specific issues, neither the Chair, Chief Executive Officer (CEO), nor any other Executive Director of the UHB, are members of the Committee. In particular, the CEO is invited annually to present the Accountability Report and to provide progress reports from the UHB's Enhanced Monitoring/Joint Executive Team (JET) meeting with WG. Due to the COVID-19 pandemic, contact has been limited to JET meetings, with reports presented to the August 2021 and February 2022 Committees.
- 3.5 Having a key role to play in establishing and maintaining a sound system of internal financial control, the Executive Director of Finance has been in attendance at all meetings. The Committee has also been supported on key matters by means of the attendance of the Board Secretary who is the Lead Officer for the Committee and who has been present at all meetings.
- 3.6 A review of the Committee's terms of reference and operating arrangements, approved by the Committee 23 February 2021 and ratified by Board on 25 March 2021 included no changes of note. All Assurance Committee terms of reference were reviewed and ratified by the Board at its meeting on 29 July 2021, during consideration of the Revised Governance Structure and Arrangements. Only minor changes were made, streamlining the membership and the addition of a responsibility around Planning Objectives.
- 3.7 The Committee also has regular attendance from representatives of:
- The Auditor General/Audit Wales;
  - NWSSP Audit and Assurance Services (Internal Audit and Specialised Services Unit);
  - NHS Counter Fraud Services.

#### **4 Committee Work Programme 2021/22**

- 4.1 The Committee reviewed and approved the audit strategies and plans for the auditors as listed below, and received audit reports produced in support of them during 2021/22:
- Audit Wales;
  - NWSSP Audit and Assurance Services:
    - Internal Auditors;
    - Specialised Services Unit.
- 4.2 Acting upon the outcomes of effectiveness reviews is as important as undertaking them and it is essential that outcomes and associated actions are reported appropriately. Appropriate Executive Directors and Lead Officers of audit reports were requested to attend Committee meetings to provide an opportunity to discuss the reports more fully, and for the Committee to satisfy itself that the findings raised in the reports were being addressed, with recommendations implemented to address control weaknesses or compliance issues.
- 4.3 The Committee continues to receive progress updates directly as and when requested, as well as referring reports to the Board and other Board Committees, such as the Quality, Safety & Experience Committee (QSEC) and People, Organisational Development & Culture Committee (PODCC), to ensure the wider aspects or impacts of the report are fully understood.
- 4.4 Each of the Board level Committee Lead Executives are requested to attend the Committee on a cyclical basis to provide assurance that the Committee is fully discharging its duty and complying with the requirements of its terms of reference.
- 4.5 At the start of the COVID-19 pandemic, the Board agreed that it still had a responsibility to provide safe and effective care to patients, provide safe environments and equipment and comply with relevant standards and legislation. Recognising that there was significant pressure on services, it was acknowledged that there needed to be a balance between managing capacity pressures and challenges from the pandemic, and managing the business as usual issues and risks. Up to August 2021, the Board adopted a nuanced approach to the management of outstanding recommendations from auditors, inspectorates and regulators, and agreed that the UHB should focus on implementing recommendations that are outstanding or due in respect of Healthcare Inspectorate Wales (HIW) immediate assurance plans, Health and Safety Executive (HSE) improvement notices/material breaches, Mid and West Wales Fire and Rescue Service (MWWFRS) enforcement notices and high priority recommendations issued by Audit Wales and Internal Audit.
- 4.6 The Committee has continued to monitor the UHB's Audit Tracker, and scrutinise management responses to external and internal audit reports throughout 2021/22. From August 2021, the Tracker Reports resumed reporting on all open recommendations on the UHB Central Tracker. This report now also provides a breakdown of the Central Tracker by Directorate/Service to indicate to the Committee any areas of concern.

4.7 The Committee is responsible for overseeing risk management processes across the organisation, with a particular focus on seeking assurance that effective systems are in place to manage risk, and that the UHB has an effective framework of internal controls that addresses principal risks. Effective risk management requires a reporting and review structure to ensure that risks are effectively identified and assessed and that appropriate controls are in place. The Committee is responsible for monitoring the assurance environment and challenging the build-up of assurance on the management of key risks across the year, ensuring that the Internal Audit Plan is reliable, and based on providing assurance that controls are in place, and reviewing the Internal Audit Plan in year in response to changes in risk profiles. Internal Audit are due to conclude its review of Risk Management and the Board Assurance Framework in June 2022.

## **5 External Audit – Audit Wales (AW)**

5.1 External Audit is provided by Audit Wales (AW), with its work falling under the two broad headings of:

- Audit of financial statements, and providing an opinion thereon;
- Forming an assessment of the UHB's use of resources and performance including COVID-19 outputs.

5.2 The Committee received the AW 2021 Annual Audit Plan at its meeting held on 23 February 2021, setting out proposed AW work to examine the UHB's financial statements, expenditure and measures to secure economy, efficiency and effectiveness in the use of resources. Areas to be tested have been selected based upon identified financial risk specific to the UHB. In response to government advice and subsequent COVID-19 restrictions, AW continues to work remotely until such time that it is safe to resume on-site activities. Progress against the AW Audit Plan is monitored via regular update reports presented to the Committee. Given the on-going uncertainties around the impact of COVID-19 on the sector, some timings did change in-year.

5.3 This year's Structured Assessment work took place at a time when NHS bodies were responding to ongoing challenges presented by the COVID-19 pandemic. It therefore was designed in the context of the ongoing response to the pandemic to ensure a suitably pragmatic approach to help the Auditor General discharge his statutory responsibilities whilst minimising the impact on NHS bodies as they continue to respond to the next phase of the COVID-19 pandemic. Whilst AW Structured Assessment work has been streamlined during the past two years, to reflect pressures being experienced by Health Boards, it is intended to reinstate a broader review going forward, to include areas such as performance management.

