COFNODION Y CYFARFOD PWYLLGOR ARCHWILIO A SICRWYDD RISG HEB EU CYMERADWYO / UNAPPROVED MINUTES OF THE AUDIT AND RISK ASSURANCE COMMITTEE MEETING

Date of Meeting: **09:30, Thursday 07 May 2026**
Venue: **Virtual, via Microsoft Teams and Picton Terrace**

Present:
Cllr. Rhodri Evans, Independent Member (Committee Chair)
Mr Winston Weir, Independent Member (Committee Vice-Chair) (VC)
Mr Maynard Davies, Independent Member
Mrs Eleanor Marks, Vice-Chair, Hywel Dda UHB (VC)

In Attendance:
Ms Urvisha Perez, Audit Wales (VC)
Mr David Williams, Audit Wales (VC)
Mr James Johns, Head of Internal Audit, NWSSP (VC)
Mr Murray Gard, Audit Manager, Specialist Services Unit, NWSSP (VC) (part)
Mrs Joanne Wilson, Director of Corporate Governance/Board Secretary
Mr Huw Thomas, Executive Director of Finance (VC)
Professor Philip Kloer, Chief Executive (VC)
Mrs Lisa Gostling, Director of Workforce and OD/Deputy Chief Executive (part)
Mr Lee Davies, Executive Director of Strategy and Planning (part)
Ms Alwena Hughes Moakes, Communications and Engagement Director (VC) (part)
Mr Anthony Tracey, Digital Director (VC) (part)
Ms Janice Cole-Williams, Assistant Director of Nursing (VC) (part)
Mr Rob Elliott, Programme Director Major Infrastructure Projects (VC) (part)
Ms Fiona Hancock, Senior Communications Officer (VC) (part)
Ms Rhian Davies, Assistant Director of Finance (VC) (part)
Mr Timothy John, Head of Accounting and Statutory Reporting (VC) (part)
Ms Clare Moorcroft, Committee Services Officer (minutes)

Minutes Ref.	Item	Action
AC(26)73	**Introductions and Apologies for Absence** Cllr. Rhodri Evans, Audit and Risk Assurance Committee (ARAC) Chair, welcomed everyone to the meeting. Apologies for absence were received from: • Ms Sophie Corbett, Deputy Head of Internal Audit, NWSSP • Miss Charlotte Wilmshurst, Assistant Director of Assurance and Risk • Ms Sharon Daniel, Executive Director of Nursing, Quality and Patient Experience • Ms Heather Hinkin, Assistant Director, People Management	
AC(26)74	**Declaration of Interests** Mr Maynard Davies declared an interest in relation to item AC(26)76, noting that he participated in the procurement process by which CGI were appointed as the Health Board's digital partner.	

AC(26)75 Audit Wales Update Report

Ms Urvisha Perez introduced the Audit Wales Update Report, noting that the Digital Transformation review is complete and is included on today's agenda. The remainder of performance audit work is at fieldwork or planning stage. Members were advised that the update report now reflects this year's Audit Plan, which was presented to ARAC last month. Ms Perez wished to highlight that Audit Wales is currently reviewing the Structured Assessment. Plans are still being finalised and an update will be provided in due course. Audit Wales has not published any national reports relevant to the Health Board since the last meeting; however, a link is provided in the report to its Annual Plan.

Highlighting the new 'Well-led' Framework being introduced by Welsh Government, Mrs Joanne Wilson suggested that the potential impacts and links to planned audit work will require future consideration. Cllr. Evans enquired whether a timescale has been identified for the Review of Eye Care Services. In response, Ms Perez advised that this is currently at the planning stage. Once resourcing has been confirmed, a date will be indicated in the Audit Plan. She would aim to do so by the next meeting. Cllr. Evans also requested assurance regarding whether proposed audit delivery dates were achievable and this was confirmed by Ms Perez.

Decision: The Committee **NOTED** the Audit Wales Update Report.

The Committee agreed to **ASSURE** the Board in relation to the Audit Wales Update.

AC(26)76 Digital Transformation Review

Ms Perez presented the Digital Transformation Review report, which had considered the Health Board's approach to the digital transformation in supporting service improvement, specifically the approach to strategy, leadership and skills development. It had also evaluated how the organisation manages risks around digital infrastructure, cyber resilience and Artificial Intelligence (AI). Members were advised that the latter section has been redacted from the public domain, due to sensitivities around cyber risk. The full report will be discussed during the In-Committee session.

In terms of key messages, Ms Perez indicated that the report was generally positive. The Health Board has a clear and ambitious approach to digital transformation, supported by strong leadership and an established strategic plan. Whilst Board oversight of digital transformation is effective, assurance could be strengthened by consolidating information on digital initiatives and the outcomes and impacts of engagement across digital engagement projects. There is a commitment to investing in digital transformation, demonstrated by the 10 year strategic partnership with CGI. However, limited funding poses a risk to the delivery of the strategic priorities. The Health Board is actively progressing a

range of local and national projects, with the three year digital transformation roadmap aiming to improve outcomes and staff experience and drive financial sustainability.

There is a good approach to evaluating digital projects and tracking benefits. The Health Board is making good progress in understanding and improving digital skills through targeted training, the skills pathway and digital inclusion initiatives. However, digital confidence varies across the organisation and the absence of a standalone digital workforce plan is a noticeable gap, especially as digital transformation activities accelerate. There is a strong commitment to digital inclusion and partnership working. Engagement with staff and service users is improving through clinical informatics leads, digital champions, and design workshops. The Health Board also actively contributes to national and regional programmes, with many of the national digital peer groups chaired by the Health Board's digital leaders.

In total, Audit Wales has made five recommendations, one of which will be discussed during the In-Committee session. The Health Board's completed management response is provided. Finally, Ms Perez advised that Audit Wales will be producing a national digital report, which will consider national leadership, including Digital Health and Care Wales (DHCW) and Welsh Government.

Mr Huw Thomas thanked Ms Perez and the team for this timely review. He recalled a session provided to Executive Directors by an Organisational Development (OD) digital specialist, who had suggested that last year was the 'final year of normal', given the pace of change in digital transformation. Certainly, progress in relation to AI has been extremely rapid. The review and report have provided a number of helpful additions to the Health Board's approach. Mr Thomas suggested that the Digital, Data and Innovation Committee (DDIC) has strengthened oversight in this area. The report's findings dovetail well into the DDIC workplan and provide a useful way forward. Finally, Mr Thomas thanked Audit Wales for issuing a redacted version of the report.

Mr Anthony Tracey joined the Committee meeting.

Cllr. Evans suggested that the report should be considered by DDIC. Agreeing, Mr Maynard Davies, Chair of that committee, welcomed the useful report. He felt that its findings both reflect reality and his assessment, and provide the Health Board with appropriate challenge where further work is required. The latter includes workforce and minimising duplication. Above all, the themes within the report are recognisable. Mr Maynard Davies noted that the report does not seem to include a conclusion on the Health Board's position with regard to digital transformation. Ms Perez committed to feed this back, although Mr Thomas suggested that a comparison between organisations may form part of the planned national report. To provide further assurance around the review findings, Mrs Wilson advised that similar

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themes had emerged from the recent DDIC self-assessment exercise.

Mr Winston Weir thanked Audit Wales for their report, and agreed with the views of colleagues. He would also welcome, as part of the national report, an assessment of how HDdUHB compares with other health boards in terms of digital transformation. In regard to the recommendation around a standalone digital workforce plan, Mr Weir noted that the Health Board's workforce comprises a high proportion of older staff. He enquired whether the recommendation is aimed at providing these staff with the requisite skills and equipment, and raising the profile of digital. Secondly, what Audit Wales sees as the key elements of a good digital workforce plan.

In clarifying the reason for this recommendation, Ms Perez suggested that, whilst there is a great deal of activity to upskill staff, there is no link back to the Health Board digital strategic plan. There is a need to map ambitions in the strategic plan with the skills required to achieve them. It is recognised that different skillsets will be required for different staff groups, and that individual staff have different baselines in terms of digital skills. In response to a further query around whether other health boards have digital committees, Members heard that this varies, with one having recently disbanded its digital committee. Mr Thomas welcomed Mr Weir's comments, indicating that these also highlight a broader cultural issue which the Health Board needs to address. Digital adoption is a challenge, demonstrated by the rollout of electronic patient flow systems, where engagement has been variable. Adoption and use of the systems has reflected this pattern. Addressing this issue will be key. Returning to the recommendation around a standalone digital workforce plan, Mr Maynard Davies queried whether this should indeed be separate, or whether it would be more appropriate to enhance the existing workforce plan with greater digital input and leadership. The management response focuses on the former; however, he emphasised that digital input needs to be all-encompassing.

Mr Thomas agreed with this helpful feedback, indicating that he had reflected on the matter further since the management response was prepared. One of the themes which had emerged from the OD session mentioned earlier was whether the focus should be on digital leadership, or leadership in a digital age. He felt that it was the latter, and assured Members that there is a commitment to one workforce plan, with digital enhancement. Mrs Eleanor Marks agreed that leadership in a digital age is the more relevant. She also welcomed the report, suggesting that there should be consideration of next steps and skills and resourcing implications. Whilst technical ability is required, there also needs to be leadership to ensure digital is prioritised.

Commending the report, Professor Philip Kloer emphasised the importance of leadership from a Board perspective also. He is aware that consideration is being given to Board and Executive

Team OD; specialist OD advice and support will be required. Mrs Wilson explained that the OD input mentioned by Mr Thomas has been provided to Independent Board Members as well as Executive Directors. She recognised, however, that further OD provision will be required. Cllr. Evans agreed with colleagues that there should not be a standalone digital workforce plan; rather, that digital should be enhanced in the organisational workforce plan. He further enquired whether this is sufficiently embedded in the Health Board's Annual Plan, to ensure clarity around direction. Whilst suggesting that the review's recommendations probably require further reflection, Mr Thomas assured Members that this is an area in which work is being prioritised. Anything not sufficiently emphasised in the Annual Plan can be addressed.

With regard to OD, Mr Anthony Tracey acknowledged that actions to address this aspect could have been made more explicit in the management response. He indicated that, at an operational level, various steps are being taken, including training and surveys delivered by the Digital Inclusion team, and development of a digital inclusion delivery framework. A Digital OD post within the Workforce and OD team has also just been approved and should be advertised shortly. There will be a strong link between this post and the Digital team. In terms of the workforce plan, whilst there is a comprehensive workforce plan for the digital technical side, Mr Tracey recognised the need to expand this further, with input around digital inclusion. He is undertaking work around the concept of a digital adoption team, to ensure that when new systems are introduced, there is an adoption approach which will consider digital inclusion, individuals' capabilities and skills. It is hoped that this will remove some of the barriers to digital adoption.

Mr Maynard Davies emphasised the valuable work which has been and is being undertaken by the Digital Inclusion team. He suggested that the planned relaunch of the digital strategic plan should include consideration of the workforce aspect. Agreeing, Mr Thomas highlighted that the regional perspective also requires consideration; however, this can be undertaken once the national report has been issued. In response to a query around whether the stated completion dates are achievable, Mr Tracey confirmed that they are. With regard to potential challenges, however, it was noted that management capacity may be an issue, given the significant workload around digital programmes, particularly the rollout of Electronic Staff Record (ESR) 2. Returning to an earlier query, Professor Kloer highlighted that Goal 5 in the Health Board's Annual Plan, around Great Care, covers digital in detail. Whilst he did feel that digital is sufficiently embedded in this document, he agreed that it should be tested against the review's recommendations. This provides a useful check and challenge.

Decision: The Committee **NOTED** the Audit Wales Digital Transformation Review.

The Committee agreed to **ASSURE** the Board in relation to the Audit Wales Digital Transformation Review.

Mr Anthony Tracey left the Committee meeting.

AC(26)77 **Internal Audit Plan Progress Report**

Mr James Johns introduced the Internal Audit Plan Progress Report, which provides the usual update on progress in delivering the Internal Audit Plan. Section 2 of the report details those audits finalised since the previous meeting, with two having been awarded Reasonable Assurance ratings. Several audits due to be presented at today's meeting have been deferred to June 2026. Members were assured that all audit work will be finalised by then, to facilitate production of the final Head of Internal Audit Opinion and the conclusion of the Annual Report. Referencing discussion at the previous meeting around the Opinion, it has been decided at this stage to postpone confirming this until other work is completed. Internal Audit will look to issue an Opinion as soon as it is felt that all contributory elements have concluded.

Cllr. Evans noted that a lack of a draft Head of Internal Audit Opinion at this point represents an unusual and position for the Health Board. In addition, the number of deferred reports will make the next meeting extremely challenging. He was also concerned to note the statement that the GP Out of Hours audit is still at the planning stage. With regard to the latter, Mr Johns explained that a discussion had taken place around the brief and scope for this audit, which has delayed commencement. He assured Members that it will be possible to now progress this at pace. Mrs Wilson agreed that the position is not as would be wished, emphasising that this matter has been discussed at length with the Internal Audit team. She suggested that a meeting be scheduled between Cllr. Evans, Mr Thomas, Mr Johns and herself, to discuss this further and ensure that lessons are learned for future years. This should include particularly the need to forward plan sufficient time for scoping audits, dealing with queries and escalating issues. **JW**

Mrs Marks recognised that both parties involved with audits will be susceptible to issues which may contribute to delays. It is, however, unfortunate that the Opinion is not yet available, as this is a key piece of information for the Health Board. High numbers of deferred audits also have resourcing implications, in terms of Committee time and capability to apply due diligence. She had a number of queries and comments: firstly, whether the number and focus of internal audits is correct. Secondly, whilst the organisation has made progress in implementing audit recommendations, there is further room for improvement. Mrs Marks' third query was more specific, relating to the Sickness Management audit. All recommendations are marked as high priority; however most are implemented or partially implemented. She enquired why these are still rated as Red and Amber.

