



Enw'r Pwyllgor: Name of Committee:	Audit and Risk Assurance Committee (ARAC)
Cadeirydd y Pwyllgor: Chair of Committee:	Cllr. Rhodri Evans, Independent Member
Cyfnod Adrodd: Reporting Period:	Meeting held on 11 May 2023
Y Penderfyniadau a'r Materion a Ystyriodd y Pwyllgor/ Key Decisions and Matters Considered by the Committee:	
<p>In accordance with the guidance provided in the NHS Wales Audit Committee Handbook, the Board should look to their Audit Committee to review and report on the relevance and rigour of the governance processes in place and the assurances provided to the Board. Hywel Dda University Health Board's Audit and Risk Assurance Committee's (the Committee) primary role is, as such, to ensure the system of assurance is valid and suitable for the Board's requirements and to support the Board by seeking and providing assurance that controls are in place and are working as designed, and to challenge poor sources of assurance.</p> <p>This report summarises the work of the Audit and Risk Assurance Committee at its meeting held on 11 May 2023, in monitoring, reviewing and reporting to the Board on the processes of governance, and facilitating and supporting the attainment of effective processes. At its meeting on 11 May 2023, the Committee critically reviewed governance and assurance processes for a number of service/business areas, with the following highlighted:</p> <ul style="list-style-type: none"> • Audit Wales Annual Plan 2023 – the Committee received and noted the Audit Wales Annual Plan 2023. It was highlighted that this was a detailed plan, following presentation of the outline plan at the April 2023 meeting. • Internal Audit Plan Progress Report – the Committee received an update on the Internal Audit Plan. • Internal Audit – the Committee received the following Internal Audit reports: <ul style="list-style-type: none"> ○ Job Planning (Limited Assurance) ○ Service Reset and Recovery (Reasonable Assurance) ○ WGH Fire Precautions Phase 1 (Reasonable Assurance) ○ Regional Integrated Fund (Reasonable Assurance) ○ Records Digitalisation (Limited Assurance) <p>The following IA reports were deferred to a future meeting:</p> <ul style="list-style-type: none"> ○ Theatre Loan Trays & High Cost Consumables ○ Lessons Learned ○ Agency Nursing & Rostering ○ Strategic Transformation Programme Governance ○ Financial Management <ul style="list-style-type: none"> • Job Planning (Limited Assurance) – the Committee received a report outlining the findings of this audit, which was designed to examine the systems and controls in place for consultant job planning. The audit findings had identified important factors and learning which need to be addressed. The Committee recognised the efforts made in this 	

area and the fact that a number of elements have been rated as Substantial Assurance. Referencing the management response/action plan, concern was expressed that those identified as Responsible Officers are not necessarily those who can implement the necessary actions. It was highlighted that this is based on the Accountable Officer within the Scheme of Delegation. Significant progress had been made prior to COVID-19; however, a concerted effort will be required to re-establish this position. It was agreed that a follow-up audit would be included within the 2023/23 Internal Audit Plan.

- **Records Digitalisation (Limited Assurance)** – the Committee received a report outlining the findings of this audit, which was to consider the progress made and governance arrangements in place for the Records Digitalisation Project. An assurance rating of Limited Assurance. The Committee was advised that there was a degree of context that had been omitted from this audit report and a number of errors; this lay with the Health Board’s accountability and not with the Internal Audit team. As a result, the report does not provide a complete ‘picture’ of what is occurring operationally. In view of this, and following further discussion, there was concern that the report could not be viewed as finalised. It was agreed that a meeting between the relevant parties (Executive Directors, Lead Officers, Internal Audit, with the Director of Corporate Governance) should take place to agree amendments to the report and management response and that a revised version would be presented to the June 2023 meeting.
- **NHS Non-Statutory Instruments Update (Ministerial Directions)** – the Committee noted the Non-Statutory Instruments which have been issued, and endorsed the confirmation that the UHB is compliant with these, with the exception of those outlined in the report.
- **Welsh Health Circulars (WHCs)** – the Committee discussed the report and was assured that there is a process in place within the UHB to monitor the implementation of WHCs.
- **Draft Audit and Risk Assurance Committee Annual Report 2022/23** – the Committee agreed to feed back comments on the ARAC Annual Report 2022/23 and to approve content via Chair’s action, prior to onward submission to the Board.
- **Draft Head of Internal Audit Opinion & Annual Report 2022/23** – the Committee received the Draft Head of Internal Audit Opinion & Annual Report 2022/23, and was informed that the UHB has achieved an overall Reasonable Assurance rating.
- **Assurance Report on Board Effectiveness** – noting that Board self-assessment is an essential requirement of the annual Accountability Report, the Committee received the Assurance Report on Board Effectiveness 2022/23. The Committee took assurance from the process that has been undertaken this year to review the Board’s effectiveness, recognising that this has been discussed in detail by the Board at the Board Seminar meeting held on 20 April 2023.
- **Audit Enquiries to those Charged with Governance and Management** – the Committee reviewed the response prepared and ratified it for onward submission to Audit Wales.
- **Draft Performance Overview** – the Committee approved the Performance Report chapter of the 2022/23 Annual Report for onward ratification by Board, noting that this