5.4 In 2021, AW Structured Assessment work was split into 2 phases of work; the first phase examined the operational planning arrangements within the UHB. This was presented to the Committee at its meeting held on 22 June 2021. The overall conclusion from Phase 1 was that *'the Health Board's arrangements for developing operational plans are generally effective, although it does not have the processes necessary to monitor and review progress in delivering its priorities'*.

5.5 Phase 2 considered how corporate governance and financial management arrangements have adapted over the last 12 months. The key focus of the work

was on the corporate arrangements for ensuring that resources were being used efficiently, effectively, and economically. AW also considered how business deferred in 2020 was reinstated and how learning from the pandemic shaped future arrangements for ensuring good governance and delivering value for money. AW also sought to gain an overview of the Board's scrutiny of the development and delivery of the Health Board's 2021-22 Annual Recovery Plan. This was presented to the Public Board meeting held on 27 January 2022, and subsequently to the Committee at its meeting held on 22 February 2022. The overall conclusion from Phase 2, Corporate Governance and Financial Management Arrangements, was that *'the Health Board has effective Board and committee arrangements, is committed to high quality services and staff wellbeing, and has well-developed plans which are now routinely monitored. A number of innovative approaches have been adopted to aid scrutiny and assurance, and although operational arrangements for risk and quality governance have posed some risks, improvement action is now underway.'*

5.6 The Committee noted overall conclusions from AW, summarised as follows:

### **Phase 1 (Operational Planning Arrangements)**

Scope and coverage of the 2020-21 Quarters 3-4 Plan

- The UHB's Quarters 3-4 Plan was submitted to the Welsh Government within the required timeframe, covered the necessary areas within the planning framework guidance and received the required Board scrutiny, through the use of Board Seminars and the People, Planning and Performance Assurance Committee (PPPAC).

Arrangements for developing operational plans

- The UHB's approach has increasingly enabled operational teams to drive the planning process, however further improvements are needed. The Quarters 3-4 Plan lacked clear information about progress over the previous quarters, linkage with the development of supporting plans was not always evident, and planning capacity to support the process is stretched.

Arrangements for monitoring delivery of operational plans

- There is reporting to Board on key areas within the Quarters 3-4 Plan, however the UHB does not yet have the necessary processes to monitor and review progress with its operational plans.

A management response to the four recommendations which related to the alignment of plans, planning capacity, performance tracking and monitoring and reporting issued, was developed, with progress on implementation monitored by the Committee.

### **Phase 2 (Corporate Governance and Financial Management Arrangements)**

Governance arrangements

- The UHB has effective Board and committee arrangements, is committed to high quality services and staff wellbeing, and has well-developed plans which are now routinely monitored. A number of innovative approaches have been adopted to aid scrutiny and assurance, and although operational arrangements

for risk and quality governance have posed some risks, improvement action is now underway.

#### Conducting business effectively

- The Board continues to conduct business in an open and transparent way and has maintained good governance arrangements which have been appropriately adapted when needed. The UHB is committed to reviewing its Board effectiveness and has made a number of positive changes to its committee structures. A relatively stable and cohesive Board and executive team has been maintained and the learning from the pandemic has been incorporated into organisational design.

#### Planning for recovery

- The UHB has well developed plans for continuing its response to COVID-19 and to reset and recover services, whilst also laying the foundations to deliver its longer-term strategic intent. Partnerships are working well and there has been good engagement with the public. Availability of additional capacity is presenting risks to the UHB, but there are now good mechanisms in place to monitor and scrutinise delivery of its plans.

#### Systems of assurance

- The UHB is committed to delivering high quality services and supporting staff wellbeing. An innovative approach to enable effective scrutiny of strategic risks and outcomes is in place through the interactive Board Assurance Framework and performance dashboard. The UHB has a well-managed approach to monitoring the implementation of audit and review recommendations. Operational risk and quality governance arrangements have posed a risk to receiving the required levels of assurance, but work is now underway to address these.

#### Managing financial resources

- While the UHB continues to face significant financial challenges, it has maintained appropriate financial controls and monitoring and reporting is robust. The UHB is working hard to achieve financial recovery but is managing a number of risks and delivery is being hindered by operational capacity to develop recurring saving schemes.

#### Achieving key financial objectives

- The UHB was unable to meet its financial duties for 2020-21, ending the year with a deficit of £24.9 million. The UHB is on track to deliver its financial plan for 2021-22 but is managing a number of risks which could have consequences for future years, and it will continue to fail to meet its financial duties due to a planned year-end deficit.

#### Financial controls

- The UHB continues to maintain appropriate financial controls and is working hard to strengthen financial management to support longer term sustainability but capacity within operational teams to develop recurring saving schemes is hindering delivery.

#### Monitoring and reporting

- The UHB has robust arrangements in place for monitoring and scrutinising its financial position, supported by comprehensive and transparent reporting.

No new recommendations based on the 2021 Phase 2 work were made; however, a number of minor improvement opportunities have been identified throughout the report, which will be reviewed as part of the AW 2022 Structured Assessment.

5.7 The Committee received the AW ISA 260 report and Letter of Representation at its meeting held on 10 June 2021, setting out the results of the audit of UHB's financial statements. Members were informed that AW had received high-quality accounts by the required deadline. There were no misstatements identified in the accounts which remain uncorrected. Issues arising from the report included concerns regarding the lack of a robust system within HDdUHB to accrue annual leave balances, and qualification of the regularity opinion. Management had responded to the recommendations arising in the report and AW will follow up progress against them during next year's audit.