In response to the final query, Mr Johns explained that the Red and Amber classifications are the priority ratings from the original report, not new ratings. Mrs Wilson addressed the issue of

whether the number and topic of internal audits is correct. She felt that it is, given that it reflects a risk-based approach and recognising that this can negatively impact on audit outcomes. It is imperative, however, that there is clarity around which audits are being undertaken and when, and that this is adhered to. Mrs Wilson agreed that improvements are required in terms of both implementing recommendations and in making these more robust. Agreeing, Mr Thomas noted that the Performance Dashboard evidences that the organisation is not sufficiently adept at closing down audit recommendations. Members heard that this is due to be addressed via the new ways of working being introduced at an operational level.

Cllr. Evans requested assurance that all outstanding audit reports will be presented to the June 2026 meeting. Mr Johns confirmed that all audit fieldwork is either complete or well underway, with the exception of the GP Out of Hours audit already mentioned. In response to a query around the anticipated timescale for confirming the Head of Internal Audit Opinion, Mr Johns reminded Members that at the previous meeting he had indicated this may be one of Limited Assurance. He had also described the additional narrative being drafted to accompany the Opinion. Mr Johns is keen to close off a number of outstanding audits before confirming the position; particularly one audit, which has involved additional evidence and clarification. He emphasised the importance of considering every element of information available to inform the overall Opinion; for this reason, it is challenging to give a definite date at this stage. Mrs Wilson indicated that she will be meeting with Mr Johns next week and committed to provide an update to the ARAC Chair following their discussion. **JW**

Decision: The Committee **TOOK ASSURANCE** with regard to the delivery of the Internal Audit plan and from the outcomes of the finalised audit reports.

The Committee agreed to **ASSURE** the Board in relation to the Internal Audit Plan Progress Report.

AC(26)78 Sickness Management Follow-up (Review)

Mrs Lisa Gostling and Ms Janice Cole-Williams joined the Committee meeting.

Mr Johns introduced the Sickness Management Internal Audit report, which outlined the follow-up to an earlier audit, together with sickness management elements of the previous Nursing Management audit. It had been identified that there were a number of common issues and related actions from both of these audits. Of the three key areas from the previous report being followed-up, one has been fully implemented and two partially implemented. The findings confirm that work has been undertaken to address outstanding issues. This included the development of template documents for service areas to utilise, although these are at different stages of implementation. It is felt that further work could be undertaken to adopt a more consistent approach. There

are, however, a number of other areas which still require focus, to improve sickness management at the operational level across the whole organisation.

Welcoming the report, Mrs Lisa Gostling noted that the area found to be partially implemented is around managers undertaking audits of their sickness absence. She further noted the comment that the Workforce and OD team have not audited these audits. In response, she would wish to highlight that this team has three members dealing with sickness absence for 13,000 Health Board staff. It was suggested that the focus should be on responsibility and accountability, with all managers having a responsibility for their staff and all the associated processes and policies. The audit requirement for an audit checklist to be produced has been implemented. However, it is for directorates, Clinical Care Groups (CCGs) and their managers to complete. In addition, when staff are absent due to sickness, it is the managers' responsibility to ensure this is reported in a timely way, recorded on ESR, and that Return to Work (RTW) discussions and any reviews required are undertaken. Additional support is being offered to CCGs, with Mrs Gostling and her team reviewing every member of staff on long-term sickness absence to ensure the correct process is being followed. However, this arrangement cannot be sustained; there needs to be instilled in managers the concept that sickness management is part of their routine activity in managing staff.

Mr Maynard Davies agreed that this is a managerial responsibility, whilst querying how this can best be reinforced and enforced. It is vital for sickness absence to be managed correctly and consistently, not least because it can cause discontent among staff if it is not. He enquired as to the level of confidence around effective operation of the system, which already exists, and queried whether the timescales for the original recommendations had been overly optimistic. With regard to the latter, Mrs Gostling noted that the date of September 2025 to implement the process had been met. The issue is application of and compliance with the process on an ongoing basis, as this is not occurring consistently. These gaps are recognised; it is hoped that implementation of the new ESR system will assist. Whilst the current ESR does issue auto-reminders, this will be via a different portal and mechanism under the new ESR, which may have benefits. With regard to actions from the original audits, Ms Janice Cole-Williams wished to emphasise that the development of a good practice guide has taken place. This has been developed based on good practice identified at Prince Philip Hospital and has been circulated to all roster managers in nursing. It is suggested that consideration be given to whether other staff groups might find it useful. The cultural aspect of this topic is recognised; however, an improved staffing position in nursing should afford greater capacity to manage sickness more effectively. Whilst good progress has been made, more work is required.

Mrs Marks shared the view that it is the job of managers to manage, adding that sickness management also involves staff

wellbeing. It concerns how the organisation lives its values, and enables managers to check whether staff are being impacted by factors other than illness. She suggested that it be 'reframed' in these terms. It was also noted that RTW discussions, for example, are sometimes undertaken in an informal way; however, they need to be formally recorded. Mrs Marks agreed that there is a cultural aspect and whilst there are examples of good practice, there are also instances of poor practice. Ultimately, it is not acceptable for Executive Directors to be undertaking tasks which are the responsibility of managers.

In response to a request for assurance that the approach will be consistent, Mrs Gostling expected that every manager is provided with information around the required process. As mentioned, the Workforce and OD team has three sickness management coordinators, who will support and educate as necessary; however, the new ESR system will also reinforce messages and assist. Cllr. Evans suggested that this area clearly needs further work and queried how best to maintain scrutiny. He felt that any future review should focus on management compliance, rather than outcomes. Mrs Gostling felt that there is scope to link this with the Grip and Control work outlined in a later agenda item. Agreeing, Mr Thomas stated that the organisation is aware of challenges in relation to annual leave management and roster management. Robust processes are in place for these and sickness absence management; however, they are not being complied with.

Responding specifically to Cllr. Evans' concerns, Mrs Wilson suggested that oversight by other committees might be more appropriate. From an ARAC perspective, whilst it was felt that assurance can be taken around implementation of actions, ongoing compliance needs to be the focus. Building on these comments, Mr Thomas was of the opinion that there should be more audits centred on compliance with processes, rather than of the processes themselves. The latter tends to lead to repeated design and re-design of processes, which does not always address the issue. Mr Weir highlighted that, whilst assurances have been received, the report does not actually confirm that the recommendations have been implemented. In response, Mrs Gostling explained that the partially implemented status recognises that, whilst the audit criteria have been defined and shared with directorates, the evidence that they are taking place is not yet available. Hence the concerns around compliance.

Decision: The Committee **NOTED** the Sickness Management Follow-up (Review) Internal Audit report.

Whilst assured regarding implementation of the actions outlined within the audit recommendations, the Committee agreed to **ADVISE** the Board regarding the Sickness Management Follow-up (Review) Internal Audit report, given concerns around compliance with sickness management processes.

Mrs Lisa Gostling and Ms Janice Cole-Williams left the Committee meeting.

AC(26)79 Major Infrastructure Investment Programme (Reasonable Assurance)

Mr Lee Davies and Mr Rob Elliott joined the Committee meeting.

Mr Murray Gard introduced the Major Infrastructure Investment Programme Internal Audit report. The programme aims to address the estate's infrastructure risks across the Health Board's acute sites. The audit had concluded an overall opinion of Reasonable Assurance. This reflected findings that the programme is well-founded, risk-based and supported by a strategic rationale, whilst recognising that certain areas do need strengthening as the programme progresses. The programme's prioritisation was robust, well-documented and underpinned by the strategic estates development plan. One high priority issue around advisors' contracts not having been executed at the time of audit had been identified; however, this has now been fully resolved and all contracts are now in place, significantly strengthening the programme's contractual position. Of the remaining actions, several have already been completed.

Mr Lee Davies thanked the team for the helpful and positive report. In terms of prioritisation, the Health Board faces a number of significant risks and needs a robust prioritisation approach, especially given limited capital availability. The issue in relation to advisors contracts had been an oversight in the process, which has now been addressed. Adding his thanks, Mr Rob Elliott emphasised the journey undertaken by the organisation in terms of infrastructure investment, which had included various exercises in response to Welsh Government requests. He felt that the culture has changed, with more joint working with both Welsh Government and the NHS Wales Shared Services Partnership (NWSSP). This has helped to change views and create a more positive and supportive working relationship.

Whilst acknowledging the positive assurance rating, Cllr. Evans felt that there are a number of themes in the report which are of concern, particularly around procurement. Mr Maynard Davies agreed, noting that it was pleasing to see a number of actions already implemented. However, he highlighted in particular the high priority recommendation and queried the appointment of an external project manager via a consultant contract. Such contracts usually require Board approval and assurance was requested around the processes followed in this case. In response, Mr Elliott explained that the Project Manager had been appointed late in the process, due to challenges in securing funding. The contract was based on the contract element of the framework structure used for this particular procurement exercise. Whilst their status is the same as the other consultants, who were appointed via a more traditional Joint Contracts Tribunal (JCT) approach; a different, shortened, contract version had been used. He assured Members

that it is a legitimate contract, and is the same as that used for other consultants such as architects and engineers.

Mr Maynard Davies emphasised that this is the heart of his query, as such consultant contracts, if in excess of £25k, should be reported to and approved by ARAC and the Board. Cllr. Evans shared this concern and had others regarding procurement in general, and requested assurance that the correct processes are being adhered to. He also noted that the contract cost which was originally £1.07m had increased to £1.7m and enquired whether checks are in place to ensure value for money. Whilst recognising that there is greater grip and control on expenditure, Mrs Marks echoed her colleagues' concerns and queried whether potential issues around procurement might have resulted in this project costing more and taking longer than it should. Mr Lee Davies confirmed that the award of the contracts in question had been considered by the Board.

To clarify the change in project value, Mr Elliott explained that when the consultant appointments were first put out to tender, the project cost was based on priorities at that point in time. Subsequent to this, the Health Board was able to secure a substantial sum from the Targeted Estates Fund (TEF), which enabled it to fast track certain elements. This meant they could be removed from the major infrastructure plan. At the same time, the Health Board was beginning the engagement with the NWSSP technical team to jointly develop and agree on priorities. This piece of work identified far greater risks and additional areas not included in the original plan. As a result, the workload and scope changed, meaning that these additional costs were appropriate. The costs were fully validated and taken through the appropriate forum (Financial Control Group at that time). The Procurement team was also fully involved in this process. To address Mrs Marks query, scrutiny and evaluation, in conjunction with Procurement, suggests that the project has not cost any more than it should have. It has not taken any longer, because until the money from Welsh Government came online in December 2025, the Health Board was not able to progress the project.

Mr Thomas wished to preface his comment by recognising that leadership arrangements in this area have changed only recently. However, this is not the first time that procurement or contract management within Estates has been discussed at ARAC, suggesting a need for further reflection. He highlighted that Estates is the only function in the Health Board which manages its own procurement. Within every other function, the Procurement team provides a more direct approach, which serves to ensure compliance with procurement processes. He felt that the concerns raised need to be addressed and taken seriously in advance of any future discussion of major estates projects. Particularly as contract management is an area which tends to attract challenge within new infrastructure development.

Mr Thomas suggested that he work with Mr Lee Davies, Mrs Wilson and Mr Elliott, in dialogue with the Procurement team, to establish how greater assurance can be provided. Mrs Marks welcomed this suggestion. Whilst accepting the explanation provided by Mr Elliott, she felt that, had the project been subject to the processes and checks other functions are, it may have been managed differently. Mr Elliott also welcomed Mr Thomas' suggestion for moving forward, agreeing that consideration should be given to how the role of Procurement in estates projects can be strengthened. Returning to the issue of whether the consultant appointment was approved, Mr Maynard Davies noted that, whilst there had been Board approval of the project, the consultant element was not explicitly identified. He felt that this issue needs to be drawn out, reviewed and clarified, particularly as the Health Board is required to report consultancy expenditure as part of its Annual Report. **HT/LD/ JW/ REII**

Mr Thomas emphasised the importance of adhering to definitions and terminology. The discussion today involves professional services, not management consultants. It is contracts in excess of £25k for the latter which require Board approval. However, using consultancy contracts for professional services blurs the definitions, potentially causing confusion. Hence the importance of working with Procurement, and not procuring outside recognised processes or frameworks, ensuring clarity around approval routes. The challenge is that Estates procure their own services, which is quite different to the way in which the rest of the organisation operates. This can be considered during the discussion proposed above. Mr Lee Davies wished to clarify that Estates in this context refers to estate capital projects, not Estates and Facilities.