had been prepared in line with the NHS Wales Manual for Accounts 2022/23 and had been subject to all of the relevant governance processes.

- **Draft Accountability Report** – the Committee discussed and supported the content of the Draft Accountability Report 2022/23, noting that this has been shared with the Health Board Chair and Chief Executive and has been prepared in accordance with the NHS Wales Manual for Accounts 2022/23. The report includes information on arrangements around Targeted Intervention. Members agreed to provide any feedback relevant to its objective, in order to provide assurance to the Board that a robust governance process was enacted during the year.
- **Draft Annual Accounts 2022/23** – the Committee received the draft Annual Accounts 2022/23, which have been prepared in accordance with the Welsh Government timetable and guidelines. The draft accounts were reviewed in detail, with it noted that the final annual accounts will be presented to ARAC on 26 July 2023 and Public Board for ratification on 27 July 2023.

During presentation of the accounts, the Committee noted information relating to IFRS 16, the new accounting standard effective from 1 April 2022. IFRS 16 impacts on almost every part of the Health Board's accounts, with leases now required to be reflected as assets on the balance sheet. For Hywel Dda UHB, this involves 175 leases, with a value of over £9m. Whilst not material in monetary terms, this is material by nature.

Referencing issues in relation to financial practices at Betsi Cadwaladr UHB, assurance was requested that there were no such issues at Hywel Dda UHB, particularly in respect of accruals. Members heard that full assurance could be provided in this respect as the Health Board has a new financial management system, Blackline, and has undertaken a great deal of training and focus on professional financial practice during the past 12-18 months. Nothing of concern has been identified to date; however, this will continue to be an area of focus to ensure that good practice is embedded. In response to a query around whether Audit Wales is strengthening its approach to financial audit as a result of the issues identified at Betsi Cadwaladr UHB, the Committee was advised that Audit Wales is considering all of the findings, that a focus is always placed on this area and that the approach employed would identify such issues.

Materion y Mae Angen Ystyriaeth neu Gymeradwyaeth Lefel y Bwrdd ar eu Cyfer/ Matters Requiring Board Level Consideration or Approval:

- To endorse (at the July 2022 Public Board meeting) the **ARAC Annual Report 2022/23**.
- **Year-end Processes** – the Committee reviewed year-end documentation, including the NHS Non-Statutory Instruments (Ministerial Directions) compliance report, Welsh Health Circulars compliance report, Draft ARAC Annual Report, Draft Head of Internal Audit Opinion & Annual Report, Assurance Report on Board Effectiveness, Draft Response to Audit Enquiries to those Charged with Governance and Management, Draft Accountability Report, Draft Performance Overview and Draft Annual Accounts;
- **Draft Head of Internal Audit Opinion & Annual Report** – the Committee received the Draft Head of Internal Audit Opinion & Annual Report 2022/23, and was informed that the UHB had achieved a Reasonable Assurance rating.

Risgiau Allweddol a Materion Pryder/Key Risks and Issues/Matters of Concern:

- During discussion of the **Job Planning Internal Audit report**, concerns regarding the fact that delivery of actions lies with operational staff, who are subject to a number of demands/pressures, and that a concerted effort will be required to re-establish the pre COVID-19 position.

- It was agreed that a follow-up audit would be included within the 2023/23 Internal Audit Plan.
- During discussion of the **Records Digitalisation Internal Audit report**, concerns that – for various reasons – the report could not be viewed as finalised.
 - It was agreed that a meeting between the relevant parties should take place to agree amendments to the report and management response and that a revised version would be presented to the June 2023 meeting.

