

**PWYLLGOR ARCHWILIO A SICRWYDD RISG
AUDIT AND RISK ASSURANCE COMMITTEE**

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| DYDDIAD Y CYFARFOD: DATE OF MEETING: | 07 May 2026 |
| TEITL YR ADRODDIAD: TITLE OF REPORT: | Draft Audit and Risk Assurance Committee Annual Report 2025/26 |
| CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR: | Cllr. Rhodri Evans, Chair of Audit and Risk Assurance Committee |
| SWYDDOG ADRODD: REPORTING OFFICER: | Cllr. Rhodri Evans, Chair of Audit and Risk Assurance Committee |

Pwrpas yr Adroddiad (dewiswch fel yn addas)

Purpose of the Report (select as appropriate)

Ar Gyfer Penderfyniad/For Decision

ADRODDIAD SCAA

SBAR REPORT

Sefyllfa / Situation

The purpose of this report is to present the Audit and Risk Assurance Committee (ARAC) Annual Report to Members. The attached report provides assurances in respect of the work that has been undertaken by ARAC in the 2025/26 financial year and provides information relating to the continued development of the role of the Committee and its members.

The attached report supports the compilation of the Annual Governance Statement and sets out how ARAC has met its Terms of Reference. The report has been compiled by the Chair of ARAC, based upon the work of the Committee.

Cefndir / Background

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

The report provides the Board and the Accountable Officer with assurance in respect of the adequacy and effectiveness of the Health Board's procedures and systems in maintaining a sound system of internal control and the conclusions drawn for the 2025/26 financial year. This is to include assurance about the rigour of the processes and the quality of the data which lie behind the statements and provide its own assurance about the reliability of the disclosures when they are subsequently submitted to the Board for approval.

Asesiad / Assessment

Please see the attached ARAC Annual Report 2025/26.

Please note that Chair's Action will be required, as the report will need to be updated following completion of the Internal Audit Plan for 2025/26 and the Final Head of Internal Audit Opinion being issued, before the report can be submitted to Board at its meeting scheduled for 25 June 2026.

Argymhelliad / Recommendation

The Audit and Risk Assurance Committee is asked to provide feedback on the ARAC Annual Report within one week and request Chair's Action to approve the content of the report, prior to onward submission to the Board.

Amcanion: (rhaid cwblhau)

Objectives: (must be completed)

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| Committee ToR Reference: Cyfeirnod Cylch Gorchwyl y Pwyllgor: | 10.5 The Committee Chair, supported by the Committee Secretary, shall: 10.5.1 Report formally, regularly and on a timely basis to the Board on the Committee's activities. This includes the submission of a Committee update report as well as the presentation of an annual report within six weeks of the end of the financial year and timed to support the preparation of the Accountability Report. This should specifically comment on the adequacy of the assurance framework, the extent to which risk management is comprehensively embedded throughout the organisation, the integration of governance arrangements and the appropriateness of self assessment activity against relevant standards. The report will also record the results of the Committee's self assessment and evaluation. |
| Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol: Datix Risk Register Reference and Score: | Not Applicable |
| Parthau Ansawdd: Domains of Quality Quality and Engagement Act (sharepoint.com) | Not Applicable |
| Galluogwyr Ansawdd: Enablers of Quality: Quality and Engagement Act (sharepoint.com) | Not Applicable |
| Amcanion Strategol y BIP: UHB Strategic Objectives: | Not Applicable |
| Amcanion Cynllunio Planning Objectives | Not Applicable |
| Amcanion Llesiant BIP: UHB Well-being Objectives: Hyperlink to HDdUHB Well-being Objectives Annual Report 2021-2022 | 10. Not Applicable |

| Gwybodaeth Ychwanegol: Further Information: | |
|--|------------------------|
| Ar sail tystiolaeth: Evidence Base: | ARAC Agenda and Papers |
| Rhestr Termiau: Glossary of Terms: | Not Applicable |
| Partion / Pwyllgorau â ymgynhorwyd ymlaen llaw y Pwyllgor Archwilio a Sicrwydd Risg Parties / Committees consulted prior to Audit and Risk Assurance Committee: | ARAC Chair |