Drawing discussions to a close, Cllr. Evans enquired whether auditors were content that the core controls they had identified as being absent are now in place. In response, Mr Gard highlighted that NWSSP attend and observe the Programme Group, and see the information which is presented on a monthly basis. He was able to assure Members that controls are in place and operating appropriately. Mr Gard also wished to comment on discussions around contracts, acknowledging that there is scope for greater clarity in report wording. He confirmed that these individuals were not consultants, but professional advisors, using consultant contracts. He would feed back this information to ensure future reports reflect this more clearly. Members discussed the various concerns raised by this report, agreeing that it should be revisited at a future meeting, following the discussion proposed above. **MG** **LD**

Decision: The Committee **NOTED** the Major Infrastructure Investment Programme (Reasonable Assurance) Internal Audit report.

Whilst assured regarding implementation of the actions outlined within the audit recommendations, the Committee agreed to **ADVISE** the Board regarding the Major Infrastructure Investment Programme (Reasonable Assurance) Internal Audit report. This

was due to concerns around cost controls, clarity regarding use of consultancy and professional services contracts and adherence to procurement processes within capital estates projects. Further, that this issue would be revisited at a future meeting.

AC(26)80 Withybush General Hospital – Fire Precautions Works Phase 2 (Reasonable Assurance)

Mr Gard introduced the Withybush General Hospital – Fire Precautions Works Phase 2 Internal Audit report, which had also concluded an overall opinion of Reasonable Assurance. The audit identified that the project was progressing within its approved cost envelope, with positive governance and financial management. A phased 'mini' accounts approach across the work zones represents good practice and supports strong financial discipline within the project. The project has clear leadership and effective oversight through the Project Group. The level of stakeholder engagement in place was also of particular note, with constructive collaboration between the Project Group, hospital teams and importantly, the Mid and West Wales Fire and Rescue Service (MWWFRS). This represents positive progress based on lessons learned from previous phases.

Certain areas where controls can be strengthened have been highlighted within the report. There was one high priority issue identified, in relation to fire training compliance, which has not consistently met the 85% threshold. Similar to the previous agenda item, a number of actions within the report have been completed already. Finally, Mr Gard wished to highlight and apologise for a minor error on the penultimate page of the report. The final statement should read 'A long-term plan may also be required to ensure where staff fire training is due for renewal; sufficient time is given to plan for attending the necessary training on a timely basis'.

Welcoming the report, Mr Lee Davies wished to recognise the efforts made and progress achieved by Mr Elliott in developing the working relationship with MWWFRS, which has led to significant improvements. It is also important to note that negotiation of a lower specification on Fire Precautions works was based on a commitment to higher levels of fire training compliance. Whilst the Health Board is currently at the required level, this needs to be monitored on an ongoing basis. It would have a significant impact if MWWFRS were to change their view in this regard. Mrs Wilson assured Members that this matter is scrutinised and monitored at the Health and Safety Committee, and was discussed in detail at its most recent meeting. Given the importance of fire training compliance, Cllr. Evans enquired regarding accountability for this. Mr Lee Davies responded that this lies with Health Board staff and managers. He explained that there are three levels of fire training, with requirements and accountability dependent on staff group.

Referencing the management response of '(Future action)' to Key Finding 6, Cllr. Evans queried the lack of completion or implementation date, highlighting the challenges this causes in

tracking progress. Mr Elliott explained that the specific issue outlined in this finding has elapsed due to the NEC Supervisor having been appointed for this project; however, it is intended to address this recommendation for future projects. Following discussion, it was agreed that a management response would be developed to enable tracking that these areas had progressed. **LD**

Decision: The Committee **NOTED** the Withybush General Hospital – Fire Precautions Works Phase 2 (Reasonable Assurance) Internal Audit report.

The Committee agreed to **ASSURE** the Board in relation to the Withybush General Hospital – Fire Precautions Works Phase 2 (Reasonable Assurance) Internal Audit report.

Mr Lee Davies and Mr Rob Elliott left the Committee meeting.

AC(26)81 **Infection Prevention & Control**

DEFERRED to 23 June 2026 meeting

AC(26)82 **Commissioning Third Sector**

DEFERRED to 23 June 2026 meeting

AC(26)83 **Wellsky System**

DEFERRED to 23 June 2026 meeting

AC(26)84 **Decision Making for High Cost Drugs**

DEFERRED to 23 June 2026 meeting

AC(26)85 **GP Out of Hours**

DEFERRED to 23 June 2026 meeting

AC(26)86 **Report on the Adequacy of Arrangements for Declaring, Registering and Handling of Interests, Gifts, Hospitality, Honoraria and Sponsorship**

Mrs Wilson presented the report, which describes the annual review process undertaken. Specific actions include review and enaction of the policy, increased promotion of the policy. There has been regular messaging in this regard, in addition to tailored training, particularly coming up to the Senedd election. There has also been work undertaken with the high risk groups, which has increased compliance from 25% to 63%. It is recognised, however, that further work is required.

Decision: The Committee:

- **TOOK ASSURANCE** from the adequacy of the arrangements in place for declaring, registering and handling interests, gifts, hospitality, sponsorship and honoraria during 2025-26, for onward assurance to the Board.
- **NOTED** the improved Declaration of Interests compliance rate among staff in ‘high risk’ groups, as compared with the previous year.

- **NOTED** the consultation undertaken to inform the scheduled review of the Standards of Behaviour Policy.

The Committee agreed to **ASSURE** the Board in relation to the Report on the Adequacy of Arrangements for Declaring, Registering and Handling of Interests, Gifts, Hospitality, Honoraria and Sponsorship.

AC(26)87 **Draft Audit and Risk Assurance Committee Annual Report 2025/26**

Introducing the Draft ARAC Annual Report 2025/26, Cllr. Evans wished to record his thanks to Mrs Wilson, Mr Thomas and all the teams involved in contributing to this document. He highlighted in particular the approach to Internal Audit which, whilst it can create challenging audit outcomes, focuses for good reason on those areas where it is recognised that there are issues. This is an important principle and is the correct approach. Mrs Wilson felt that the report served as an accurate reflection of the work undertaken during the year, with the breadth of topics covered reflected in detail. She recognised that the demands place on committee Members, particularly at this time of year, were particularly significant and thanked them for both their support and challenge. Adding his thanks to fellow ARAC Members, Cllr. Evans also wished to thank Executive Directors and Lead Officers for their contributions to meetings during the year.

Referencing section 5 on page 5, Mr Maynard Davies noted that Healthcare Inspectorate Wales (HIW) had declined a private meeting with ARAC Members once again, and requested assurance that engagement is taking place. Mrs Wilson explained that HIW employ alternative engagement processes. They are also invited to QSEC meetings, offering an opportunity for input. It was felt, however, that there should be engagement in a private forum with ARAC Members, in the same way as for other regulators. It may be that the purpose of this process requires further clarification. Mrs Wilson offered to take this forward with Ms Sharon Daniel, who is the Executive Lead with responsibility for engagement with HIW. Professor Kloer indicated that he had met with HIW recently, as part of the new arrangements. It had occurred to him that it might be appropriate to invite the Chair of QSEC to these meetings; not necessarily every meeting. Mrs Marks was happy for this suggestion to be made to Ms Daniel. Mr Maynard Davies noted that the Chair of ARAC had, during the year, issued letters reminding Health Board staff of the importance of compliance with audit deadlines and constructive engagement with auditors. It was suggested that this be reflected in the report.

JW

PK

JW

Decision: The Committee **AGREED** to provide feedback on the ARAC Annual Report within one week and **REQUESTED** Chair's Action to approve the content of the report, prior to onward submission to the Board.

The Committee agreed to **ASSURE** the Board in relation to the Draft ARAC Annual Report 2025/26.

AC(26)88 **Draft Head of Internal Audit Opinion and Annual Report 2025/26 (Verbal Update)**

Members agreed that this item had been covered during discussion of the Internal Audit Plan Progress report.

Decision: The Committee **NOTED** the Draft Head of Internal Audit Opinion and Annual Report 2025/26 Update.

The Committee agreed to **ASSURE** the Board in relation to the Draft Head of Internal Audit Opinion and Annual Report 2025/26 Update.

AC(26)89 **Assurance Report on Board Effectiveness**

Mrs Wilson introduced the report, which is provided for assurance prior to Board consideration. She reminded Members that there had been the subject of detailed discussion at the most recent Board Seminar, with changes made to the maturity level in two criteria. Members also noted that there may be changes to the framework for assessment of Board effectiveness in the future, for example in response to the new 'Well-led' Framework.

By way of a comment, Mr Maynard Davies referenced earlier discussions around 'leadership in a digital age' and the Audit Wales Digital Transformation report. He noted, however, that there is very little mention of digital in the Board Effectiveness assessment. He enquired whether, for future years, digital considerations, and how digital is being used to support the Board might be included. Mrs Wilson agreed to consider this as part of any review process.

Decision: 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 by the Board at the Board Seminar meeting held on 23 April 2026.

The Committee agreed to **ASSURE** the Board in relation to the Assurance Report on Board Effectiveness.

AC(26)90 **Audit Enquiries to those Charged with Governance and Management**

Presenting the report, Mr Thomas advised that preparation of a response is a standard, annual requirement. There are only fairly marginal changes to the response submitted last year, which is also included for information. As such, he had nothing further to add, explaining that the report is presented for the Committee's assessment. Mr David Williams confirmed that the letter is a standard one, and indicated that Audit Wales is content with the Health Board's response.

Decision: The Committee **REVIEWED** the response prepared and **RATIFIED** this for onward submission to Audit Wales.

The Committee agreed to **ASSURE** the Board in relation to the Health Board's response to the Audit Enquiries to those Charged with Governance and Management letter.

AC(26)91 Draft Performance Overview

Ms Alwena Hughes Moakes and Ms Fiona Hancock joined the Committee meeting.

Presenting the Draft Performance Overview section of the HDdUHB Annual Report, Mr Thomas thanked Ms Tracy Price in the Performance team, and colleagues in the Corporate Governance and Communications teams for their contributions. There had been a request to reduce the length of the Annual Report, and Mr Thomas suggested that it is a significant feat to have summarised the Health Board's achievements across the year in such a concise and readable format. Ms Alwena Hughes Moakes echoed this and added her thanks, particularly to Ms Fiona Hancock. It has been especially challenging to simplify terminology used in the Annual Report, which includes several extremely technical aspects. Members were assured that the report will be further enhanced, to make the final version even more accessible.

With regard to the process between now and the Annual General Meeting (AGM), Ms Hughes Moakes advised as follows: Assuming that ARAC is content, the draft will be submitted to Welsh Government and Audit Wales by Friday (tomorrow). It will be issued for translation next Monday, and the final Health Board Annual Report will be submitted for approval by ARAC on 23 June 2026 and at the Extraordinary Board meeting on 25 June 2026. Audit Wales and Welsh Government are then due to provide final approval at the end of June, prior to the report being presented to the AGM at the end of July. The timescale is, therefore, a challenging one.

Mrs Marks agreed that it had been a major achievement to summarise the Health Board's work during the year. She commended the report, noting that it is well-written and provides information which is accessible to both professional and public audiences. Recognising the pressured timescale, Cllr. Evans thanked all of those involved for their contributions. He queried whether the report presents a balanced view of the Health Board's achievements and unresolved issues, for example in relation to Urgent and Emergency Care. Professor Kloer added his thanks to all of the teams who have contributed. In response to Cllr. Evans' query, he highlighted that the organisation's performance against key improvement measures is set out quite starkly in the table on pages 15 and 16. He suggested that this is intended to provide transparency. The report seeks to focus on those areas where the Health Board has set out to make improvements, and on celebrating staff achievements. It does not try to conceal those issues where further improvement is required. He acknowledged the feedback, however, and suggested that it may be possible to

reflect this to a greater extent in his introductory statement as Chief Executive Officer.

Cllr. Evans observed that the level and scope of work involved in reports such as this is not always recognised. As the Health Board's Independent Board Member Champion for Welsh Language, he also wished to thank the Welsh Language team in particular for their contribution. Replying to a query around the number of responses received when the report had been circulated for comment, Ms Fiona Hancock advised that not all parties had responded. Members were assured, however, that they had all been offered the opportunity to comment.

Decision: The Committee **RECOMMENDED** the Performance Report chapter of the 2025/26 Annual Report for approval by the Board.

The Committee agreed to **ASSURE** the Board in relation to the Draft Performance Overview section of the HDdUHB Annual Report.

Ms Alwena Hughes Moakes, Ms Fiona Hancock and Mr Murray Gard left the Committee meeting.

AC(26)92 Draft Accountability Report

Mrs Wilson introduced the Draft Accountability Report, which comprises three parts and includes Board composition and oversight throughout the year, leadership information, escalation status progress. It also provides an overall opinion around internal governance. The Head of Internal Audit Opinion section is subject to change, for the reasons already discussed, which may necessitate amendment of the report's conclusion. Subject to any amendments from Members, the report will be submitted to Welsh Government and Audit Wales tomorrow. Mrs Wilson wished to record her thanks in particular to Miss Charlotte Wilmshurst for her significant work on the report. She handed over to the Chief Executive, as accountable officer, for comment.