**Busnes Cynlluniedig y Pwyllgor ar Gyfer y Cyfnod Adrodd Nesaf/
Planned Committee Business for the Next Reporting Period:**

Adrodd yn y Dyfodol/Future Reporting:

In addition to the items scheduled to be reviewed as part of the Committee's work programme, following up progress of the various actions identified above will be undertaken.

Dyddiad y Cyfarfod Nesaf/Date of Next Meeting:

20 June 2023 (Routine Meeting)

26 July 2023 (Final Accounts)

Enw'r Pwyllgor: Name of Committee:	Audit and Risk Assurance Committee (ARAC)
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was considered. Members were assured that measures have been put in place to avoid a recurrence. It was noted that there were warranty implications involved with the common seal not having been applied. The main difference is that a Deed has a limitation period of 12 years (the period when a party can make a claim for breach of contract) and a simple contract is six years from the date the cause of action accrued. Members were assured that the Health Board has in place an extremely robust process for application of the common seal. In this instance, due process had not been followed. The Health Board Chair, Chief Executive and previous Chair of ARAC had been briefed regarding the breach of Standing Orders as soon as it had become apparent. It was agreed that the current process in place for the signing of contracts would be discussed and reviewed with the Head of Internal Audit, to ensure that it is as robust as possible.

- **Counter Fraud Update** – an update on counter fraud activity was received, including details of a risk assessment exercise in the area of recruitment, recognising the importance of pre-employment checks. The Counter Fraud team is planning to undertake further risk assessments around over/underpayment of salary and has commenced proactive work in relation to nursing/off-framework agency usage.
- **Financial Assurance Report** – the Committee received the Financial Assurance report, focusing in particular on No PO, No Pay breaches and overpayment of salaries, which were both recurring issues. The Committee was requested to approve one unusually high write-off; this comprises an overpayment of salary totalling £14,262 made between April 2016 and April 2017. The debtor had been pursued by CCI; however, had been declared bankrupt and so the debt could not be recovered. There was an extensive discussion around contracts awarded, and based on this, the Committee requested that the Committee seek clarification around the GCloud Framework and contracts awarded in excess of £25k over the previous 3 years. Also, that consideration of whether contracts comprise consultancy or professional services be presented to ARAC for scrutiny. To ensure transparency, it was agreed that a report including retrospective information would be submitted to the 15 August 2023 ARAC meeting.
- **Independent Mental Capacity Advocate (IMCA) Services Single Tender Action** – a report was received on this topic, with the Committee noting that there had been an issue and delay as a result of the Health Board being informed that an All Wales IMCA contract was being developed. Further delays with this process had meant that it was too late to enter into a tendering process, which resulted in a second STA being required. It was reiterated that STAs are never the optimal route to procure services; however, this case is a transitional year and unavoidable, as it is not possible to cease this service for vulnerable patients. It was highlighted that the organisation is often in the position of waiting for All Wales processes to be implemented and can be disadvantaged as a result. The Committee took assurance that the Single Tender Action requests relating to the provision of IMCA services in 2022/23 and proposed for 2023/24 are appropriate while a national procurement process is in progress and which will be completed in time for the April 2024 renewal date.
- **Clinical Audit Update and Forward Workplan** – the Committee received an update on Clinical Audit activity and took assurance from the increase in clinical audit programme activity for 2023/24; noted the low levels of clinical audit activity for 2022/23; noted the continued development of the clinical audit function with the introduction of Audit Management and Tracking (AMAT) software; took assurance from the continuation of the

majority of mandatory national audits and the processes followed for the escalation of concerns (without exceptions); noted the current position of the 2022/23 and 2023/24 programmes, which will be available to view from July 2023; took assurance from the continued shared learning through Whole Hospital Audit meetings (WHAM); noted the appointment of a new Clinical Director for Clinical Audit.