| Effaith: (rhaid cwblhau) Impact: (must be completed) | |
|---|--|
| Ariannol / Gwerth am Arian: Financial / Service: | A sound system of financial control enacts robust financial control, safeguards public funds and the Health Board's assets and resources. Robust governance arrangements underpinning financial management contribute towards internal control and value for money being achieved. |
| Ansawdd / Gofal Claf: Quality / Patient Care: | A sound system of internal control ensures that any risks to the achievement of the Health Board's objectives are identified, assessed and managed. |
| Gweithlu: Workforce: | Not Applicable |
| Risg: Risk: | Not Applicable |
| Cyfreithiol: Legal: | Not Applicable |
| Enw Da: Reputational: | Not Applicable |
| Gyfrinachedd: Privacy: | Not Applicable |
| Cydraddoldeb: Equality: | <ul style="list-style-type: none"> • Has EqlA screening been undertaken? No • Has a full EqlA been undertaken? No |

AUDIT AND RISK ASSURANCE COMMITTEE

ANNUAL REPORT

2025/26

1. Introduction and Chair's summary

The Audit and Risk Assurance Committee (ARAC) was established under Board delegation with approved Terms of Reference and Operating Arrangements that are aligned to the NHS Wales Audit Committee Handbook, published by the Welsh Government (WG). The Committee is an independent Committee of the Board and has no Executive powers other than those specifically delegated in the Terms of Reference.

The Committee through its in-year reporting, has regularly kept the Board informed regarding the results of its reviews of assurances, together with any exceptional issues that arose. In accordance with the NHS Wales Audit Committee Handbook guidance and generally accepted standards of good practice, the Committee is required to issue an Annual Report constituting a formal report of the matters that it has considered during the year. The purpose of this report is to provide the Board and the Accountable Officer with assurance in respect of the adequacy and effectiveness of the Health Board's procedures and systems in maintaining a sound system of internal control, and the conclusions drawn for the 2025/26 financial year.

This report supports the compilation of the Accountability Report and details how the Committee has met its Terms of Reference.

2. Role and Purpose

The Committee supports the Board by critically reviewing governance and assurance processes on which the Board places reliance. The primary role of the Committee is to ensure the system of assurance is valid and suitable for the Board's requirements. It reviews whether:

- Processes to seek and provide assurance are robust and relevant;
- The controls in place are sound and complete;
- Assurances are reliable and of good quality; and
- Assurances are based on reliable, accurate and timely information and data.

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

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

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

- Internal financial control matters, such as safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information;
- Adequacy of disclosure statements (Annual Report and Annual Accounts), which are supported by the opinion of the Head of IA, the AW Annual Audit Report and other opinions;
- The adequacy of relevant policies, legality issues and the Codes of Conduct;
- The policies and procedures relating to fraud and corruption; and
- The system for risk management, to ensure this is robust in identifying and mitigating risks, enabling the Committee to provide the Board with assurance.

3. Terms of Reference and Workplan

The [Terms of Reference](#) (TOR) for ARAC are reviewed on an annual basis or following any significant changes. The TORs were approved by Board at its meeting in July 2025. Changes of note included the addition of reference to the Regional Joint Committee (RJC).

The Committee has an annual [workplan](#) to enable forward planning for the forthcoming year. The workplan is produced to incorporate the duties outlined in the Committee's Terms of Reference and any suggested areas of focus identified during the self-assessment process.

The Committee workplan covers a range of activities, including statutory reporting duties, regular items of business and priority planned pieces of work which support Board and Committee objectives. The workplan is regularly updated throughout the year, to ensure that it remains responsive to emerging issues and risks.

The Committee reviewed and approved the audit strategies and plans for the auditors as listed below, and received audit reports produced in support of them during 2025/26:

- Audit Wales;
- NWSSP Audit and Assurance Services:
 - Internal Auditors;
 - Specialised Services Unit.

Acting upon the outcomes of effectiveness reviews is as important as undertaking them. It is essential that outcomes and associated actions are reported appropriately. Throughout the year, Executive Directors and Lead Officers of audit reports have been requested to attend ARAC meetings to provide an opportunity to discuss the reports more fully. This also provides an opportunity for the Committee to satisfy itself that findings raised in reports are being addressed, with recommendations implemented to address control weaknesses or compliance issues.