Professor Kloer wished to record his thanks to Mrs Wilson and Miss Wilmshurst for preparing the report. He felt that it accurately reflects the organisation's position; however, would welcome feedback from others. Cllr. Evans' main concern would be that the Health Board is making insufficient progress operationally and in operational governance, given audit results this year. Agreeing that this is a reasonable challenge, Professor Kloer assured Members that the Executive Team has been reflecting on this issue. Ensuring implementation of the Organisational Change Process (OCP) is critical, and Professor Kloer is determined to see progress in this regard. He was cognisant that the People, Organisational Development and Culture Committee (PODCC) is also monitoring this area. Members heard that new ways of working are due to be introduced shortly, and were also informed that significant effort has been and is being put into management training programmes. It is anticipated that all of these different

‘strands’ will bear fruit. A framework exists; it is the embedding of this which is required.

Mr Maynard Davies felt that the report is well-written, agreed that it is reasonably balanced. He suggested that it provides the opportunity to examine topics in detail, and does not seek to conceal anything. In terms of specific feedback and amendments, he advised as follows:

Page 10 – the Board and committee structure organisational chart on is colour coded; however, there is no key for the colours
Page 64 – the Board record of attendance for Mrs Lisa Gostling does not include a figure for Board meetings attended
Page 84/85 – no Compensation for early termination figure is included for Ms Jill Paterson
Page 87 – there is mention of benefits-in-kind for Executive Directors, but not for Independent Members

With regard to the third comment, Mrs Wilson indicated that Audit Wales had been consulted on the correct approach. Detailed information regarding payments made to Ms Jill Paterson is included on Page 87. In response to the fourth comment, it was confirmed that this is covered by the following statement:

The benefits-in-kind which arose to independent members related to the taxable reimbursement of travel expenses.

Mr Maynard Davies’ only other query was in relation to whether the organisation was potentially under-reporting Consultancy expenditure, which was discussed earlier. Mr Thomas was assured that this position is adequately and accurately captured with reporting processes as they stand. As a final query, Cllr. Evans requested assurance that risks are escalated appropriately and in a timely manner by CCGs.

Mrs Lisa Gostling, Ms Rhian Davies and Mr Timothy John joined the Committee meeting.

With over 600 risks across the organisation, Professor Kloer indicated that the Health Board had taken a risk-based approach to its planning process this year. He felt that there is a very strong risk management approach, certainly at a corporate level, and increasingly throughout the organisation. During the last year, there has been more evidence of CCGs escalating matters effectively through the reporting structures and to the Board. Culminating in, at times, both clinicians and managers presenting to the Board on issues which have existed for some time. He felt that this was evidence of improved risk escalation through the structures, increasing visibility at Board, enabling more effective prioritisation of effort. There is, however, an element of ‘work in progress’; this relates to Cllr. Evans’ earlier comment around operational governance, and how this can be strengthened.

Mrs Wilson considered actions which might be taken this year to strengthen committee support and oversight. She reminded

Members that each committee meeting includes an overview of the Corporate Risks and audits which have been aligned to them. Themes and operational risks have also been introduced to the committees. There is no dearth, therefore, in transparency. It was suggested, however, that the area where the organisation needs to improve is in acknowledging its risks. To add further assurance, Mr Thomas emphasised that internal reporting is clear, both in terms of data and performance. Each of the CCGs know which risks they are managing. This provides for transparency and clarity internally and at Board level.

Decision: Subject to the above amendments, the Committee **DISCUSSED** and **SUPPORTED** the content of the Draft Accountability Report, agreeing to provide any feedback that is relevant to its objective to the Director of Corporate Governance/ Board Secretary by 22 May 2026, in order to provide assurance to the Board that a robust governance process was enacted during the year.

The Committee agreed to **ASSURE** the Board in relation to the content of the Draft Accountability Report and that a robust governance process was enacted during the year.

AC(26)93 Financial Grip and Control

Presenting the report, Mr Thomas explained that the Financial Grip and Control tool had been developed by the NHS Wales Performance and Improvement Financial Planning and Delivery Directorate. It includes a clear set of criteria which cover various areas, against which organisations are asked to assess themselves. Mr Thomas emphasised that the Health Board has taken a fairly self-critical approach, deliberating setting out to identify gaps in processes. It is now intended to put in place a workplan to address these gaps, and consideration is required regarding the most appropriate forum or committee to monitor progress. In addition, the Internal Audit team has been asked to review the self-assessment.

Mr Weir welcomed the candour and honesty with which this exercise has been approached. He hoped that any gaps in processes identified will input into the Internal Audit Plan for the coming and future years, and would encourage a focus on these areas. In order to understand the scope and consider whether other areas should have been included, Mr Maynard Davies requested clarification regarding the background to this exercise. In response, Mr Thomas indicated that it represents an amalgam of the work with which NHS Wales Performance and Improvement have been involved, and of practice and issues seen across Wales. Mr Maynard Davies was assured by this context, agreeing that an overly-critical approach had been taken whilst suggesting that this is preferable to being challenged over a lack of evidence. In terms of the most appropriate forum, he suggested PODCC or the Finance and Performance Committee (FPC).

Mrs Gostling highlighted that new delivery and performance documents are being developed for all functions. She assured Members that the gaps relating to workforce have been added into the workforce performance and delivery plan. In addition, the CCGs have plans in relation to agency usage and sickness management. These provide a natural basis for alignment. It will be important, however, to ensure that removal of the Financial Control Sub-Group (FCSG) does not impact negatively on financial grip and control, and that this is embedded and properly maintained locally. Whilst emphasising that the list is not all-encompassing, Professor Kloer noted that workforce represents the organisation's most significant spend, therefore is bound to feature highly. He agreed with Mrs Gostling's final comment, and felt that this should be used as a guide for setting financial priorities; however, it must also be balanced with all the Health Board's other data on savings opportunities.

Mr Thomas agreed and confirmed that the list is not intended to represent a savings plan. It concerns the core controls the organisation should have in place to manage the here and now. It is not related to changes to services, or addressing any of the Health Board's fundamental challenges. Mr Thomas felt that one area requiring focus is contract management. Now that FCSG has been stood down, he, Mrs Wilson and Procurement and Finance colleagues will be meeting fortnightly to discuss how to improve contract management arrangements within the Health Board. This is an area requiring support and leadership. Mr Maynard Davies welcomed this approach, highlighting that each item in the list has an associated management overhead, and need to be prioritised according to the level of financial benefit they may return.

Noting mention of groups being stood down and the new ways of working, Cllr. Evans enquired regarding likely timescales for the impact of these changes to be seen. He queried whether ARAC will see a different reporting format, for example. These queries related specifically to assurance expectations. Mr Thomas reiterated earlier comments around the need to emphasise and enforce compliance; rather than undertake repeated cycles of process redesign, in an attempt to achieve compliance. He suggested that further consideration is required as to how this is progressed. In response to a suggestion that the Internal Audit Plan might be refocused to include this, it was felt that audits of areas where there are known to be gaps in compliance would offer limited value at present. It was suggested that there should first be a focus on enforcing compliance, after which audits can be considered. Welcoming the report, and the intention to develop action plans, Mrs Marks agreed that the time has come to focus on compliance with processes. There have been a number of references in reports and discussions to staff not recording compliance with processes, not following processes and circumventing processes. **HT/JW**

Mrs Marks' other query was around CCGs and those instances where personnel have been displaced by other appointees. She

enquired how the financial consequences of this are being managed, recognising that this is not necessarily a query for ARAC. Clarifying that this is in relation to OCPs and the assertion that there is no additional cost, Mr Thomas acknowledged that assurance around this will need to be provided to the relevant committee and Board. It was agreed that this would be evaluated and a response provided via the Table of Actions. Mrs Gostling wished to highlight, however, that the OCP2 is still in progress and is therefore not yet fully costed. **HT**

Decision: The Committee is asked to **NOTE** the Financial Grip and Control report.

The Committee agreed to **ASSURE** the Board in relation to the Financial Grip and Control report.

Mrs Lisa Gostling left the Committee meeting.

AC(26)94 Draft Annual Accounts 2025/26

Mr Thomas introduced the Draft Annual Accounts for 2025/26, thanking Ms Rhian Davies, Mr Timothy John and other members of the Finance team for their efforts in preparing these. Whilst the format of the accounts is not that which would be the preference, the Health Board is restricted to the prescribed format. The organisation is now in the process of liaising with Audit Wales regarding the financial audit. The Committee has been provided with a high-level position statement regarding the accounts, which summarises organisational performance against financial targets. This includes the following:

Revenue Resource Performance (Statutory)
The month- and year-end position is a deficit of £22.089m, just under the £22.1m Target Control Total set by Welsh Government. This contributes to a cumulative three-year deficit of £112m. The cumulative position is rarely discussed; however, it represents a stark position, driven largely by a Year 1 deficit of £65m. It is hoped that the figure will reduce over future years, although this is dependent on the position achieved in 2026/27.

Capital Resource Performance (Statutory)
The Health Board achieved this target, with an underspend against the Capital Resource Limit of £38k. This had been a significant challenge and the teams involved had worked extremely hard, particularly in the final quarter and month of the year, to reach this position.

Duty to Prepare a 3 Year Plan (Statutory)
It has not been possible to achieve this target, as the organisation does not have a balanced Integrated Medium Term Plan (IMTP).

Creditor Payment Performance
Performance against this target has been consistent, with the 96.6% this year, versus 96.7% last year. The Health Board had, therefore, achieved the 95.7% required. It had not, however, met the in-NHS payment target, with performance of around 85%.

Whilst this is not reported in the annual accounts, it is a target against which Welsh Government measure the organisation. They have expressed disappointment regarding the performance level.

The final slides in the presentation provide an analysis of the shifts between one year and the next. Mr Thomas had nothing he particularly wished to highlight, drawing Members' attention to the narrative provided. He reiterated that the Health Board is currently participating in the process of auditing the draft accounts with Audit Wales. The accounts were submitted on 1 May 2026, in line with requirements, and (subject to satisfactory conclusion of the audit) will be submitted in final form to ARAC on 23 June 2026 and to Public Board on 25 June 2026. Ms Rhian Davies added her thanks to those teams who have contributed to preparation of the annual accounts. As has been stated, these were submitted to Welsh Government yesterday and members of the Finance team had also met with Audit Wales representatives yesterday. For context in terms of the level of audit queries, Ms Davies advised that the figures this year for materiality and triviality are £14.6m and £733k respectively.

Suggesting that the effort involved in preparing accounts of this scope cannot be underestimated, Mr Weir thanked Ms Davies and Mr John for their work. He felt that this is a clear set of accounts and welcomed the high-level summary provided. On page 10 of the latter, Mr Weir noted that the Losses, special payments and irrecoverable debts figure has increased from £2.24m to £5.7m. He enquired whether there was a specific driver for this increase, or whether it was more arbitrary. In response, Members were advised that the reason for this increase related to the payments to Band 2 staff whose roles had become Band 3. Ms Davies reminded Members that provision had been made for this rebanding last year, and was included as an 'other'. This year, the Health Board had received guidance from Welsh Government that the recognition payment should be classified as a special payment. Hence the difference between this year's and last year's position in this category.

Mr Weir's second query was regarding annual leave accrual, and whether the level is similar to previous years. Ms Davis advised that the annual leave accrual is shown under note 9.1 on page 34 of the accounts. There is an increase this year of approximately £700k compared with previous years. This has been examined; however, she assured Members that all annual leave requests are appropriately approved. Thanking her for this response, Mr Weir noted that a figure of this level is not material to the accounts, given that the threshold for materiality is £14.6m.

Building on Mr Weir's first query, Cllr. Evans enquired whether there are any other material exposures of which the Committee should be aware. He noted in particular reference to clinical negligence made on pages 11 and 12 of the presentation. Mr Thomas confirmed that clinical negligence costs are a particular concern, which are not likely to diminish. It is important to recognise that provision nationally has increased by £0.25bn this

year. The Health Board's share towards this obligation will feature in future financial positions. Reasons for the increase to future provisioning arrangements include a Supreme Court judgment in March 2026 equalising the impact between genders, and a recognition of the full-life cost of lost earnings. The latter, in the case of a child, can clearly be very significant. A great deal of work is underway nationally to address this issue. Mr Thomas was content that the Committee can take assurance around the processes which have led to the figures in the accounts. The area requiring further focus is actions to prevent clinical negligence cases occurring.

In response to a query around general lessons learned, in relation to forecasting, for example; Mr Thomas indicated that this is an area of intense focus and assured Members that continuous learning is applied. The Health Board is at the forefront of work with colleagues in NHS Wales Performance and Improvement to explore the potential of machine forecasting and AI forecasting. It will be interesting to see how these tools might assist. However, the Health Board's forecasting is already relatively robust, evidenced by a forecast of £22.1m in December which has been maintained since. Adding his thanks to all involved, Mr Maynard Davies noted a correction needed on page 72, in relation to the heading for Pooled Budget contributions, which should be in thousands. Cllr. Evans enquired whether Audit Wales are content with the submission, with Mr Williams advising that it is too early to comment at this stage. He assured Members that Health Board and Audit Wales staff are meeting on a regular basis to discuss any queries. **HT**

Finally, Cllr. Evans noted that Ms Davies is due to retire this year, and wished to place on record the Committee's appreciation for her contribution over the years.

Decision: The Committee **DISCUSSED** the draft annual accounts for 2025/26.

The Committee agreed to **ASSURE** the Board in relation to the Financial Grip and Control report.

AC(26)95 Any Other Business

There was no other business reported.