5.8 AW reported on the following performance work during 2021/22:

- **COVID-19 Vaccination Rollout (National Report)** – this report considered the rollout of the COVID-19 vaccination programme in Wales, discussing the shape and performance of the programme, the factors that have affected rollout to date, and future challenges and opportunities. The significant progress made by Health Boards was recognised, with a suggestion that positive lessons from implementation of the vaccination programme are retained, and taken forward in other areas. The comprehensive, well-written and positive report, together with the opportunities for improvement and learning it identifies, were welcomed by the Committee.
- **Procuring & Supplying PPE for the COVID-19 Pandemic (National Report)** – this report examined the procurement and supply of Personal Protective Equipment (PPE) during the COVID-19 pandemic. The report focused on the national efforts to supply health and social care in Wales and did not review arrangements for local procurement of PPE by NHS and local government bodies, nor the logistical arrangements in place locally to distribute PPE directly to frontline staff. It did, however, reflect evidence collected by professional bodies about the views of front-line staff. The findings were broadly positive, with the report making a number of recommendations around preparedness for future pandemics, procurement strategy for PPE and transparency. Whilst the Committee welcomed this report, it was suggested that its scope is quite narrow, focusing only on the procurement and supply of PPE and not considering its quality. Concerns were also expressed regarding the frequency and pace at which national guidance PPE had changed, the challenges in responding to these changes, and the impact on staff confidence.

**Welsh Health Specialised Services Committee (WHSSC) Governance Arrangements (National Report)** – this report was a follow-up to two separate reviews during 2015, by The Good Governance Institute and Healthcare Inspectorate Wales (HIW), which had highlighted concerns with WHSSC's

governance arrangements. The report considered the extent to which there are effective governance arrangements and whether the planning approach effectively supports the commissioning of specialised services for the population of Wales. Given the impact of COVID-19 on the capacity and productivity of services, some specific challenges which relate to recovery were highlighted. Recommendations had been made for both WHSSC and Welsh Government. Upon considering the report, the Committee recorded that one of the key issues the UHB would wish to accentuate and clarify relates to escalation arrangements for concerns regarding services commissioned from WHSSC, and from other providers. Subsequently, the Committee was advised that an update on progress regarding the Audit Wales review of WHSSC Committee Governance Arrangements had been presented to the WHSSC Joint Committee on 18<sup>th</sup> January 2022.

- **HDdUHB Quality Governance Arrangements** – this report outlined the findings of an audit to examine whether the UHB’s governance arrangements support delivery of high quality, safe and effective services. There was a focus on both the operational and corporate approach to quality governance, organisational culture and behaviours, strategy, structures and processes, information flows and reporting. The audit drew on findings from a previous local review of operational quality and safety arrangements at the UHB undertaken in 2019. The methodology utilised was based largely on the HIW review of Maternity Services at Cwm Taf Morgannwg UHB, but also drew upon more generic experience. The high level messages regarding HDdUHB’s quality governance arrangements were generally positive, with a number of recommendations made. Whilst welcoming the report, the Committee was mindful of the context within which the organisation has recently been operating and the resulting impact on the management response.
- **Taking Care of the Carers? How NHS bodies supported staff wellbeing during the COVID-19 pandemic (National Report)** – this report described how NHS bodies have supported the wellbeing of their staff during the COVID-19 pandemic, with a particular focus on their arrangements for safeguarding staff at higher risk from COVID-19. Various key messages and recommendations were outlined, and a checklist tool had been prepared for use within organisations. Staff wellbeing had also been considered during the Structured Assessment exercise and a positive impression of HDdUHB’s work in this area noted. The Committee welcomed the report’s recognition of the importance of staff wellbeing. A local management response and plan to address the findings of the report had been developed, and HDdUHB had already taken various actions to enhance its staff wellbeing services. The organisation was considering how best to up-scale its plans.
- **Care Home Commissioning for Older People** – this report had originated as a North Wales based review. Following its conclusion, however, Audit Wales had felt that there were key messages for other regions/Health Boards. The report was accompanied by a response to the issues raised from HDdUHB. The issues covered in this report have been a matter of concern and debate for some time and the UHB has been through various progressions and developments. The Committee welcomed the local HDdUHB response, which

demonstrated a robust understanding of the report and its findings, and heard that there are very few disputes with the Local Authorities within Hywel Dda, which reflects the maturity of both process and partnerships. However, any changes to the system would potentially lead to governance issues and concerns. The need to monitor this area nationally is acknowledged, and an All Wales review incorporating Social Care is planned.