The Committee continues to receive progress updates directly as and when requested, as well as referring reports to the Board and other Board Committees to ensure their wider aspects or impacts are fully understood.

4. Committee Structure and Meetings

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

Although invited to attend certain meetings to provide assurances and explanations to the ARAC on specific issues, neither the Health Board Chair, Chief Executive Officer (CEO), nor any other Executive Director of the Health Board, are members of the Committee. The CEO is invited annually to present the Accountability Report and to co-present progress reports at each meeting on the Health Board's Escalation Status and scrutiny meetings with WG.

Having a key role to play in establishing and maintaining a sound system of internal financial control, the Executive Director of Finance has attended all meetings. The ARAC has also been supported on key matters by means of the attendance of the Director of Corporate Governance/Board Secretary, who is the Lead Officer for the Committee, and who has been present at all meetings.

The Committee also has regular attendance from representatives of:

- The Auditor General/AW;
- NWSSP Audit and Assurance Services (IA and SSU);
- NHS Counter Fraud Services.

The membership of the Committee for 2025/26 was as follows, along with their attendance at meetings:

| Name | 15.04.25 | 08.05.25 | 24.06.25 | 12.08.25 | 14.10.25 | 09.12.25 | 10.02.26 |
|---|----------|----------|----------|----------|----------|----------|----------|
| Members | | | | | | | |
| Cllr Rhodri Evans – Committee Chair | ✓ | ✓ | ✓ | x | ✓ | ✓ | ✓ |
| Winston Weir – Committee Vice-Chair | x | ✓ | ✓ | ✓ | ✓ | x | ✓ |
| Maynard Davies - Committee Member | ✓ | x | ✓ | ✓ | ✓ | ✓ | ✓ |
| Eleanor Marks - Committee Member | ✓ | x | ✓ | ✓ | ✓ | ✓ | ✓ |
| In Attendance | | | | | | | |
| Huw Thomas – Director of Finance | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Joanne Wilson – Director of Corporate Governance / Board Secretary | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Charlotte Wilmshurst – Assistant Director of Assurance and Risk | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Audit Wales Representative | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| James Johns – Head of Internal Audit | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Benjamin Rees – Local Counter Fraud Specialist | ✓ | x | ✓ | ✓ | ✓ | ✓ | ✓ |
|---|---|---|---|---|---|---|---|

All meetings were quorate (figures include deputising arrangements).

5. Private meeting of Audit and Risk Assurance Committee Members with the Auditors

In line with the Audit Committee Handbook and the ARAC Terms of Reference, Committee Members met privately at individual meetings with Audit Wales, Internal Audit and Counter Fraud on 19 March 2026. The meetings were attended as follows:

| Independent Members | Attended by |
|---|---|
| <ul style="list-style-type: none"> • Cllr Rhodri Evans, Committee Chair • Mr Winston Weir, Committee Vice-Chair • Mrs Eleanor Marks, Committee Member • Mr Maynard Davies, Committee Member | <p>Meeting with Internal Audit</p> <ul style="list-style-type: none"> • Mr James Johns, Head of Internal Audit • Ms Sophie Corbett, Deputy Head of Internal Audit <p>Meeting with Counter Fraud</p> <ul style="list-style-type: none"> • Mr Benjamin Rees, Head of Local Counter Fraud Services <p>Meeting with Audit Wales</p> <ul style="list-style-type: none"> • Mr Anthony Veale, Engagement Director and Audit Director • Ms Anne Beegan, Audit Manager • Ms Urvisha Perez, Audit Lead |

Healthcare Inspectorate Wales (HIW) was offered a private meeting with Committee Members, however declined, advising that it has set up separate engagement meetings via its Head of NHS Assurance.