AC(26)96 Date and Time of Next Meeting

9.30am, 23 June 2026

COFNODION Y CYFARFOD PWYLLGOR ARCHWILIO A SICRWYDD RISG HEB EU CYMERADWYO / UNAPPROVED MINUTES OF THE AUDIT AND RISK ASSURANCE COMMITTEE MEETING

Date of Meeting: **09:30, Thursday 07 May 2026**
Venue: **Virtual, via Microsoft Teams and Picton Terrace**

Present:
Cllr. Rhodri Evans, Independent Member (Committee Chair)
Mr Winston Weir, Independent Member (Committee Vice-Chair) (VC)
Mr Maynard Davies, Independent Member
Mrs Eleanor Marks, Vice-Chair, Hywel Dda UHB (VC)

In Attendance:
Ms Urvisha Perez, Audit Wales (VC)
Mr David Williams, Audit Wales (VC)
Mr James Johns, Head of Internal Audit, NWSSP (VC)
Mr Murray Gard, Audit Manager, Specialist Services Unit, NWSSP (VC) (part)
Mrs Joanne Wilson, Director of Corporate Governance/Board Secretary
Mr Huw Thomas, Executive Director of Finance (VC)
Professor Philip Kloer, Chief Executive (VC)
Mrs Lisa Gostling, Director of Workforce and OD/Deputy Chief Executive (part)
Mr Lee Davies, Executive Director of Strategy and Planning (part)
Ms Alwena Hughes Moakes, Communications and Engagement Director (VC) (part)
Mr Anthony Tracey, Digital Director (VC) (part)
Ms Janice Cole-Williams, Assistant Director of Nursing (VC) (part)
Mr Rob Elliott, Programme Director Major Infrastructure Projects (VC) (part)
Ms Fiona Hancock, Senior Communications Officer (VC) (part)
Ms Rhian Davies, Assistant Director of Finance (VC) (part)
Mr Timothy John, Head of Accounting and Statutory Reporting (VC) (part)
Ms Clare Moorcroft, Committee Services Officer (minutes)

Minutes Ref.	Item	Action
AC(26)73	**Introductions and Apologies for Absence** Cllr. Rhodri Evans, Audit and Risk Assurance Committee (ARAC) Chair, welcomed everyone to the meeting. Apologies for absence were received from: • Ms Sophie Corbett, Deputy Head of Internal Audit, NWSSP • Miss Charlotte Wilmshurst, Assistant Director of Assurance and Risk • Ms Sharon Daniel, Executive Director of Nursing, Quality and Patient Experience • Ms Heather Hinkin, Assistant Director, People Management	
AC(26)74	**Declaration of Interests** Mr Maynard Davies declared an interest in relation to item AC(26)76, noting that he participated in the procurement process by which CGI were appointed as the Health Board's digital partner.	

AC(26)75 Audit Wales Update Report

Ms Urvisha Perez introduced the Audit Wales Update Report, noting that the Digital Transformation review is complete and is included on today's agenda. The remainder of performance audit work is at fieldwork or planning stage. Members were advised that the update report now reflects this year's Audit Plan, which was presented to ARAC last month. Ms Perez wished to highlight that Audit Wales is currently reviewing the Structured Assessment. Plans are still being finalised and an update will be provided in due course. Audit Wales has not published any national reports relevant to the Health Board since the last meeting; however, a link is provided in the report to its Annual Plan.

Highlighting the new 'Well-led' Framework being introduced by Welsh Government, Mrs Joanne Wilson suggested that the potential impacts and links to planned audit work will require future consideration. Cllr. Evans enquired whether a timescale has been identified for the Review of Eye Care Services. In response, Ms Perez advised that this is currently at the planning stage. Once resourcing has been confirmed, a date will be indicated in the Audit Plan. She would aim to do so by the next meeting. Cllr. Evans also requested assurance regarding whether proposed audit delivery dates were achievable and this was confirmed by Ms Perez.

Decision: The Committee **NOTED** the Audit Wales Update Report.

The Committee agreed to **ASSURE** the Board in relation to the Audit Wales Update.

AC(26)76 Digital Transformation Review

Ms Perez presented the Digital Transformation Review report, which had considered the Health Board's approach to the digital transformation in supporting service improvement, specifically the approach to strategy, leadership and skills development. It had also evaluated how the organisation manages risks around digital infrastructure, cyber resilience and Artificial Intelligence (AI). Members were advised that the latter section has been redacted from the public domain, due to sensitivities around cyber risk. The full report will be discussed during the In-Committee session.

In terms of key messages, Ms Perez indicated that the report was generally positive. The Health Board has a clear and ambitious approach to digital transformation, supported by strong leadership and an established strategic plan. Whilst Board oversight of digital transformation is effective, assurance could be strengthened by consolidating information on digital initiatives and the outcomes and impacts of engagement across digital engagement projects. There is a commitment to investing in digital transformation, demonstrated by the 10 year strategic partnership with CGI. However, limited funding poses a risk to the delivery of the strategic priorities. The Health Board is actively progressing a

range of local and national projects, with the three year digital transformation roadmap aiming to improve outcomes and staff experience and drive financial sustainability.

There is a good approach to evaluating digital projects and tracking benefits. The Health Board is making good progress in understanding and improving digital skills through targeted training, the skills pathway and digital inclusion initiatives. However, digital confidence varies across the organisation and the absence of a standalone digital workforce plan is a noticeable gap, especially as digital transformation activities accelerate. There is a strong commitment to digital inclusion and partnership working. Engagement with staff and service users is improving through clinical informatics leads, digital champions, and design workshops. The Health Board also actively contributes to national and regional programmes, with many of the national digital peer groups chaired by the Health Board's digital leaders.

In total, Audit Wales has made five recommendations, one of which will be discussed during the In-Committee session. The Health Board's completed management response is provided. Finally, Ms Perez advised that Audit Wales will be producing a national digital report, which will consider national leadership, including Digital Health and Care Wales (DHCW) and Welsh Government.

Mr Huw Thomas thanked Ms Perez and the team for this timely review. He recalled a session provided to Executive Directors by an Organisational Development (OD) digital specialist, who had suggested that last year was the 'final year of normal', given the pace of change in digital transformation. Certainly, progress in relation to AI has been extremely rapid. The review and report have provided a number of helpful additions to the Health Board's approach. Mr Thomas suggested that the Digital, Data and Innovation Committee (DDIC) has strengthened oversight in this area. The report's findings dovetail well into the DDIC workplan and provide a useful way forward. Finally, Mr Thomas thanked Audit Wales for issuing a redacted version of the report.

Mr Anthony Tracey joined the Committee meeting.

Cllr. Evans suggested that the report should be considered by DDIC. Agreeing, Mr Maynard Davies, Chair of that committee, welcomed the useful report. He felt that its findings both reflect reality and his assessment, and provide the Health Board with appropriate challenge where further work is required. The latter includes workforce and minimising duplication. Above all, the themes within the report are recognisable. Mr Maynard Davies noted that the report does not seem to include a conclusion on the Health Board's position with regard to digital transformation. Ms Perez committed to feed this back, although Mr Thomas suggested that a comparison between organisations may form part of the planned national report. To provide further assurance around the review findings, Mrs Wilson advised that similar

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themes had emerged from the recent DDIC self-assessment exercise.

Mr Winston Weir thanked Audit Wales for their report, and agreed with the views of colleagues. He would also welcome, as part of the national report, an assessment of how HDdUHB compares with other health boards in terms of digital transformation. In regard to the recommendation around a standalone digital workforce plan, Mr Weir noted that the Health Board's workforce comprises a high proportion of older staff. He enquired whether the recommendation is aimed at providing these staff with the requisite skills and equipment, and raising the profile of digital. Secondly, what Audit Wales sees as the key elements of a good digital workforce plan.

In clarifying the reason for this recommendation, Ms Perez suggested that, whilst there is a great deal of activity to upskill staff, there is no link back to the Health Board digital strategic plan. There is a need to map ambitions in the strategic plan with the skills required to achieve them. It is recognised that different skillsets will be required for different staff groups, and that individual staff have different baselines in terms of digital skills. In response to a further query around whether other health boards have digital committees, Members heard that this varies, with one having recently disbanded its digital committee. Mr Thomas welcomed Mr Weir's comments, indicating that these also highlight a broader cultural issue which the Health Board needs to address. Digital adoption is a challenge, demonstrated by the rollout of electronic patient flow systems, where engagement has been variable. Adoption and use of the systems has reflected this pattern. Addressing this issue will be key. Returning to the recommendation around a standalone digital workforce plan, Mr Maynard Davies queried whether this should indeed be separate, or whether it would be more appropriate to enhance the existing workforce plan with greater digital input and leadership. The management response focuses on the former; however, he emphasised that digital input needs to be all-encompassing.

Mr Thomas agreed with this helpful feedback, indicating that he had reflected on the matter further since the management response was prepared. One of the themes which had emerged from the OD session mentioned earlier was whether the focus should be on digital leadership, or leadership in a digital age. He felt that it was the latter, and assured Members that there is a commitment to one workforce plan, with digital enhancement. Mrs Eleanor Marks agreed that leadership in a digital age is the more relevant. She also welcomed the report, suggesting that there should be consideration of next steps and skills and resourcing implications. Whilst technical ability is required, there also needs to be leadership to ensure digital is prioritised.

Commending the report, Professor Philip Kloer emphasised the importance of leadership from a Board perspective also. He is aware that consideration is being given to Board and Executive

Team OD; specialist OD advice and support will be required. Mrs Wilson explained that the OD input mentioned by Mr Thomas has been provided to Independent Board Members as well as Executive Directors. She recognised, however, that further OD provision will be required. Cllr. Evans agreed with colleagues that there should not be a standalone digital workforce plan; rather, that digital should be enhanced in the organisational workforce plan. He further enquired whether this is sufficiently embedded in the Health Board's Annual Plan, to ensure clarity around direction. Whilst suggesting that the review's recommendations probably require further reflection, Mr Thomas assured Members that this is an area in which work is being prioritised. Anything not sufficiently emphasised in the Annual Plan can be addressed.

With regard to OD, Mr Anthony Tracey acknowledged that actions to address this aspect could have been made more explicit in the management response. He indicated that, at an operational level, various steps are being taken, including training and surveys delivered by the Digital Inclusion team, and development of a digital inclusion delivery framework. A Digital OD post within the Workforce and OD team has also just been approved and should be advertised shortly. There will be a strong link between this post and the Digital team. In terms of the workforce plan, whilst there is a comprehensive workforce plan for the digital technical side, Mr Tracey recognised the need to expand this further, with input around digital inclusion. He is undertaking work around the concept of a digital adoption team, to ensure that when new systems are introduced, there is an adoption approach which will consider digital inclusion, individuals' capabilities and skills. It is hoped that this will remove some of the barriers to digital adoption.

Mr Maynard Davies emphasised the valuable work which has been and is being undertaken by the Digital Inclusion team. He suggested that the planned relaunch of the digital strategic plan should include consideration of the workforce aspect. Agreeing, Mr Thomas highlighted that the regional perspective also requires consideration; however, this can be undertaken once the national report has been issued. In response to a query around whether the stated completion dates are achievable, Mr Tracey confirmed that they are. With regard to potential challenges, however, it was noted that management capacity may be an issue, given the significant workload around digital programmes, particularly the rollout of Electronic Staff Record (ESR) 2. Returning to an earlier query, Professor Kloer highlighted that Goal 5 in the Health Board's Annual Plan, around Great Care, covers digital in detail. Whilst he did feel that digital is sufficiently embedded in this document, he agreed that it should be tested against the review's recommendations. This provides a useful check and challenge.

Decision: The Committee **NOTED** the Audit Wales Digital Transformation Review.

The Committee agreed to **ASSURE** the Board in relation to the Audit Wales Digital Transformation Review.

Mr Anthony Tracey left the Committee meeting.

AC(26)77 **Internal Audit Plan Progress Report**

Mr James Johns introduced the Internal Audit Plan Progress Report, which provides the usual update on progress in delivering the Internal Audit Plan. Section 2 of the report details those audits finalised since the previous meeting, with two having been awarded Reasonable Assurance ratings. Several audits due to be presented at today's meeting have been deferred to June 2026. Members were assured that all audit work will be finalised by then, to facilitate production of the final Head of Internal Audit Opinion and the conclusion of the Annual Report. Referencing discussion at the previous meeting around the Opinion, it has been decided at this stage to postpone confirming this until other work is completed. Internal Audit will look to issue an Opinion as soon as it is felt that all contributory elements have concluded.

Cllr. Evans noted that a lack of a draft Head of Internal Audit Opinion at this point represents an unusual and position for the Health Board. In addition, the number of deferred reports will make the next meeting extremely challenging. He was also concerned to note the statement that the GP Out of Hours audit is still at the planning stage. With regard to the latter, Mr Johns explained that a discussion had taken place around the brief and scope for this audit, which has delayed commencement. He assured Members that it will be possible to now progress this at pace. Mrs Wilson agreed that the position is not as would be wished, emphasising that this matter has been discussed at length with the Internal Audit team. She suggested that a meeting be scheduled between Cllr. Evans, Mr Thomas, Mr Johns and herself, to discuss this further and ensure that lessons are learned for future years. This should include particularly the need to forward plan sufficient time for scoping audits, dealing with queries and escalating issues. **JW**

Mrs Marks recognised that both parties involved with audits will be susceptible to issues which may contribute to delays. It is, however, unfortunate that the Opinion is not yet available, as this is a key piece of information for the Health Board. High numbers of deferred audits also have resourcing implications, in terms of Committee time and capability to apply due diligence. She had a number of queries and comments: firstly, whether the number and focus of internal audits is correct. Secondly, whilst the organisation has made progress in implementing audit recommendations, there is further room for improvement. Mrs Marks' third query was more specific, relating to the Sickness Management audit. All recommendations are marked as high priority; however most are implemented or partially implemented. She enquired why these are still rated as Red and Amber.