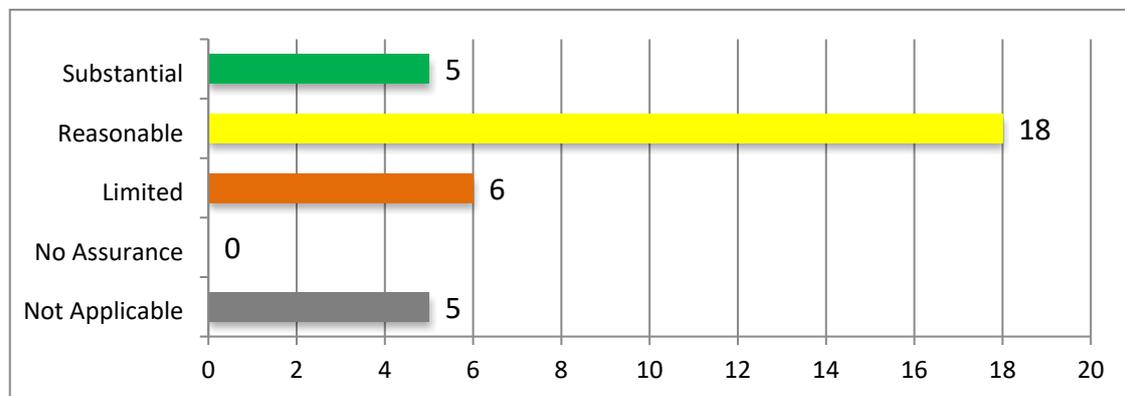
- 5.9 The Orthopaedics Report was delayed prior to COVID-19 and is scheduled to be reported to the Committee in Summer 2022. The findings from this report will help to inform the recovery planning discussions that are starting to take place locally and help identify where there are opportunities to do things differently as the service looks to tackle the significant elective backlog challenges.
- 5.10 The AW Annual Plan 2022 was discussed in April 2022 by the Committee; with the Committee noting that AW will take further opportunity to agree local work in consultation with the UHB.

## **6 NWSSP - Internal Audit (IA)**

- 6.1 At the direction of the Minister for Health and Social Services, IA is provided by the NHS Wales Shared Services Partnership (NWSSP). The service provision is in accordance with a Service Level Agreement agreed by the Shared Services Partnership Committee, on which the UHB has permanent membership.
- 6.2 IA provide an independent and objective opinion to the Accountable Officer, the Board and the ARAC, on the degree to which risk management, control and governance support the achievement of the organisation's agreed objectives. The Committee approved the content of the 2021/22 NWSSP Internal Audit Strategy, Plan and Charter at its meeting held on 20 April 2021, following a detailed review. As part of the review process, a number of factors were taken into account, including new emerging risks as a consequence of COVID-19, the impact the response to the pandemic has had on the operations of the organisation and those audits that were still deliverable. The Committee requested the need for audits to be delivered to the agreed timescales and were kept informed of any slippages in the 2021/22 Internal Audit Plan.
- 6.3 The programme has been impacted by the need to respond to the COVID-19 pandemic with some audits deferred, cancelled or curtailed as the organisation responded to the pandemic. Others were added, in collaboration with UHB management, in response to specific risks or issues identified.
- 6.4 Throughout 2021/22, the Head of Internal Audit has met weekly with the Board Secretary to discuss and consider any changes to the Internal Audit plan, either to accommodate fluctuations in operational demand or to support the UHB in testing how it has responded to the pandemic. The Head of Internal Audit has also met with the Chair of the Committee on a regular basis to monitor the audit programme.
- 6.5 The Committee has received progress reports against delivery of the IA Plan at each meeting, with individual assignment reports also being received. Executive Directors or other Officers of the Health Board have been requested to attend in order to be held to account and to provide assurance that remedial action is being

taken to address the findings within the IA reports. The outcome of each audit, providing an overall conclusion on the adequacy and application of internal controls for each area under review, was considered by the Committee. The assessment of adequacy and application of internal control measures is graded in terms of 'no assurance' through to 'substantial assurance'.

- 6.6 The Audit and Assurance Specialist Services Unit (SSU) provides an objective assessment of whether the UHB's systems and controls for Capital and Estates projects are working effectively. During 2021/22, the Committee has continued to work effectively with the Audit Team to further strengthen the UHB's internal control processes surrounding capital projects and estates assurance.
- 6.7 The assurance ratings for these audits are outlined below. In considering the IA reports the Committee engaged in discussion with the Head of Internal Audit where it felt it appropriate to obtain further information about the assurance rating given by IA. The 34 audit reviews reported during 2021/22 are outlined below:



## 7 Head of Internal Audit Opinion

7.1 Due to the considerable impact of COVID-19 on the Health Board, the internal audit plan has needed to be agile and responsive to ensure that key developing risks are covered. As a result of this approach, and with the support of officers and independent members across the Health Board, the plan has been delivered substantially in accordance with the agreed schedule and changes required during the year, as approved by the Committee. Although changes have been made to the plan during the year, IA have undertaken sufficient audit work during the year to be able to give an overall opinion in line with the requirements of the Public Sector Internal Audit Standards.

7.2 The Head of Internal Audit has concluded for 2021/22:

<b>Reasonable assurance</b>		<p>The Board can take <b>Reasonable Assurance</b> that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Some matters require management attention in control design or compliance with low to moderate impact on residual risk exposure until resolved.</p>
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- 7.3 In reaching this opinion, IA identified that the majority of reviews during the year concluded positively with robust control arrangements operating in some areas. From the reports issued during the year, 5 were allocated Substantial Assurance, 18 were allocated Reasonable Assurance and 6 were allocated Limited Assurance. No reports were allocated no assurance. In addition, 6 Advisory & Non opinion reports were also issued.
- 7.4 In addition to the above, there were several audits which did not proceed following preliminary planning and agreement with management, as it was recognised that there was action required to address issues / risks already known to management and an audit review at that time would not provide additional value. Such audits were replaced.
- 7.5 Whilst there were no audited areas that resulted in 'no assurance', the following audit reports were issued with a conclusion of limited assurance. In those cases where a follow-up audit was not conducted during 2021/22, these areas have been included on the Internal Audit Plan for 2022/23:

#### 7.5.1 Use of Consultancy

This review highlighted one high priority matter relating to the absence of appropriate guidance setting out the definition of consultancy engagements and the impact this had on determining the appropriate level of approval required for the expenditure reviewed, along with 3 other medium priority recommendations. Other matters arising included incomplete evidence of progress monitoring/post completion reviews, absence of a central record and inaccurate financial coding of consultancy engagements, and that consultancy usage/spend is not collectively monitored or reported.