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

6. Committee Activities – Alert and Advise

The Committee is required to report to the Board after each Committee meeting by presenting a report highlighting the key discussion items at the Committee. Items which the Committee sought to either Alert or Advise the Board during 2025/26 are summarised below:

Alert – *The following matters were areas where the Committee was unable to take an assurance or had a lack of confidence that the action in place was sufficient to address the issue satisfactorily and/or it was within the scope of the operational team to resolve, and was alerting the Board as engagement action or intervention was required:*

- No matters raised as an Alert

Advise – *The following matters were areas of concern where assurance had been taken on actions in place but required close monitoring. The ongoing monitoring of the timely implementation of recommendations related to the reports mentioned below is done by the Board's Committees via the Assurance and Risk Reports.*

- The **Audit Wales Review of Urgent and Emergency Care (UEC) report** was received at the June 2025 ARAC meeting with all recommendations accepted, focusing on improving data quality, clarifying funding, enhancing patient signposting aligned with Welsh Ambulance Services University NHS Trust (WAST) and strengthening patient and staff feedback. Further actions included addressing dental contract performance, ensuring compliance with Same Day Emergency Care (SDEC) guidance, and improving access to patient information, particularly GP records where integration challenges persist. Planned developments in eObservations and Patient Flow were identified as being vital to facilitate these improvements. Concerns were raised around dental service access, prompting a request for a detailed report on sustainable dental services to the July 2025 Public Board. The report also highlighted issues around staff engagement and a perceived blame culture which should be addressed through the new operational structure, unified within the Community and Integrated Medicine Clinical Care Group.
- The **Audit Wales Planned Care Review** was received at the June 2025 ARAC meeting and evaluated progress in tackling planned care challenges. Management responses focussed on waiting list backlogs and barriers to improvement, with six recommendations raised including the need for clarity around funding strategies, long-term planning beyond the Clinical Services Plan, a dedicated Planned Care risk register, and completion of recommendations from Getting It Right First Time (GIRFT) reports. Concerns were raised regarding inconsistent clinical prioritisation of urgent cases and the need for better risk stratification of waiting lists. It was also noted that crucial support services like Radiology and Pathology are often overlooked in funding applications aimed at reducing waiting lists.
- The **Standards of Cleanliness Internal Audit** was received by ARAC in June 2025, with Limited Assurance awarded. It was recognised that whilst some progress had been made to address issues raised in the original 2023/24 audit, several actions remained ongoing associated with inconsistent reporting of cleaning audit scores, missed meetings with poor representation, incomplete documentation, non-compliance with cleaning standards, and failure to meet target scores. The ARAC questioned the lack of progress and whether the Health Board has the management capacity to deliver the improvements required. Following an agreement to develop more focussed management responses, a Task and Finish Group was established and an update was provided at the August

2025 ARAC meeting advising that the most pressing actions were now complete, with ongoing monitoring of compliance to be reported on a weekly basis to the Cleaning Standards Sub-Group. The follow up audit has been deferred to 2026/27.

- The Board was advised about concerns raised at the August 2025 ARAC meeting around the lack of progress with the **new operational structure** and the impact on staff, noting that the Health Board is extremely dependent on its effectiveness to improve delivery and performance. The ARAC requested the update scheduled to be presented to the People, Organisational Development and Culture Committee (PODCC) and to also be provided to ARAC Members.
- The **Escalation Status Update** as presented to the ARAC in August 2025 highlighted the additional Targeted Intervention (TI) criteria relating to responses to concerns raised by Regulators, including Healthcare Inspectorate Wales (HIW). Concerns were also raised around the change to the financial de-escalation criteria from the Target Control Total of £31.5m deficit to £24m, and the wider implications of this shift to the overarching plan. This amendment would require the identification and delivery of an additional £6m of savings in the space of 7 months, making the need to enact potential options presented to Public Board in July 2025 more likely.

An updated position was presented at the March 2026 Board meeting providing assurance that there were robust governance arrangements in place to support the Health Board's compliance with its de-escalation criteria, whilst recognising there is a capacity and capability deficit within operational governance due to ongoing operational pressures across Clinical Care Groups.