In response to the final query, Mr Johns explained that the Red and Amber classifications are the priority ratings from the original report, not new ratings. Mrs Wilson addressed the issue of

whether the number and topic of internal audits is correct. She felt that it is, given that it reflects a risk-based approach and recognising that this can negatively impact on audit outcomes. It is imperative, however, that there is clarity around which audits are being undertaken and when, and that this is adhered to. Mrs Wilson agreed that improvements are required in terms of both implementing recommendations and in making these more robust. Agreeing, Mr Thomas noted that the Performance Dashboard evidences that the organisation is not sufficiently adept at closing down audit recommendations. Members heard that this is due to be addressed via the new ways of working being introduced at an operational level.

Cllr. Evans requested assurance that all outstanding audit reports will be presented to the June 2026 meeting. Mr Johns confirmed that all audit fieldwork is either complete or well underway, with the exception of the GP Out of Hours audit already mentioned. In response to a query around the anticipated timescale for confirming the Head of Internal Audit Opinion, Mr Johns reminded Members that at the previous meeting he had indicated this may be one of Limited Assurance. He had also described the additional narrative being drafted to accompany the Opinion. Mr Johns is keen to close off a number of outstanding audits before confirming the position; particularly one audit, which has involved additional evidence and clarification. He emphasised the importance of considering every element of information available to inform the overall Opinion; for this reason, it is challenging to give a definite date at this stage. Mrs Wilson indicated that she will be meeting with Mr Johns next week and committed to provide an update to the ARAC Chair following their discussion. **JW**

Decision: The Committee **TOOK ASSURANCE** with regard to the delivery of the Internal Audit plan and from the outcomes of the finalised audit reports.

The Committee agreed to **ASSURE** the Board in relation to the Internal Audit Plan Progress Report.

AC(26)78 Sickness Management Follow-up (Review)

Mrs Lisa Gostling and Ms Janice Cole-Williams joined the Committee meeting.

Mr Johns introduced the Sickness Management Internal Audit report, which outlined the follow-up to an earlier audit, together with sickness management elements of the previous Nursing Management audit. It had been identified that there were a number of common issues and related actions from both of these audits. Of the three key areas from the previous report being followed-up, one has been fully implemented and two partially implemented. The findings confirm that work has been undertaken to address outstanding issues. This included the development of template documents for service areas to utilise, although these are at different stages of implementation. It is felt that further work could be undertaken to adopt a more consistent approach. There

are, however, a number of other areas which still require focus, to improve sickness management at the operational level across the whole organisation.

Welcoming the report, Mrs Lisa Gostling noted that the area found to be partially implemented is around managers undertaking audits of their sickness absence. She further noted the comment that the Workforce and OD team have not audited these audits. In response, she would wish to highlight that this team has three members dealing with sickness absence for 13,000 Health Board staff. It was suggested that the focus should be on responsibility and accountability, with all managers having a responsibility for their staff and all the associated processes and policies. The audit requirement for an audit checklist to be produced has been implemented. However, it is for directorates, Clinical Care Groups (CCGs) and their managers to complete. In addition, when staff are absent due to sickness, it is the managers' responsibility to ensure this is reported in a timely way, recorded on ESR, and that Return to Work (RTW) discussions and any reviews required are undertaken. Additional support is being offered to CCGs, with Mrs Gostling and her team reviewing every member of staff on long-term sickness absence to ensure the correct process is being followed. However, this arrangement cannot be sustained; there needs to be instilled in managers the concept that sickness management is part of their routine activity in managing staff.

Mr Maynard Davies agreed that this is a managerial responsibility, whilst querying how this can best be reinforced and enforced. It is vital for sickness absence to be managed correctly and consistently, not least because it can cause discontent among staff if it is not. He enquired as to the level of confidence around effective operation of the system, which already exists, and queried whether the timescales for the original recommendations had been overly optimistic. With regard to the latter, Mrs Gostling noted that the date of September 2025 to implement the process had been met. The issue is application of and compliance with the process on an ongoing basis, as this is not occurring consistently. These gaps are recognised; it is hoped that implementation of the new ESR system will assist. Whilst the current ESR does issue auto-reminders, this will be via a different portal and mechanism under the new ESR, which may have benefits. With regard to actions from the original audits, Ms Janice Cole-Williams wished to emphasise that the development of a good practice guide has taken place. This has been developed based on good practice identified at Prince Philip Hospital and has been circulated to all roster managers in nursing. It is suggested that consideration be given to whether other staff groups might find it useful. The cultural aspect of this topic is recognised; however, an improved staffing position in nursing should afford greater capacity to manage sickness more effectively. Whilst good progress has been made, more work is required.

Mrs Marks shared the view that it is the job of managers to manage, adding that sickness management also involves staff

wellbeing. It concerns how the organisation lives its values, and enables managers to check whether staff are being impacted by factors other than illness. She suggested that it be 'reframed' in these terms. It was also noted that RTW discussions, for example, are sometimes undertaken in an informal way; however, they need to be formally recorded. Mrs Marks agreed that there is a cultural aspect and whilst there are examples of good practice, there are also instances of poor practice. Ultimately, it is not acceptable for Executive Directors to be undertaking tasks which are the responsibility of managers.

In response to a request for assurance that the approach will be consistent, Mrs Gostling expected that every manager is provided with information around the required process. As mentioned, the Workforce and OD team has three sickness management coordinators, who will support and educate as necessary; however, the new ESR system will also reinforce messages and assist. Cllr. Evans suggested that this area clearly needs further work and queried how best to maintain scrutiny. He felt that any future review should focus on management compliance, rather than outcomes. Mrs Gostling felt that there is scope to link this with the Grip and Control work outlined in a later agenda item. Agreeing, Mr Thomas stated that the organisation is aware of challenges in relation to annual leave management and roster management. Robust processes are in place for these and sickness absence management; however, they are not being complied with.

Responding specifically to Cllr. Evans' concerns, Mrs Wilson suggested that oversight by other committees might be more appropriate. From an ARAC perspective, whilst it was felt that assurance can be taken around implementation of actions, ongoing compliance needs to be the focus. Building on these comments, Mr Thomas was of the opinion that there should be more audits centred on compliance with processes, rather than of the processes themselves. The latter tends to lead to repeated design and re-design of processes, which does not always address the issue. Mr Weir highlighted that, whilst assurances have been received, the report does not actually confirm that the recommendations have been implemented. In response, Mrs Gostling explained that the partially implemented status recognises that, whilst the audit criteria have been defined and shared with directorates, the evidence that they are taking place is not yet available. Hence the concerns around compliance.

Decision: The Committee **NOTED** the Sickness Management Follow-up (Review) Internal Audit report.

Whilst assured regarding implementation of the actions outlined within the audit recommendations, the Committee agreed to **ADVISE** the Board regarding the Sickness Management Follow-up (Review) Internal Audit report, given concerns around compliance with sickness management processes.

Mrs Lisa Gostling and Ms Janice Cole-Williams left the Committee meeting.

AC(26)79 Major Infrastructure Investment Programme (Reasonable Assurance)

Mr Lee Davies and Mr Rob Elliott joined the Committee meeting.

Mr Murray Gard introduced the Major Infrastructure Investment Programme Internal Audit report. The programme aims to address the estate's infrastructure risks across the Health Board's acute sites. The audit had concluded an overall opinion of Reasonable Assurance. This reflected findings that the programme is well-founded, risk-based and supported by a strategic rationale, whilst recognising that certain areas do need strengthening as the programme progresses. The programme's prioritisation was robust, well-documented and underpinned by the strategic estates development plan. One high priority issue around advisors' contracts not having been executed at the time of audit had been identified; however, this has now been fully resolved and all contracts are now in place, significantly strengthening the programme's contractual position. Of the remaining actions, several have already been completed.

Mr Lee Davies thanked the team for the helpful and positive report. In terms of prioritisation, the Health Board faces a number of significant risks and needs a robust prioritisation approach, especially given limited capital availability. The issue in relation to advisors contracts had been an oversight in the process, which has now been addressed. Adding his thanks, Mr Rob Elliott emphasised the journey undertaken by the organisation in terms of infrastructure investment, which had included various exercises in response to Welsh Government requests. He felt that the culture has changed, with more joint working with both Welsh Government and the NHS Wales Shared Services Partnership (NWSSP). This has helped to change views and create a more positive and supportive working relationship.

Whilst acknowledging the positive assurance rating, Cllr. Evans felt that there are a number of themes in the report which are of concern, particularly around procurement. Mr Maynard Davies agreed, noting that it was pleasing to see a number of actions already implemented. However, he highlighted in particular the high priority recommendation and queried the appointment of an external project manager via a consultant contract. Such contracts usually require Board approval and assurance was requested around the processes followed in this case. In response, Mr Elliott explained that the Project Manager had been appointed late in the process, due to challenges in securing funding. The contract was based on the contract element of the framework structure used for this particular procurement exercise. Whilst their status is the same as the other consultants, who were appointed via a more traditional Joint Contracts Tribunal (JCT) approach; a different, shortened, contract version had been used. He assured Members

that it is a legitimate contract, and is the same as that used for other consultants such as architects and engineers.

Mr Maynard Davies emphasised that this is the heart of his query, as such consultant contracts, if in excess of £25k, should be reported to and approved by ARAC and the Board. Cllr. Evans shared this concern and had others regarding procurement in general, and requested assurance that the correct processes are being adhered to. He also noted that the contract cost which was originally £1.07m had increased to £1.7m and enquired whether checks are in place to ensure value for money. Whilst recognising that there is greater grip and control on expenditure, Mrs Marks echoed her colleagues' concerns and queried whether potential issues around procurement might have resulted in this project costing more and taking longer than it should. Mr Lee Davies confirmed that the award of the contracts in question had been considered by the Board.

To clarify the change in project value, Mr Elliott explained that when the consultant appointments were first put out to tender, the project cost was based on priorities at that point in time. Subsequent to this, the Health Board was able to secure a substantial sum from the Targeted Estates Fund (TEF), which enabled it to fast track certain elements. This meant they could be removed from the major infrastructure plan. At the same time, the Health Board was beginning the engagement with the NWSSP technical team to jointly develop and agree on priorities. This piece of work identified far greater risks and additional areas not included in the original plan. As a result, the workload and scope changed, meaning that these additional costs were appropriate. The costs were fully validated and taken through the appropriate forum (Financial Control Group at that time). The Procurement team was also fully involved in this process. To address Mrs Marks query, scrutiny and evaluation, in conjunction with Procurement, suggests that the project has not cost any more than it should have. It has not taken any longer, because until the money from Welsh Government came online in December 2025, the Health Board was not able to progress the project.

Mr Thomas wished to preface his comment by recognising that leadership arrangements in this area have changed only recently. However, this is not the first time that procurement or contract management within Estates has been discussed at ARAC, suggesting a need for further reflection. He highlighted that Estates is the only function in the Health Board which manages its own procurement. Within every other function, the Procurement team provides a more direct approach, which serves to ensure compliance with procurement processes. He felt that the concerns raised need to be addressed and taken seriously in advance of any future discussion of major estates projects. Particularly as contract management is an area which tends to attract challenge within new infrastructure development.

Mr Thomas suggested that he work with Mr Lee Davies, Mrs Wilson and Mr Elliott, in dialogue with the Procurement team, to establish how greater assurance can be provided. Mrs Marks welcomed this suggestion. Whilst accepting the explanation provided by Mr Elliott, she felt that, had the project been subject to the processes and checks other functions are, it may have been managed differently. Mr Elliott also welcomed Mr Thomas' suggestion for moving forward, agreeing that consideration should be given to how the role of Procurement in estates projects can be strengthened. Returning to the issue of whether the consultant appointment was approved, Mr Maynard Davies noted that, whilst there had been Board approval of the project, the consultant element was not explicitly identified. He felt that this issue needs to be drawn out, reviewed and clarified, particularly as the Health Board is required to report consultancy expenditure as part of its Annual Report. **HT/LD/ JW/ REII**

Mr Thomas emphasised the importance of adhering to definitions and terminology. The discussion today involves professional services, not management consultants. It is contracts in excess of £25k for the latter which require Board approval. However, using consultancy contracts for professional services blurs the definitions, potentially causing confusion. Hence the importance of working with Procurement, and not procuring outside recognised processes or frameworks, ensuring clarity around approval routes. The challenge is that Estates procure their own services, which is quite different to the way in which the rest of the organisation operates. This can be considered during the discussion proposed above. Mr Lee Davies wished to clarify that Estates in this context refers to estate capital projects, not Estates and Facilities.