- **Audit Wales Update Report** – an update was provided by Audit Wales on finance and performance audit work.
- **Structured Assessment 2022 - Management Response Update** – the Committee received an update on progress with the outstanding recommendations from Structured Assessment (SA) exercises in 2021 and 2022, all of which remain within target date.
- **Orthopaedic Services Review (National and Local Audit Wales Reports and GIRFT Orthopaedics Report)** – the Committee received two Audit Wales reports (national and local), together with the Getting It Right First Time (GIRFT) Orthopaedics Report, and the Health Board’s response to these. Members heard that the GIRFT report has been more ‘visible’ in HDdUHB than in other Health Boards, which is reassuring. Whilst the documentation provided as the Health Board’s response was somewhat complex, it was hoped that the extent demonstrates the seriousness with which the clinical team treats these reports. It should be noted, however, that the operational response (post COVID-19 pandemic recovery) is somewhat constrained by resource limitations, both financial and workforce. The Committee heard that a regional plan for Orthopaedic clinical pathways is being discussed and developed. All recommendations/actions will be tracked via the normal Audit Tracker processes. The Committee considered the findings and recommendations outlined within the GIRFT Recommendations and Actions report and the Orthopaedic Services in Wales Audit Report and took assurance from the progress achieved by the Orthopaedic Clinical Team to date and the further work currently in development.
- **Internal Audit Plan Progress Report** – the Committee received an update on the Internal Audit Plan, noting that all audits in the 2022/23 Plan have now been completed, reported and are included within the final Head of Internal Audit Opinion and Annual Report.
- **Head of Internal Audit Opinion & Annual Report 2022/23** - the Committee received the Final Head of Internal Audit Opinion & Annual Report 2022/23, and was informed that the UHB has achieved an overall Reasonable Assurance rating. The Committee considered and took assurance from the report.
- **Internal Audit** – the Committee received the following Internal Audit reports:
 - Theatre Loan Trays & Consumables (Limited Assurance)
 - Records Digitalisation (Limited Assurance)
 - Lessons Learned (Reasonable Assurance)
 - Agency & Rostering (Reasonable Assurance)
 - Strategic Transformation Programme Governance (Limited Assurance)
 - Financial Management (Reasonable Assurance)

- **Theatre Loan Trays & Consumables (Limited Assurance)** – the Committee received a report outlining the findings of this audit, which was intended to provide assurance over the arrangements and processes in place for the decontamination of theatre trays loaned to and reprocessed for private healthcare providers' use, and the issue of single use consumables for use within private facilities. A number of significant matters requiring attention had been identified. As a result of the audit findings, and in the interests of patient safety, loan arrangements had been suspended except in the case of emergency requests. Service representatives provided additional information, which was somewhat assuring to the Committee, however it was felt that an update on progress should be scheduled. As a Limited Assurance rating had been returned, a follow-up audit would be conducted as a matter of course, although it was suggested that the scope of this should perhaps be widened to include the stock management position. It was agreed that a follow-up audit would be conducted in six months.
- **Records Digitalisation (Limited Assurance)** – the Committee received the updated report outlining the findings of this audit, which was to consider the progress made and governance arrangements in place for the Records Digitalisation Project. This report had initially been presented at the 11 May 2023 meeting and following discussion at that time, there had been a series of meetings and minor amendments had been made to the context section. These had been minor changes in nuance, with no impact on the overall assurance rating, key findings, recommendations or management response. It was suggested that, in spite of the issues highlighted and assurance rating, there had been successes in this area. One million documents have been transferred to the new Electronic Record Document Management System (ERDMS) and it has been possible to remove 300,000 medical records from physical storage. This has been an extremely complex exercise, requiring coordination and collaboration between the Medical Records and Digital teams. There is a need for clarity around the SRO for this area going forward, as the current situation with two is generating difficulties and creating a governance issue. The Committee noted that this audit will be subject to a follow-up, given its assurance rating of Limited Assurance.
- **Strategic Transformation Programme Governance (Limited Assurance)** – the Committee received a report outlining the findings of this audit, which was a high level review of the governance arrangements in place to ensure that identified schemes are achievable and managed as formal strategic change programmes with appropriate assurance reporting mechanisms in place. Three high priority matters arising had been identified and a rating of Limited Assurance had been concluded overall. The findings were consistent with those of a second review into savings schemes undertaken by the Director of Corporate Governance. The Committee heard that the Executive Team had discussed this matter in detail at its recent residential and has established three working groups. Steps have already been taken to respond to the findings of this review and the review conducted by the Director of Corporate Governance. It was agreed that an update on this issue be scheduled for the next meeting, together with consideration of the savings governance review findings. Also, that a follow-up audit be conducted in September 2023.
- **Agency & Rostering (Reasonable Assurance)** – the Committee received a report outlining the findings of this audit, which was to establish and review the systems and processes in place to manage and control agency use. A considerable amount of work has taken place since the audit, with all actions on target for delivery by the end of June