- The **Sickness Management Internal Audit** was awarded Limited Assurance and discussed at the August 2025 ARAC meeting. The audit reviewed the arrangements in place for managing sickness absence in compliance with the All Wales Managing Attendance at Work Policy, training and support available to staff and line managers, and the monitoring and reporting arrangements. Non-compliance with key requirements of the policy relating to Fit Notes, Return-to-Work interviews and reviewing prompts for frequent absences were highlighted. Audited staff were aware of the requirements, therefore non-compliance suggested underlying capacity or cultural issues. Concerns were also raised regarding the small audit sample size, with agreement made to revisit the associated guidance and principles involved. It was agreed to establish a planned programme of reviews with service areas supported by the Workforce team, while emphasising that responsibility for managing attendance rests with line managers. Compliance targets in these areas were

confirmed as 100%, and members agreed that a follow-up audit with an expanded sample should be undertaken later in the year to strengthen assurance. A follow up on sickness management is scheduled to report to the ARAC in May 2026.

- Concerns were raised at the August 2025 meeting regarding the **Nursing Management Internal Audit**, which was awarded Limited Assurance as a follow-up of the 2024/25 audit. The audit focussed on rostering processes and absence management. Whilst audit findings were broadly consistent with the previous report, an improving trend in rostering controls and practices was observed. However, the audit identified a deterioration in sickness management and widespread non-compliance with key requirements of the All Wales Managing Attendance at Work Policy. It was highlighted that the Health Board received two Limited Assurance reports due to the same underlying reason of sickness absence management. It was noted that these findings would be reported to Welsh Government, and that there is a clear need for decisive action. The value of an appreciative inquiry and Quality Improvement approach was reiterated, and if upscaled across nursing areas alone, would offer the opportunity to influence significant numbers. A follow up on sickness management, which will incorporate nursing sickness, is scheduled to report to the ARAC in May 2026.
- In considering the **Financial Assurance Report** at the August 2025 Committee, concerns around breaches of **Standing Financial Instructions (SFIs)** and the use of retrospective Purchase Orders were raised. It was emphasised that the SFIs reported are not material in nature, however, an active programme of education is in place.
- Concerns were raised at the October 2025 ARAC meeting regarding the findings of the **Validation of Emergency Department Waiting Time Data Internal Audit**, which was issued with Limited Assurance. The audit focused on validating Emergency Department data, particularly the four-hour target and the breach validation process in place. A Standard Operating Procedure (SOP) was in place, however this had not been approved via formal processes and further work was required to address issues with this to ensure appropriate dissemination across the four acute sites, and to establish if clinical involvement in the process is required. Since April 2025, it was noted that validation had only been undertaken at Bronglais Hospital (BGH) following a change in management. The audit had concluded Limited Assurance overall, with a follow-up planned for 2026/27 (this has been deferred to 2026/27 due to operational pressures in Q4).

- The **Human Tissue Authority Internal Audit**, which was awarded Limited Assurance, found that the Health Board is compliant with key Human Tissue Authority (HTA) standards in relation to secure tissue storage and adherence to family wishes regarding disposal. However, instances were found of missing and incomplete records, and delays in disposal leading to tissue being retained without consent which had not been reported to the HTA as 'reportable incidents'. A rigorous action plan with challenging but achievable deadlines was established in response, recognising that that none of the concerns raised in the Internal Audit were highlighted during a statutory visit to the Health Board's licensed premises. Whilst the contents of the report were concerning, it was recognised that the Health Board is compliant with HTA standards. The Committee requested a follow-up audit which was reported to ARAC in April 2026 which reported all recommendations had been completed.
- Discussions around the **Internal Audit Plan Progress Report** as presented to ARAC in December 2025 raised concerns around responses to audits. The Internal Audit Charter sets out requirements to be timely, honest and open, and engagement with audit partners must be effective and constructive. Specific issues in this round of internal audits included re-auditing following completion of an initial draft, the subsequent receipt of contradictory information, and delays in submitting information and evidence. The Committee escalated these concerns to the Chief Executive.
- The ARAC received and discussed the **Audit Wales Report Urgent and Emergency Care: Flow out of Hospital – West Wales Region**, highlighting ongoing challenges in patient flow affecting Urgent and Emergency Care (UEC). The report, which was developed jointly with Local Authority partners and cleared for factual accuracy through the Regional Partnership Board (RPB), identified persistent delays in discharges that continue to impact ambulance handovers, emergency department waiting times and overall system performance. The report highlighted barriers such as increasing complexity of patient need, capacity constraints and weakness in discharge planning, despite a range of programmes underway. The report outlined four recommendations for the Health Board, as well as nine joint recommendations with Local Authorities and two specifically for Local Authorities, and concluded that sustained, system-wide action is required to achieve meaningful improvement. The Senior Operational Team noted that all issues raised are already recognised by the Health Board, with work in progress to address them, although the pace of delivery and the need for strengthened joint working remain key considerations. Concerns were raised regarding capacity and capability within the operational team to take forward these recommendations in a timely manner, the fragility of the care sector, the