Drawing discussions to a close, Cllr. Evans enquired whether auditors were content that the core controls they had identified as being absent are now in place. In response, Mr Gard highlighted that NWSSP attend and observe the Programme Group, and see the information which is presented on a monthly basis. He was able to assure Members that controls are in place and operating appropriately. Mr Gard also wished to comment on discussions around contracts, acknowledging that there is scope for greater clarity in report wording. He confirmed that these individuals were not consultants, but professional advisors, using consultant contracts. He would feed back this information to ensure future reports reflect this more clearly. Members discussed the various concerns raised by this report, agreeing that it should be revisited at a future meeting, following the discussion proposed above. **MG** **LD**

Decision: The Committee **NOTED** the Major Infrastructure Investment Programme (Reasonable Assurance) Internal Audit report.

Whilst assured regarding implementation of the actions outlined within the audit recommendations, the Committee agreed to **ADVISE** the Board regarding the Major Infrastructure Investment Programme (Reasonable Assurance) Internal Audit report. This

was due to concerns around cost controls, clarity regarding use of consultancy and professional services contracts and adherence to procurement processes within capital estates projects. Further, that this issue would be revisited at a future meeting.

AC(26)80 Withybush General Hospital – Fire Precautions Works Phase 2 (Reasonable Assurance)

Mr Gard introduced the Withybush General Hospital – Fire Precautions Works Phase 2 Internal Audit report, which had also concluded an overall opinion of Reasonable Assurance. The audit identified that the project was progressing within its approved cost envelope, with positive governance and financial management. A phased 'mini' accounts approach across the work zones represents good practice and supports strong financial discipline within the project. The project has clear leadership and effective oversight through the Project Group. The level of stakeholder engagement in place was also of particular note, with constructive collaboration between the Project Group, hospital teams and importantly, the Mid and West Wales Fire and Rescue Service (MWWFRS). This represents positive progress based on lessons learned from previous phases.

Certain areas where controls can be strengthened have been highlighted within the report. There was one high priority issue identified, in relation to fire training compliance, which has not consistently met the 85% threshold. Similar to the previous agenda item, a number of actions within the report have been completed already. Finally, Mr Gard wished to highlight and apologise for a minor error on the penultimate page of the report. The final statement should read 'A long-term plan may also be required to ensure where staff fire training is due for renewal; sufficient time is given to plan for attending the necessary training on a timely basis'.

Welcoming the report, Mr Lee Davies wished to recognise the efforts made and progress achieved by Mr Elliott in developing the working relationship with MWWFRS, which has led to significant improvements. It is also important to note that negotiation of a lower specification on Fire Precautions works was based on a commitment to higher levels of fire training compliance. Whilst the Health Board is currently at the required level, this needs to be monitored on an ongoing basis. It would have a significant impact if MWWFRS were to change their view in this regard. Mrs Wilson assured Members that this matter is scrutinised and monitored at the Health and Safety Committee, and was discussed in detail at its most recent meeting. Given the importance of fire training compliance, Cllr. Evans enquired regarding accountability for this. Mr Lee Davies responded that this lies with Health Board staff and managers. He explained that there are three levels of fire training, with requirements and accountability dependent on staff group.

Referencing the management response of '(Future action)' to Key Finding 6, Cllr. Evans queried the lack of completion or implementation date, highlighting the challenges this causes in

tracking progress. Mr Elliott explained that the specific issue outlined in this finding has elapsed due to the NEC Supervisor having been appointed for this project; however, it is intended to address this recommendation for future projects. Following discussion, it was agreed that a management response would be developed to enable tracking that these areas had progressed. **LD**

Decision: The Committee **NOTED** the Withybush General Hospital – Fire Precautions Works Phase 2 (Reasonable Assurance) Internal Audit report.

The Committee agreed to **ASSURE** the Board in relation to the Withybush General Hospital – Fire Precautions Works Phase 2 (Reasonable Assurance) Internal Audit report.

Mr Lee Davies and Mr Rob Elliott left the Committee meeting.

AC(26)81 **Infection Prevention & Control**

DEFERRED to 23 June 2026 meeting

AC(26)82 **Commissioning Third Sector**

DEFERRED to 23 June 2026 meeting

AC(26)83 **Wellsky System**

DEFERRED to 23 June 2026 meeting

AC(26)84 **Decision Making for High Cost Drugs**

DEFERRED to 23 June 2026 meeting

AC(26)85 **GP Out of Hours**

DEFERRED to 23 June 2026 meeting

AC(26)86 **Report on the Adequacy of Arrangements for Declaring, Registering and Handling of Interests, Gifts, Hospitality, Honoraria and Sponsorship**

Mrs Wilson presented the report, which describes the annual review process undertaken. Specific actions include review and enaction of the policy, increased promotion of the policy. There has been regular messaging in this regard, in addition to tailored training, particularly coming up to the Senedd election. There has also been work undertaken with the high risk groups, which has increased compliance from 25% to 63%. It is recognised, however, that further work is required.

Decision: The Committee:

- **TOOK ASSURANCE** from the adequacy of the arrangements in place for declaring, registering and handling interests, gifts, hospitality, sponsorship and honoraria during 2025-26, for onward assurance to the Board.
- **NOTED** the improved Declaration of Interests compliance rate among staff in ‘high risk’ groups, as compared with the previous year.

- **NOTED** the consultation undertaken to inform the scheduled review of the Standards of Behaviour Policy.

The Committee agreed to **ASSURE** the Board in relation to the Report on the Adequacy of Arrangements for Declaring, Registering and Handling of Interests, Gifts, Hospitality, Honoraria and Sponsorship.

AC(26)87 **Draft Audit and Risk Assurance Committee Annual Report 2025/26**

Introducing the Draft ARAC Annual Report 2025/26, Cllr. Evans wished to record his thanks to Mrs Wilson, Mr Thomas and all the teams involved in contributing to this document. He highlighted in particular the approach to Internal Audit which, whilst it can create challenging audit outcomes, focuses for good reason on those areas where it is recognised that there are issues. This is an important principle and is the correct approach. Mrs Wilson felt that the report served as an accurate reflection of the work undertaken during the year, with the breadth of topics covered reflected in detail. She recognised that the demands place on committee Members, particularly at this time of year, were particularly significant and thanked them for both their support and challenge. Adding his thanks to fellow ARAC Members, Cllr. Evans also wished to thank Executive Directors and Lead Officers for their contributions to meetings during the year.

Referencing section 5 on page 5, Mr Maynard Davies noted that Healthcare Inspectorate Wales (HIW) had declined a private meeting with ARAC Members once again, and requested assurance that engagement is taking place. Mrs Wilson explained that HIW employ alternative engagement processes. They are also invited to QSEC meetings, offering an opportunity for input. It was felt, however, that there should be engagement in a private forum with ARAC Members, in the same way as for other regulators. It may be that the purpose of this process requires further clarification. Mrs Wilson offered to take this forward with Ms Sharon Daniel, who is the Executive Lead with responsibility for engagement with HIW. Professor Kloer indicated that he had met with HIW recently, as part of the new arrangements. It had occurred to him that it might be appropriate to invite the Chair of QSEC to these meetings; not necessarily every meeting. Mrs Marks was happy for this suggestion to be made to Ms Daniel. Mr Maynard Davies noted that the Chair of ARAC had, during the year, issued letters reminding Health Board staff of the importance of compliance with audit deadlines and constructive engagement with auditors. It was suggested that this be reflected in the report.

JW

PK

JW

Decision: The Committee **AGREED** to provide feedback on the ARAC Annual Report within one week and **REQUESTED** Chair's Action to approve the content of the report, prior to onward submission to the Board.

The Committee agreed to **ASSURE** the Board in relation to the Draft ARAC Annual Report 2025/26.

AC(26)88 **Draft Head of Internal Audit Opinion and Annual Report 2025/26 (Verbal Update)**

Members agreed that this item had been covered during discussion of the Internal Audit Plan Progress report.

Decision: The Committee **NOTED** the Draft Head of Internal Audit Opinion and Annual Report 2025/26 Update.

The Committee agreed to **ASSURE** the Board in relation to the Draft Head of Internal Audit Opinion and Annual Report 2025/26 Update.

AC(26)89 **Assurance Report on Board Effectiveness**

Mrs Wilson introduced the report, which is provided for assurance prior to Board consideration. She reminded Members that there had been the subject of detailed discussion at the most recent Board Seminar, with changes made to the maturity level in two criteria. Members also noted that there may be changes to the framework for assessment of Board effectiveness in the future, for example in response to the new 'Well-led' Framework.

By way of a comment, Mr Maynard Davies referenced earlier discussions around 'leadership in a digital age' and the Audit Wales Digital Transformation report. He noted, however, that there is very little mention of digital in the Board Effectiveness assessment. He enquired whether, for future years, digital considerations, and how digital is being used to support the Board might be included. Mrs Wilson agreed to consider this as part of any review process.

Decision: 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 by the Board at the Board Seminar meeting held on 23 April 2026.

The Committee agreed to **ASSURE** the Board in relation to the Assurance Report on Board Effectiveness.

AC(26)90 **Audit Enquiries to those Charged with Governance and Management**

Presenting the report, Mr Thomas advised that preparation of a response is a standard, annual requirement. There are only fairly marginal changes to the response submitted last year, which is also included for information. As such, he had nothing further to add, explaining that the report is presented for the Committee's assessment. Mr David Williams confirmed that the letter is a standard one, and indicated that Audit Wales is content with the Health Board's response.

Decision: The Committee **REVIEWED** the response prepared and **RATIFIED** this for onward submission to Audit Wales.

The Committee agreed to **ASSURE** the Board in relation to the Health Board's response to the Audit Enquiries to those Charged with Governance and Management letter.

AC(26)91 Draft Performance Overview

Ms Alwena Hughes Moakes and Ms Fiona Hancock joined the Committee meeting.

Presenting the Draft Performance Overview section of the HDdUHB Annual Report, Mr Thomas thanked Ms Tracy Price in the Performance team, and colleagues in the Corporate Governance and Communications teams for their contributions. There had been a request to reduce the length of the Annual Report, and Mr Thomas suggested that it is a significant feat to have summarised the Health Board's achievements across the year in such a concise and readable format. Ms Alwena Hughes Moakes echoed this and added her thanks, particularly to Ms Fiona Hancock. It has been especially challenging to simplify terminology used in the Annual Report, which includes several extremely technical aspects. Members were assured that the report will be further enhanced, to make the final version even more accessible.

With regard to the process between now and the Annual General Meeting (AGM), Ms Hughes Moakes advised as follows: Assuming that ARAC is content, the draft will be submitted to Welsh Government and Audit Wales by Friday (tomorrow). It will be issued for translation next Monday, and the final Health Board Annual Report will be submitted for approval by ARAC on 23 June 2026 and at the Extraordinary Board meeting on 25 June 2026. Audit Wales and Welsh Government are then due to provide final approval at the end of June, prior to the report being presented to the AGM at the end of July. The timescale is, therefore, a challenging one.

Mrs Marks agreed that it had been a major achievement to summarise the Health Board's work during the year. She commended the report, noting that it is well-written and provides information which is accessible to both professional and public audiences. Recognising the pressured timescale, Cllr. Evans thanked all of those involved for their contributions. He queried whether the report presents a balanced view of the Health Board's achievements and unresolved issues, for example in relation to Urgent and Emergency Care. Professor Kloer added his thanks to all of the teams who have contributed. In response to Cllr. Evans' query, he highlighted that the organisation's performance against key improvement measures is set out quite starkly in the table on pages 15 and 16. He suggested that this is intended to provide transparency. The report seeks to focus on those areas where the Health Board has set out to make improvements, and on celebrating staff achievements. It does not try to conceal those issues where further improvement is required. He acknowledged the feedback, however, and suggested that it may be possible to

reflect this to a greater extent in his introductory statement as Chief Executive Officer.

Cllr. Evans observed that the level and scope of work involved in reports such as this is not always recognised. As the Health Board's Independent Board Member Champion for Welsh Language, he also wished to thank the Welsh Language team in particular for their contribution. Replying to a query around the number of responses received when the report had been circulated for comment, Ms Fiona Hancock advised that not all parties had responded. Members were assured, however, that they had all been offered the opportunity to comment.

Decision: The Committee **RECOMMENDED** the Performance Report chapter of the 2025/26 Annual Report for approval by the Board.

The Committee agreed to **ASSURE** the Board in relation to the Draft Performance Overview section of the HDdUHB Annual Report.

Ms Alwena Hughes Moakes, Ms Fiona Hancock and Mr Murray Gard left the Committee meeting.

AC(26)92 Draft Accountability Report

Mrs Wilson introduced the Draft Accountability Report, which comprises three parts and includes Board composition and oversight throughout the year, leadership information, escalation status progress. It also provides an overall opinion around internal governance. The Head of Internal Audit Opinion section is subject to change, for the reasons already discussed, which may necessitate amendment of the report's conclusion. Subject to any amendments from Members, the report will be submitted to Welsh Government and Audit Wales tomorrow. Mrs Wilson wished to record her thanks in particular to Miss Charlotte Wilmshurst for her significant work on the report. She handed over to the Chief Executive, as accountable officer, for comment.