The follow up review resulted in 'reasonable assurance' noting that action has been taken by management to address the findings, resulting in the high and one medium priority matters arising being addressed and now closed:

- A 'Use of Consultancy' Financial Procedure has been developed setting out the circumstances, process and approval requirements for engaging external consultants. The procedure was approved by the Sustainable Resources Committee in October 2021.
- The procedure requires an exit meeting with the consultant, to identify issues, lessons learnt, establish whether objectives were met and what did/not go well. Post Project Evaluation templates have been developed to facilitate this.

Further action is required in relation to the two remaining medium priority matters arising.

#### 7.5.2 Welsh Language Standards

This review identified several issues such as the embedding the Standards into the service plans of the organisation, the identification and recording of risks in relation to the Standards and failure by some Directorates to

complete the self-assessment tool. Work has commenced with regard to the strategic approach and ambition in terms of the Welsh language and this will be incorporated Health Board's 3 year plan as a planning objective which can be measured. As some of the completion dates were not due until next year, this will be followed up as part of the 2022-23 Internal Audit plan.

#### 7.5.3 Mental Health Administration System

This review looked at the arrangements in place for the implementation of the Welsh Patient Administration System in Mental Health and Learning Development and identified inadequate project management arrangements. Key matters arising concerned the lack of an internal business case, limited project planning, management and governance, inadequate resource made available to the project, both in number and skill-level, lessons learned not recorded throughout project lifecycle and post-implementation review not yet undertaken.

The follow up, which resulted in 'reasonable assurance', recognised that considerable progress has been made in addressing the 5 matters arising from the previous internal audit, completed only two months ago. Management acted promptly to review and update project management documentation and strengthen governance arrangements. Agreed actions relating to 4 of the high priority recommendations have been addressed and closed, 2 are on-going and not yet due for review and 2 have been partially implemented.

#### 7.5.4 TriTech Governance

This review was undertaken to evaluate and determine the adequacy of the systems and controls in place within the Health Board for governance arrangements for the TriTech Institute. Overall, the governance arrangements for the setup and establishment of the TriTech Institute have concluded 'limited assurance'. This was based on the lack of a Board-approved business case and a lack of a clear financial structure.

Whilst the lack of a Board-approved business case impacts on many of the objectives within this review, IA provided assurance on the arrangements and actions that have been undertaken. IA also identified a number of matters arising that require refinement and further development. The report identified 6 matters arising, with 2 of these being high priority in respect of submission and approval of a business plan and the financial governance. This will be followed up as part of the 2022-23 Internal Audit plan.

#### 7.5.5 Non-Clinical Agency

This review was undertaken to establish whether appropriate arrangements are in place for the appointment and monitoring of temporary staffing solutions. 2 high priority matters have been identified relating to the procurement, identification and monitoring of non-clinical temporary staff. Accordingly, an overall rating of 'limited assurance' was concluded. This will be followed up as part of the 2022-23 Internal Audit plan.

### 7.5.6 Prevention of Self Harm

This review was undertaken to establish whether there were robust arrangements in place for the prevention of self-harm following several improvement actions identified by Health Inspectorate Wales (HIW) to mitigate points of ligature risk within the Health Board.

The arrangements in place for recording and monitoring HIW actions through to implementation were satisfactory, and no issues were identified with the arrangements for incident monitoring. However, a limited assurance rating was issued as IA identified 3 high priority matters requiring immediate attention relating to the arrangements for ligature audits, specifically:

- the absence of sufficient, consistent processes in place for the completion of ligature audits, resulting in a lack of clarity regarding the audit requirements for community and learning disability residential sites, and use of a very basic inadequate template to undertake the audits;
- whilst audits had been completed for most MH inpatient sites during 2021, in some cases it was clear that they had not been completed annually; and
- failure to clearly identify, monitor and implement improvement actions to address issues arising in the ligature audits.

This will be followed up as part of the 2022-23 Internal Audit plan.

7.6 Management responses that detail the actions to address gaps in control were included in all final IA reports presented to the Committee. The delivery of these actions is tracked via the UHB's audit tracker which is overseen by the Committee. The minutes and all final IA reports can be found within the ARAC section of our website: <https://hduhb.nhs.wales/about-us/governance-arrangements/board-committees/audit-and-risk-assurance-committee-arac/>.

7.7 Where audit assignments planned this year did not proceed to full audits following preliminary planning work, these were either: removed from the plan, removed from the plan and replaced with another audit, or deferred until a future audit year. Subsequent to the approval of the plan in April 2021, the following audits were deferred:

Review Title	Reason
Quality & Safety Governance Framework	Deferred due to operational service pressures as a result of the pandemic.
Restart of Elective Work /Planned Recovery	Deferred due to operational service pressures as a result of the pandemic.
Clinical Audit	Deferred due to operational service pressures as a result of the pandemic.

Public Health	Deferred due to operational service pressures as a result of the pandemic.
Continuing Health Care	Deferred due to operational service pressures as a result of the pandemic
IT Infrastructure	Operational service pressures as a result of the pandemic impacted on timescales for infrastructure update.
Commissioning	Deferred due to operational service pressures as a result of the pandemic.
Consultants Job Planning	Deferred due to operational service pressures as a result of the pandemic.
Decarbonisation	Deferred based on changes to national deadlines and requirements.
Falls	Deferred due to operational service pressures as a result of the pandemic.