need for consistent seven day service provision, and differing levels of priority placed on delayed discharges across partner organisations. The Committee were appraised of a business case due to be presented to Board in January 2026 (subsequently approved at the meeting held on 28 January 2026), seeking to address these challenges alongside wider programmes of work. Additionally, work on a Memorandum of Understanding with local authorities was underway to support more aligned approaches, alongside efforts to improve public messaging on the risks of prolonged hospital stays. The ARAC were reminded that Health Board-specific actions will be monitored via the Audit Tracker, with joint recommendations potentially overseen through the RPB. The Committee noted the absence of clear completion dates and variable quality in management responses, which may affect the ability to track progress and could have implications for Clinical Care Group escalation status. A follow up meeting with RPB leads was held in March 2026 to address these concerns.

- In March 2026, the Board were advised of discussions at the February 2026 ARAC meeting around operational pressures inhibiting **timely responses to requests for access to information from Audit Wales and Internal Audit** that could potentially impact on the assurance received from individual audits and affect the overall audit opinion of the Health Board.
- Discussions around the **Internal Audit of Managed Practices**, which provided Reasonable Assurance, as presented to ARAC in February 2026 noted the need to develop the strategic vision for the management of managed GP practices within the Health Board through the Primary Care and Community Services Strategy, now the Community by Design Strategic Plan, to ensure that processes are in place to provide clarity to the strategic intent for the oversight of managed practices. The Committee were advised that processes have been implemented to ensure that the appropriate financial management, budget setting and development of savings plans for managed practices were in place.
- A discussion around the **Internal Audit of the Health Board's vaccination and immunisation processes**, which provided Limited Assurance, was held at the February 2026 meeting. The Committee noted that they received assurance that the actions required to remedy the issues identified by the audit were now in place and on track to be implemented within the agreed timescales, however there was a need to improve and develop the vaccination and immunisation strategy within the wider Primary Care Strategic Plan. It was recommended that the Strategy and Planning Committee undertake a review of the governance arrangements pertaining to the Health Board's Vaccination and Immunisation Strategy in order to obtain assurance

regarding the robustness of the strategic direction and programme planning in response to the audit findings. This is scheduled for July 2026.

7. Committee Activity – regular reporting

The Committee regularly receives the following reports at its meetings, with items which the Board were either alerted to or advised of during 2025/26 noted:

Escalation Status Reports

At the start of the financial year the Health Board's escalation levels against the Welsh Government's six domains were:

Level 4 (targeted intervention) across four domains due to significant concerns:

- Finance, Strategy and Planning;
- Performance and Outcomes*;
- Fragile Services; and
- Quality of Care

Level 3 (enhanced monitoring status) across two domains:

- Leadership, Capability and Culture;
- Governance

*Two key areas of the Performance and Outcomes domain were de-escalated in March 2025 to Level 3 (enhanced monitoring status): Child and Adolescent Mental Health Services (CAMHS) and Planned Care.

The Health Board were further de-escalated during the financial year in the following areas:

- Performance and Outcomes relating to Child and Adolescent Mental Health from Level 3 (enhanced monitoring) to Level 1 (routine arrangements) in July 2025;
- Performance and Outcomes relating to Cancer from Level 4 (targeted intervention) to Level 3 (enhanced monitoring) in July 2025, and further de-escalation to Level 1 (routine arrangements) in February 2026;
- Governance from Level 3 (enhanced monitoring) to Level 1 (routine arrangements) in December 2025; and
- Leadership, Capability and Culture from Level 3 (enhanced monitoring) to Level 1 (routine arrangements) in December 2025.