2023. With regard to the finding around non-framework agency spend being non-compliant with Standing Orders, it was noted that the Health Board is in a 'Catch 22' situation; a contract would not be allowed by Welsh Government, however it is not necessarily feasible to cease non-framework use, due to patient safety issues. It is, however, intended to remove all non-framework agency use by the end of July 2023, which would resolve the issue.

- **Audit Tracker** – the Audit Tracker, which tracks progress against audits and inspections undertaken within the Health Board, was presented. At the time of reporting, there were 95 reports currently open. 32 of these reports have recommendations that have exceeded their original completion date, a slight decrease from the 33 reports previously reported in April 2023. There is an increase in the number of recommendations where the original implementation date has passed, from 115 to 126. The number of recommendations that have gone beyond six months of their original completion date has decreased from 56 to 42, as reported in April 2023. There are currently 405 open recommendations on the Audit Tracker, an increase from the 327 reported in April 2023.
- **Audit Committee Work Programme** – the Committee received for information the ARAC work programme for 2023/24.

Materion y Mae Angen Ystyriaeth neu Gymeradwyaeth Lefel y Bwrdd ar eu Cyfer/ Matters Requiring Board Level Consideration or Approval:

- The revised **HDdUHB Standing Orders and Standing Financial Instructions** (appended as Item 2.6.1)
- In regards to the **Execution of the Contract for the Construction of the Day Surgery Unit, Prince Philip Hospital**, the Health Board's decision to mitigate the breach of Standing Orders by proceeding with the JCT Design and Build Contract 2016 dated 23 December 2021 between the Health Board and Vanguard for the construction of the Day Surgery Unit in Prince Philip Hospital, as a simple contract, with a limitation period of six (6) years from the date the cause of action accrued

Risgiau Allweddol a Materion Pryder/Key Risks and Issues/Matters of Concern:

- Concerns around the implications of the **Execution of the Contract for the Construction of the Day Surgery Unit, Prince Philip Hospital**, and associated breach of Standing Orders
 - The current process in place for the signing of contracts would be discussed and reviewed with the Head of Internal Audit, to ensure that it is as robust as possible
- Concerns in relation to **Contracts Awarded** and Value for Money
 - A report including retrospective information would be presented to the 15 August 2023 ARAC meeting
- Concerns in relation to **Single Tender Actions for Service Provision** resulting from delays in All Wales procurement processes being implemented
 - A decision may need to be taken around whether the Health Board waits for All Wales processes or continues with local arrangements
- Concerns in relation to the findings of the **Theatre Loan Trays & Consumables Internal Audit report**
 - A follow-up audit would be conducted in six months
- During discussion of the **Records Digitalisation Internal Audit report**, concerns around the Executive and SRO 'ownership' of this area
 - Discussions will continue with the relevant parties
 - A follow-up audit will be conducted

- During discussion of the **Strategic Transformation Programme Governance Internal Audit report**, concerns in relation to a lack of evidence to demonstrate appropriate scrutiny, approval and formal programme governance arrangements
 - An update on this issue would be scheduled for the next meeting, together with consideration of the savings governance review findings
 - A follow-up audit would be conducted in September 2023
- During discussion of the **Agency & Rostering Internal Audit report**, concerns in relation to the breach of Standing Orders as a result of non-framework agency spend being non-compliant with Standing Orders
 - It is intended to remove all non-framework agency use by the end of July 2023
 - This matter would be highlighted in the October 2023 Nurse Stabilisation Programme report to PODCC

**Busnes Cynlluniedig y Pwyllgor ar Gyfer y Cyfnod Adrodd Nesaf/
Planned Committee Business for the Next Reporting Period:**

Adrodd yn y Dyfodol/Future Reporting:

In addition to the items scheduled to be reviewed as part of the Committee's work programme, following up progress of the various actions identified above will be undertaken.

Dyddiad y Cyfarfod Nesaf/Date of Next Meeting:

26 July 2023 (Final Accounts)
15 August 2023 (Routine Meeting)