- 7.8 IA is aware of the plans and actions put in place by the UHB in response to their recommendations and will follow these up in 2022/23 to ensure they have been enacted.
- 7.9 The work of the IA service is informed by an analysis of the risks to which the UHB is exposed, with an Annual Plan based on this analysis. It should be recognised that many of the reviews were directed at high-risk areas, and the overarching opinion therefore needs to be read within this context.
- 7.10 The Committee is of the opinion that selecting IA reviews based on risk as opposed to selecting areas that may consistently have had a higher internal audit rating provides a far more rigorous process of assurance. On that basis, the Committee believes that the overall Head of Internal Audit (HoIA) Opinion of 'reasonable assurance' for the year is a positive outcome and reflects the Internal Audit risk-based programme.
- 7.11 This Opinion contributed to the Board's assessment of the effectiveness of the organisation's system of internal control and to the completion of the Governance Statement. The basis for forming the opinion can, therefore, be summarised as follows:
- An assessment of the range of individual opinions arising from risk-based audit assignments contained within both the IA and SSU risk-based plans that have

been reported to the Committee throughout the year. This assessment has taken account of the relative materiality of these areas and management's progress in respect of addressing control weaknesses;

- The review of the process for self-assessment of Health and Care Standards for Health Services in Wales. Evidence is available in support of the Board's declaration in respect of the assessment for the Governance, Leadership and Accountability Standard;
- Other assurance reviews, including audit work performed in relation to systems operated by the NWSSP.

## **8 Counter Fraud**

8.1 The UHB must effectively seek to promote the Counter Fraud agenda and ensure that appropriate action is taken when an allegation of fraud is received. The role of the Committee is to ensure the promotion and implementation of the Counter Fraud policy, with compliance monitored by the Committee through the reports of Counter Fraud activity received and the Annual Counter Fraud Work Plan.

8.2 The Committee received and approved the 2021/22 Annual Work Plan of the Local Counter Fraud Officer at its meeting held on 20 April 2021, ensuring that it had an appropriate level of coverage, and subsequently received regular reports to monitor progress against the plan. These reports provided an overview of current cases, details of concluded fraud investigations, policy and procedure reviews, actions being taken to deter and prevent fraud and to raise fraud awareness throughout the UHB. The Committee received the Counter Fraud Annual Report 2021/22 at its meeting held on 19 April 2022. Despite the COVID-19 pandemic, the UHB's counter fraud provision has demonstrated compliance with the requirements of the WG Directions to NHS Bodies on Counter Fraud Measures. The overall 'green' rating from the Quality Assurance assessment ("Self-Review Tool" (SRT)), demonstrates the continued efforts from the Local Counter Fraud Service (LCFS) in working in an innovative way to achieve a balance of both reactive and proactive work to meet the NHS Counter Authority's Standards.

8.3 The Local Counter Fraud Officer has been in regular attendance at Committee meetings during 2021/22, and issues have been discussed in detail, as appropriate, with Committee members. Progress details for cases highlighted as part of the Counter Fraud Update Report have regularly been provided at ARAC In-Committee meetings.

## **9 Financial Reporting and Financial Assurance**

9.1 Detailed monitoring of the UHB's financial performance and position falls within the remit of the Sustainable Resources Committee, with ARAC being responsible for issues of financial governance. The Committee considered the Annual Accounts for 2021/22 in June 2022, including the organisation's Accountability Report, with a subsequent recommendation made to the Board for approval. In making its recommendation, the Committee confirmed that the draft Accountability Report was consistent with the Committee's view on the UHB's system of internal control.

9.2 The Executive Director of Finance has provided regular Financial Assurance Reports to each meeting of the Committee throughout 2021/22. This is consistent

with the Committee's role of maintaining an appropriate financial focus by demonstrating robust financial reporting and ensuring that the maintenance of sound systems of financial control are enacted. Matters discussed by the Committee during the year and on which assurances were provided included:

- Scheme of delegation changes;
- Compliance with Purchase to Pay requirements (PSPP);
- Compliance with Income to Cash requirements;
- Losses & Special payments and Write offs;
- Compliance with Capital requirements;
- Compliance with Tax requirements; and
- Compliance with Reporting requirements.

9.3 The Committee will continue to seek assurance on the UHB's financial position, underlying deficit and savings plans, through the increased scrutiny provided by the Sustainable Resources Committee.

9.4 The Committee received the Annual Statement of Financial Procedures at its meeting held 22 February 2022, detailing planned reviews of the financial systems operated by the UHB planned to be undertaken during 2022/23.

## **10 Standing Orders (SOs), Standing Financial Instructions (SFIs) and Financial Procedures**

10.1 The Committee received the revised HDdUHB SOs and SFIs at its meeting held on 5 May 2021, noting that WG had made various amendments to the Model SOs and SFIs. The Committee considered the amendments made to the UHB's SOs since those approved by the Board in January 2021, agreed that no further revisions were required, and recommended the final version of the SOs and SFIs to the Board for approval at its meeting held on 27 May 2021.

## **11 Losses and Special Payments**

11.1 In order to comply with SOs and SFIs, the Committee must review losses and special payments reports and where appropriate, recommend them to the Board for approval. This element of the Committee's work is discharged through consideration and approval of the losses and debtors write-offs provided in the Financial Assurance Report, which is presented to every Committee meeting. The report has highlighted a continued increase in the trend of balance outstanding in overpayments against recoveries, despite establishment of a Task & Finish Group and the development of a new Recovery of Overpayments and Management of Underpayments Policy. Work to introduce electronic forms/ processes in payroll and workforce is ongoing, and this area will continue to be subject to monitoring.