During 2025/26, routine performance management, including Joint Executive Team (JET) and Integrated Quality, Planning and Delivery Group (IQPD) meetings, quarterly escalation meetings and a Public Accountability Meeting in December 2025, provided intervention, support and monitoring arrangement by Welsh Government, along with the updated de-escalation criteria. Welsh Government are introducing a new approach to NHS Wales/Welsh Government

oversight and interface arrangements for 2026/27, that will require us to meet the following requirements:

- Providing timely, accurate data and updates via the common reporting pack.
- Utilising the single reporting pack within Board papers and discussions.
- Maintaining delivery plans (IMTP/annual plan) and corrective action plans aligned to escalation requirements.
- Participating in risk-based CEO/Executive Review Meetings with the NHS Wales CEO (cadence set by escalation level) to reinforce earned autonomy.

The Escalation Status Report, provided at each meeting, aims to provide the Committee with assurance on the Health Board's progress in addressing WG's de-escalation requirements.

The Board was:

- **Advised** of the additional criteria relating to concerns raised by regulators, particularly Healthcare Inspectorate Wales (HIW) and Health Education and Improvement Wales (HEIW) inspections and report, and concerns around the change to the financial de-escalation criteria from £31.5m to £24m, and the wider implications of this shift to the overarching plan. This amendment would require the identification and delivery of an additional £6m of savings in the space of 7 months, making the need to enact potential options presented to Public Board in July 2025 more likely.
- **Advised** that the Escalation Status Update Report provided assurance that there were robust governance and operational governance arrangements in place to support the Health Board's compliance with its de-escalation criteria, however there is a capacity and capability deficit within operational governance due to on-going operational pressures across Clinical Care Groups.

Financial Assurance Report

The Financial Assurance Report was presented at every meeting throughout 2025/26. This is consistent with the Committee's role of maintaining an appropriate financial focus by demonstrating robust financial reporting and ensuring that the maintenance of sound systems of financial control is enacted. To comply with Standing Orders and Standing Financial Instructions (SOs and SFIs), the Committee must review losses and special payments reports and where appropriate, recommend them to the Board for approval. This element of the Committee's work is discharged through consideration and approval of the losses and debtors' write-offs provided in the Financial Assurance Report.

Matters discussed by the Committee during the year and on which assurances were provided included:

- Compliance with Standing Financial Instructions (SFIs) requirements;
- Compliance with Purchase to Pay requirements (Public Sector Payment Policy);

- Compliance with National Minimum Wage (NMW) requirements;
- Compliance with Single Tender Action (STAs) requirements;
- Losses and Special Payments and Write Offs; and
- Controls in place to manage staff overpayments.
-

The Board was:

- **Advised** of breaches of Standing Financial Instructions (SFIs) and the use of retrospective purchase orders, that whilst the SFIs reported are not material in nature, an active programme of education is in place.

Risk Assurance Report

The Committee is responsible for reviewing the adequacy of the underlying assurance processes that indicate the degree of the achievement of strategic and planning objectives, the effectiveness of the management of principal risks and the appropriateness of the above disclosure statements.

The purpose of the Risk Assurance Report is to provide assurance on the effectiveness of the Risk Management Framework, the implementation of the Risk Management Strategy and progress made against the objectives contained within. The revised [Risk Management Framework and Risk Management Strategy](#) were approved by the Board in September 2025.

The report also provides a high-level summary of each Clinical Care Group and Executive Function's internal escalation status in relation to their risk management processes. This is consistent with the Committee's role of reviewing the establishment and maintenance of an effective system of good governance, risk management and internal control across the whole of the organisation's activities, both clinical and non-clinical, that supports the achievement of the organisation's objectives.

The Committee was presented with the outcomes of the annual risk maturity for 2024/25 self-assessment at its meeting in April 2025. The assessment was undertaken in accordance with the Orange Book (a recognised risk management standard for the public sector). The outcomes of this assessment informed the objectives for the [Risk Management Strategy](#).

No items arose during the year which the Committee either alerted or advised the Board.

External Recommendations and Welsh Health Circulars Assurance Report

Audits, inspections and reviews play an important independent role in providing the Board with assurance on internal controls, and that systems and processes are sufficiently comprehensive and operating effectively. Therefore, it is essential that recommendations from audits, inspections and reviews as well as mandatory guidance, policy updates and operational requirements from Welsh Health Circulars are implemented in a timely way.