Professor Kloer wished to record his thanks to Mrs Wilson and Miss Wilmshurst for preparing the report. He felt that it accurately reflects the organisation's position; however, would welcome feedback from others. Cllr. Evans' main concern would be that the Health Board is making insufficient progress operationally and in operational governance, given audit results this year. Agreeing that this is a reasonable challenge, Professor Kloer assured Members that the Executive Team has been reflecting on this issue. Ensuring implementation of the Organisational Change Process (OCP) is critical, and Professor Kloer is determined to see progress in this regard. He was cognisant that the People, Organisational Development and Culture Committee (PODCC) is also monitoring this area. Members heard that new ways of working are due to be introduced shortly, and were also informed that significant effort has been and is being put into management training programmes. It is anticipated that all of these different

‘strands’ will bear fruit. A framework exists; it is the embedding of this which is required.

Mr Maynard Davies felt that the report is well-written, agreed that it is reasonably balanced. He suggested that it provides the opportunity to examine topics in detail, and does not seek to conceal anything. In terms of specific feedback and amendments, he advised as follows:

Page 10 – the Board and committee structure organisational chart on is colour coded; however, there is no key for the colours
Page 64 – the Board record of attendance for Mrs Lisa Gostling does not include a figure for Board meetings attended
Page 84/85 – no Compensation for early termination figure is included for Ms Jill Paterson
Page 87 – there is mention of benefits-in-kind for Executive Directors, but not for Independent Members

With regard to the third comment, Mrs Wilson indicated that Audit Wales had been consulted on the correct approach. Detailed information regarding payments made to Ms Jill Paterson is included on Page 87. In response to the fourth comment, it was confirmed that this is covered by the following statement:

The benefits-in-kind which arose to independent members related to the taxable reimbursement of travel expenses.

Mr Maynard Davies’ only other query was in relation to whether the organisation was potentially under-reporting Consultancy expenditure, which was discussed earlier. Mr Thomas was assured that this position is adequately and accurately captured with reporting processes as they stand. As a final query, Cllr. Evans requested assurance that risks are escalated appropriately and in a timely manner by CCGs.

Mrs Lisa Gostling, Ms Rhian Davies and Mr Timothy John joined the Committee meeting.

With over 600 risks across the organisation, Professor Kloer indicated that the Health Board had taken a risk-based approach to its planning process this year. He felt that there is a very strong risk management approach, certainly at a corporate level, and increasingly throughout the organisation. During the last year, there has been more evidence of CCGs escalating matters effectively through the reporting structures and to the Board. Culminating in, at times, both clinicians and managers presenting to the Board on issues which have existed for some time. He felt that this was evidence of improved risk escalation through the structures, increasing visibility at Board, enabling more effective prioritisation of effort. There is, however, an element of ‘work in progress’; this relates to Cllr. Evans’ earlier comment around operational governance, and how this can be strengthened.

Mrs Wilson considered actions which might be taken this year to strengthen committee support and oversight. She reminded

Members that each committee meeting includes an overview of the Corporate Risks and audits which have been aligned to them. Themes and operational risks have also been introduced to the committees. There is no dearth, therefore, in transparency. It was suggested, however, that the area where the organisation needs to improve is in acknowledging its risks. To add further assurance, Mr Thomas emphasised that internal reporting is clear, both in terms of data and performance. Each of the CCGs know which risks they are managing. This provides for transparency and clarity internally and at Board level.

Decision: Subject to the above amendments, the Committee **DISCUSSED** and **SUPPORTED** the content of the Draft Accountability Report, agreeing to provide any feedback that is relevant to its objective to the Director of Corporate Governance/ Board Secretary by 22 May 2026, in order to provide assurance to the Board that a robust governance process was enacted during the year.

The Committee agreed to **ASSURE** the Board in relation to the content of the Draft Accountability Report and that a robust governance process was enacted during the year.

AC(26)93 Financial Grip and Control

Presenting the report, Mr Thomas explained that the Financial Grip and Control tool had been developed by the NHS Wales Performance and Improvement Financial Planning and Delivery Directorate. It includes a clear set of criteria which cover various areas, against which organisations are asked to assess themselves. Mr Thomas emphasised that the Health Board has taken a fairly self-critical approach, deliberating setting out to identify gaps in processes. It is now intended to put in place a workplan to address these gaps, and consideration is required regarding the most appropriate forum or committee to monitor progress. In addition, the Internal Audit team has been asked to review the self-assessment.

Mr Weir welcomed the candour and honesty with which this exercise has been approached. He hoped that any gaps in processes identified will input into the Internal Audit Plan for the coming and future years, and would encourage a focus on these areas. In order to understand the scope and consider whether other areas should have been included, Mr Maynard Davies requested clarification regarding the background to this exercise. In response, Mr Thomas indicated that it represents an amalgam of the work with which NHS Wales Performance and Improvement have been involved, and of practice and issues seen across Wales. Mr Maynard Davies was assured by this context, agreeing that an overly-critical approach had been taken whilst suggesting that this is preferable to being challenged over a lack of evidence. In terms of the most appropriate forum, he suggested PODCC or the Finance and Performance Committee (FPC).

Mrs Gostling highlighted that new delivery and performance documents are being developed for all functions. She assured Members that the gaps relating to workforce have been added into the workforce performance and delivery plan. In addition, the CCGs have plans in relation to agency usage and sickness management. These provide a natural basis for alignment. It will be important, however, to ensure that removal of the Financial Control Sub-Group (FCSG) does not impact negatively on financial grip and control, and that this is embedded and properly maintained locally. Whilst emphasising that the list is not all-encompassing, Professor Kloer noted that workforce represents the organisation's most significant spend, therefore is bound to feature highly. He agreed with Mrs Gostling's final comment, and felt that this should be used as a guide for setting financial priorities; however, it must also be balanced with all the Health Board's other data on savings opportunities.

Mr Thomas agreed and confirmed that the list is not intended to represent a savings plan. It concerns the core controls the organisation should have in place to manage the here and now. It is not related to changes to services, or addressing any of the Health Board's fundamental challenges. Mr Thomas felt that one area requiring focus is contract management. Now that FCSG has been stood down, he, Mrs Wilson and Procurement and Finance colleagues will be meeting fortnightly to discuss how to improve contract management arrangements within the Health Board. This is an area requiring support and leadership. Mr Maynard Davies welcomed this approach, highlighting that each item in the list has an associated management overhead, and need to be prioritised according to the level of financial benefit they may return.

Noting mention of groups being stood down and the new ways of working, Cllr. Evans enquired regarding likely timescales for the impact of these changes to be seen. He queried whether ARAC will see a different reporting format, for example. These queries related specifically to assurance expectations. Mr Thomas reiterated earlier comments around the need to emphasise and enforce compliance; rather than undertake repeated cycles of process redesign, in an attempt to achieve compliance. He suggested that further consideration is required as to how this is progressed. In response to a suggestion that the Internal Audit Plan might be refocused to include this, it was felt that audits of areas where there are known to be gaps in compliance would offer limited value at present. It was suggested that there should first be a focus on enforcing compliance, after which audits can be considered. Welcoming the report, and the intention to develop action plans, Mrs Marks agreed that the time has come to focus on compliance with processes. There have been a number of references in reports and discussions to staff not recording compliance with processes, not following processes and circumventing processes. **HT/JW**

Mrs Marks' other query was around CCGs and those instances where personnel have been displaced by other appointees. She

enquired how the financial consequences of this are being managed, recognising that this is not necessarily a query for ARAC. Clarifying that this is in relation to OCPs and the assertion that there is no additional cost, Mr Thomas acknowledged that assurance around this will need to be provided to the relevant committee and Board. It was agreed that this would be evaluated and a response provided via the Table of Actions. Mrs Gostling wished to highlight, however, that the OCP2 is still in progress and is therefore not yet fully costed. **HT**

Decision: The Committee is asked to **NOTE** the Financial Grip and Control report.

The Committee agreed to **ASSURE** the Board in relation to the Financial Grip and Control report.

Mrs Lisa Gostling left the Committee meeting.

AC(26)94 Draft Annual Accounts 2025/26

Mr Thomas introduced the Draft Annual Accounts for 2025/26, thanking Ms Rhian Davies, Mr Timothy John and other members of the Finance team for their efforts in preparing these. Whilst the format of the accounts is not that which would be the preference, the Health Board is restricted to the prescribed format. The organisation is now in the process of liaising with Audit Wales regarding the financial audit. The Committee has been provided with a high-level position statement regarding the accounts, which summarises organisational performance against financial targets. This includes the following:

Revenue Resource Performance (Statutory)
The month- and year-end position is a deficit of £22.089m, just under the £22.1m Target Control Total set by Welsh Government. This contributes to a cumulative three-year deficit of £112m. The cumulative position is rarely discussed; however, it represents a stark position, driven largely by a Year 1 deficit of £65m. It is hoped that the figure will reduce over future years, although this is dependent on the position achieved in 2026/27.

Capital Resource Performance (Statutory)
The Health Board achieved this target, with an underspend against the Capital Resource Limit of £38k. This had been a significant challenge and the teams involved had worked extremely hard, particularly in the final quarter and month of the year, to reach this position.

Duty to Prepare a 3 Year Plan (Statutory)
It has not been possible to achieve this target, as the organisation does not have a balanced Integrated Medium Term Plan (IMTP).

Creditor Payment Performance
Performance against this target has been consistent, with the 96.6% this year, versus 96.7% last year. The Health Board had, therefore, achieved the 95.7% required. It had not, however, met the in-NHS payment target, with performance of around 85%.

Whilst this is not reported in the annual accounts, it is a target against which Welsh Government measure the organisation. They have expressed disappointment regarding the performance level.

The final slides in the presentation provide an analysis of the shifts between one year and the next. Mr Thomas had nothing he particularly wished to highlight, drawing Members' attention to the narrative provided. He reiterated that the Health Board is currently participating in the process of auditing the draft accounts with Audit Wales. The accounts were submitted on 1 May 2026, in line with requirements, and (subject to satisfactory conclusion of the audit) will be submitted in final form to ARAC on 23 June 2026 and to Public Board on 25 June 2026. Ms Rhian Davies added her thanks to those teams who have contributed to preparation of the annual accounts. As has been stated, these were submitted to Welsh Government yesterday and members of the Finance team had also met with Audit Wales representatives yesterday. For context in terms of the level of audit queries, Ms Davies advised that the figures this year for materiality and triviality are £14.6m and £733k respectively.

Suggesting that the effort involved in preparing accounts of this scope cannot be underestimated, Mr Weir thanked Ms Davies and Mr John for their work. He felt that this is a clear set of accounts and welcomed the high-level summary provided. On page 10 of the latter, Mr Weir noted that the Losses, special payments and irrecoverable debts figure has increased from £2.24m to £5.7m. He enquired whether there was a specific driver for this increase, or whether it was more arbitrary. In response, Members were advised that the reason for this increase related to the payments to Band 2 staff whose roles had become Band 3. Ms Davies reminded Members that provision had been made for this rebanding last year, and was included as an 'other'. This year, the Health Board had received guidance from Welsh Government that the recognition payment should be classified as a special payment. Hence the difference between this year's and last year's position in this category.

Mr Weir's second query was regarding annual leave accrual, and whether the level is similar to previous years. Ms Davis advised that the annual leave accrual is shown under note 9.1 on page 34 of the accounts. There is an increase this year of approximately £700k compared with previous years. This has been examined; however, she assured Members that all annual leave requests are appropriately approved. Thanking her for this response, Mr Weir noted that a figure of this level is not material to the accounts, given that the threshold for materiality is £14.6m.

Building on Mr Weir's first query, Cllr. Evans enquired whether there are any other material exposures of which the Committee should be aware. He noted in particular reference to clinical negligence made on pages 11 and 12 of the presentation. Mr Thomas confirmed that clinical negligence costs are a particular concern, which are not likely to diminish. It is important to recognise that provision nationally has increased by £0.25bn this

year. The Health Board's share towards this obligation will feature in future financial positions. Reasons for the increase to future provisioning arrangements include a Supreme Court judgment in March 2026 equalising the impact between genders, and a recognition of the full-life cost of lost earnings. The latter, in the case of a child, can clearly be very significant. A great deal of work is underway nationally to address this issue. Mr Thomas was content that the Committee can take assurance around the processes which have led to the figures in the accounts. The area requiring further focus is actions to prevent clinical negligence cases occurring.

In response to a query around general lessons learned, in relation to forecasting, for example; Mr Thomas indicated that this is an area of intense focus and assured Members that continuous learning is applied. The Health Board is at the forefront of work with colleagues in NHS Wales Performance and Improvement to explore the potential of machine forecasting and AI forecasting. It will be interesting to see how these tools might assist. However, the Health Board's forecasting is already relatively robust, evidenced by a forecast of £22.1m in December which has been maintained since. Adding his thanks to all involved, Mr Maynard Davies noted a correction needed on page 72, in relation to the heading for Pooled Budget contributions, which should be in thousands. Cllr. Evans enquired whether Audit Wales are content with the submission, with Mr Williams advising that it is too early to comment at this stage. He assured Members that Health Board and Audit Wales staff are meeting on a regular basis to discuss any queries. **HT**

Finally, Cllr. Evans noted that Ms Davies is due to retire this year, and wished to place on record the Committee's appreciation for her contribution over the years.

Decision: The Committee **DISCUSSED** the draft annual accounts for 2025/26.

The Committee agreed to **ASSURE** the Board in relation to the Financial Grip and Control report.

AC(26)95 Any Other Business

There was no other business reported.

AC(26)96 Date and Time of Next Meeting

9.30am, 23 June 2026