## **12 Assurance on Clinical Governance**

12.1 It is a requirement of the NHS Wales Audit Committee Handbook that the Committee reviews the Clinical Audit Programme at the beginning of each year. The role of the Committee is to seek assurance on the overall plan and to consider the following:

- Does the UHB have a plan which is fit for purpose and is completed on time?
- Does it cover all relevant issues?

- Is it making a difference and leading to demonstrable change?
- Is change supported by recognised improvement methodologies?
- Does the organisation support clinical audit effectively?

12.2 The Committee was presented with an update on the status of the Clinical Audit Programme 2019-21, the current state of the UHB's Clinical Audit Function, and indication of plans for 2021/22 at its meeting held 19 October 2021. The Committee noted the continued reduction in clinical audit activity during the COVID-19 outbreak and its impacts, and the resumption of the national clinical audit programme.

12.3 The Committee will receive a Clinical Audit Update at its meeting on 21 June 2022. The UHB, with the support of the Clinical Audit Department (CAD), will continue to finalise the outcomes of the 2021/22 programme, ready for reporting in October 2022. The 2022/23 programme will be shared with this Committee, Clinical Audit Scrutiny Panel (CASP) and Operational Quality and Safety Forums.

### **13. Other Committee Work**

#### **13.1 Escalation Arrangements**

The tri-partite arrangements involve information sharing and dialogue between the WG, the Auditor General for Wales and HIW. Under these arrangements, bi-annual meetings are held to discuss the overall position of the UHB (as with all other Health Boards and Trusts in Wales), and to agree the best way to respond to any issues affecting service delivery, quality and safety of care and/or organisational effectiveness.

Following the most recent tri-partite meeting, WG recommended that the escalation status remains at 'enhanced monitoring', acknowledging the good leadership within the organisation. The UHB was encouraged to consider the following issues:

- The need to address the current financial position and financial strategy linked to future service and workforce plans;
- Concern around the urgent and emergency care position across the health board, with all four acute sites often at high levels of escalation every day;
- The continued workforce challenges within the health board.

WG will continue to provide the necessary specialised support and advice to address the issues raised, and will continue to hold regular Joint Executive Team (JET) and Integrated Quality Planning & Delivery (IQPD) meetings when considered necessary.

#### **13.2 Reports of Other Committees**

Lead Executive Directors of the Board level Committees attend the Committee on an annual basis to allow the Committee opportunity to scrutinise the controls and assurances on which they rely, agreeing actions where appropriate and including proposals for future internal audits.

Assurance reports from the following Committees were received, which provided assurances that the Committees' Terms of Reference, as set by the Board, are being adequately discharged:

- People, Planning & Performance Assurance Committee (PPPAC);
- Health & Safety Committee (HSC);
- Quality, Safety & Experience Committee (QSEC);
- Mental Health Legislation Committee (MHLC);
- Charitable Funds Committee (CFC); and
- Finance/Sustainable Resources Committee (FC/SRC)

### 13.3 Adequacy of Arrangements for Declaring, Registering and Handling Interests Gifts, Hospitality, Honoraria and Sponsorship

In accordance with the Audit Committee Handbook, the Committee reviewed ongoing and planned work relating to arrangements for declaring, registering and handling interests, gifts, hospitality, honoraria and sponsorship at its meeting held on 22 June 2021. The Committee was assured by the adequacy of arrangements currently in place and noted proposed steps for improvement during 2021/22.

### 13.4 Single Tender Action (STA) and Quotation Reports

In line with SOs, and in the interest of probity and transparency, the Committee received reports relating to all STAs during the course of the year via the Financial Assurance reports. This will be supported by the summary of STAs 2021/22 which will be reported to the Committee in June 2022. The summary will include a schedule of all such transactions during the course of the year being presented to the Committee in order to obtain assurance that there were no consistent or recurring themes which might indicate any attempt to circumvent due process, thereby enabling any trends or other issues of concern to be monitored and acted upon.

### 13.5 Audit and Risk Assurance Committee Development and Self-Assessment of Effectiveness

Members participated in a self-assessment and evaluation exercise of the Committee's performance and operation during March 2021, with responses from self-assessment surveys presented to the Committee at its meeting held on 20 April 2021. The findings of the 2020/21 Self-Assessment exercise were discussed by the Committee Chair and the Board Secretary, with an analysis of findings and action plan presented to the Committee in June 2021, followed by a progress update in December 2021. The 2021/22 Self-Assessment exercise will commence in April 2022, with an outcome report planned for August 2022.

### 13.6 Private Meeting of Audit and Risk Assurance Committee Members with the Auditors

In line with the Audit Committee Handbook and the Committee Terms of Reference, Committee Members met privately at individual meetings with Internal Audit, Audit Wales, Counter Fraud and HIW on 17 March and 3 May 2022. These meetings were attended by:

Independent Members	Attended by
<ul style="list-style-type: none"> <li>• Mr Paul Newman, Committee Chair</li> <li>• Mr Winston Weir, Committee Vice-Chair</li> <li>• Mrs Judith Hardisty, Committee Member</li> <li>• Professor John Gammon, Committee Member</li> </ul>	<p>Meeting with Internal Audit (17 March 2022)</p> <ul style="list-style-type: none"> <li>• Mr James Johns, Head of Internal Audit</li> <li>• Ms Sophie Corbett, Deputy Head of Internal Audit</li> </ul> <p>Meeting with Counter Fraud (17 March 2022)</p> <ul style="list-style-type: none"> <li>• Mr Benjamin Rees, Head of Local Counter Fraud Services</li> </ul> <p>Meeting with Audit Wales (17 March 2022)</p> <ul style="list-style-type: none"> <li>• Ms Anne Beegan, Audit Wales</li> <li>• Ms Clare James, Audit Wales</li> </ul>
<ul style="list-style-type: none"> <li>• Mr Paul Newman, Committee Chair</li> <li>• Mrs Judith Hardisty, Committee Member</li> <li>• Mr Maynard Davies, Committee Member</li> </ul>	<p>Meeting with HIW (3 May 2022)</p> <ul style="list-style-type: none"> <li>• Ms Rebecca Jewell, Head of Strategy, Policy and Engagement, HIW</li> </ul>

The purpose of holding a private session between Members and auditors, without management present, is to build a relationship of trust and to support the independence of the audit functions. It also provides an opportunity for the auditors to provide feedback to the Committee on its own performance. The discussion is not minuted, although the Chair provides appropriate feedback to the Lead of the Committee where there are areas of improvement.

#### 14. Forward Plan

- 14.1 The Committee, in addressing issues identified in previous years, has continued to provide additional assurance that the Board is functioning effectively. This is even more important whilst the UHB manages the response to and recovery from the COVID-19 pandemic.
- 14.2 The Committee will continue to focus on those areas which will be subject to increased scrutiny, and ensuring those areas which received limited assurance during 2021/22 improve.
- 14.3 The Committee will continue to closely oversee the implementation of audit, inspectorate and regulatory recommendations to ensure the pace of delivery is improved as the UHB moves into recovery.

- 14.4 Any areas of Committee concern raised during 2021/22, including scrutiny of outstanding improvement plans, will be followed up in 2022/23. Any learning taken from the Self-Assessment of Committee Effectiveness exercise will be acted upon as appropriate.
- 14.5 In order to continue the triangulation of assurance for the Board and provide the required degree of scrutiny, it is the Committee's intention to further build relationships with the Quality, Safety & Experience Committee (QSEC), People, Organisational Development & Culture Committee (PODCC), Strategic Development & Operational Delivery Committee (SDODC), Sustainable Resources Committee (SRC) and Health & Safety Committee (HSC). This is being taken forward through the Chairs of Committees meeting.

## **15. Conclusions**

- 15.1 It is acknowledged that the Committee is a well-established Committee of the Board with a detailed annual work plan in place.
- 15.2 Whilst the Committee believes it has met the duties of its Terms of Reference and has provided assurance to the Board on a significant number of matters, during the course of the year there were several areas where the Committee itself expressed concern that it was not being provided with the required degree of assurance to enable it to discharge its duties in informing the Board appropriately.
- 15.3 The IA work programme was aligned to the UHB's risk profile, including ongoing risks as a consequence of the COVID-19 pandemic, to provide assurance to the Committee that the identified mitigation is reducing or maintaining the level of identified risk. The Committee will also ensure that IA reviews are undertaken of those areas which received limited assurance during 2021/22, and the implementation of the agreed management action plans will be a focus for the Committee's attention. The IA plan for 2022/23 will need to be flexible and respond to the UHB's requirements while it is still managing the impacts of and recovery from the COVID-19 pandemic.
- 15.4 The Committee will continue to request the attendance of the CEO on a bi-annual basis to provide assurance regarding the UHB's Enhanced Monitoring status.
- 15.5 Finally, focus will continue to be placed on work that is undertaken in collaboration and partnership, with the Committee seeking assurance that robust processes and reporting arrangements are in place where significant activity is shared with another organisation, e.g. NHS Wales Shared Services Partnership (NWSSP), Emergency Ambulance Services Committee (EASC) and Welsh Health Specialised Services Committee (WHSSC).
- 15.6 The Committee, therefore, provides a key source of assurance to the Board that the organisation has effective controls in place to manage the significant risks to achieving its objectives and that controls are operating effectively. In a period of rapid change where far-reaching decisions need to be made, it is vital that risk management is at the heart of this process. The Committee has continued to make progress in moving to a position where it can be used effectively to help achieve the UHB's objectives and improve decision making. Work will take place during

2022/23 to enable the Committee to receive assurance on the effectiveness of the risk management framework, particularly in respect of the impact of and recovery from the COVID-19 pandemic. By monitoring the performance of risk management and any obstacles to improvement, the Committee has helped to ensure the adoption of good practice across the organisation.

- 15.7 This report demonstrates that the Committee has fulfilled its responsibilities as detailed in its Terms of Reference, through the completion of a comprehensive work plan, and from the reports it has received throughout the course of the year from a range of support services and sources. The Committee has successfully overseen a programme of work to provide the Board with assurance in respect of the adequacy and effectiveness of the organisation's functions and systems to maintain a sound system of governance and internal control.
- 15.8 It is the opinion of the Committee that the Accountability Report, incorporating the Governance Statement, which was received at the Committee meeting held on 10 June 2021, is consistent with the view of the Committee on the UHB's system of internal control. In forming this opinion the following factors have been considered:
- The system of risk management is adequate in identifying risks and allowing the Board to understand the appropriate management of those risks, whilst noting work is continuing in refining risks to be undertaken at an operational level to enable the UHB to become a risk mature organisation;
  - The reliability and integrity of its sources of assurance encompassing the work of both IA and AW together with the assurances forthcoming from the Committees of the Board;
  - The Committee, in reviewing the system of assurance, whilst acknowledging the potential for improvement, believes the UHB had the necessary controls in place during the reporting period.
- 15.9 The Board is therefore asked to endorse the contents of this report as a summary of the work and findings of the Audit and Risk Assurance Committee for the financial year 2021/22.