All reports from audits, inspections and reviews carried out across the Health Board and all Welsh Health Circulars are logged and tracked on the Audit Management and Tracking (AMaT) system, with progress updated by relevant service leads regarding implementation against each recommendation. The AMaT system enables a high-level summary of report activity from auditors, inspectorates and regulators to be produced and reported on for each Clinical Care Group and Executive Function, informing its escalation status. Data is assessed as at the most recent month-end position, to align with the escalation framework. The report aims, therefore, to provide assurance on the progress made in respect of implementing recommendations as raised from audits, inspections and Welsh Health Circulars.

The Board was:

- **Assured** that significant progress has been demonstrated in reducing the number of open and overdue external recommendations particularly within the Estates and Facilities Clinical Care Group at its meeting in February 2026, however the Committee **advised** the Board of the deterioration in performance of the Community and Integrated Medicine Clinical Care Group and that should satisfactory improvement not be demonstrated to the Committee in April 2026, the Chief Operating Officer would be asked to attend the Committee in June 2026.

8. Committee Activity – other Committee work

Other items identified by the Committee as requiring Board attention during 2025/26 included:

- The ratification of the **Health Board's Standing Orders (SOs) at its meeting in April 2025**, and approved by Board at its meeting on 29 May 2025;
- The ratification of the **Health Board's Standing Financial Instructions (SFIs) at its meeting in June 2025**, and approved by Board at its meeting on 31 July 2025;
- The review of the adequacy of the **Declaring, Registering and Handling Interests, Gifts, Hospitality, Honoraria and Sponsorship** arrangements currently in place via its annual review in May 2025;
- The approval of all year-end documentation for 2024/25 at its meeting on 24 June 2025;
- The ratification of the **Risk Management Framework and Strategy** at its meeting in August 2025, and approved by Board at its meeting in September 2025;
- The ratification of the **Scheme of Delegation** at its meetings in April 2025 and February 2026, and approved by Board at its meeting in May 2025 and March 2026 respectively;
- The **Annual Summary of Single Tender Action and Quotation Reports** was presented to the Committee in June 2025, detailing the Single Tender Actions awarded by the Health Board during 2024/25, to obtain assurance that there were no consistent or recurring themes which might indicate any attempt to

circumvent due process, thereby enabling any trends or other issues of concern to be monitored and acted upon.

The Committee received the Annual Statement of Financial Procedures at its meeting held on 10 February 2026, detailing planned reviews of the financial systems operated by the Health Board planned to be undertaken during 2026/27.

9. External Audit

The external audit service is provided by Audit Wales (AW), with its work in 2025/26 falling under the two broad headings of:

- Audit of financial statements, and providing an opinion thereon;
- Performance audit work, including an All-Wales thematic review of cancer services, and local project work.

The outline AW Annual Plan 2025 was discussed in April 2025 by the Committee. The plan set out proposed AW work to examine the Health Board's financial statements, expenditure and measures to secure economy, efficiency and effectiveness in the use of resources. An appropriate programme of performance audit work will also be undertaken. Areas to be tested have been selected based upon identified financial risk specific to the Health Board.

Progress against the AW Audit Plan is monitored via regular update reports presented to the Committee with some timings changing in-year.

Outcomes of Structured Assessment 2025

In 2025, the [AW Structured Assessment](#) focused on how well the Health Board is governed and whether it made the best use of its resources. This was presented to the Public Board meeting held on 29 January 2026 following presentation to the Committee on 9 December 2025. The overall conclusion was that *'the Health Board remains strongly committed to public transparency and continues to have good governance arrangements'*. Other key messages in the report relating to Board transparency, effectiveness and cohesion included:

- We continue to have a strong commitment to public transparency, ensuring our Board business remains open and accessible.
- We have robust arrangements in place to support the effective conduct of Board and committee business.
- Our Board and committees are operating effectively, with strengthened arrangements to escalate high-risk matters to the Board.
- We are progressing well with preparations to establish a joint committee with Swansea Bay University Health Board.
- We continue to receive good-quality, timely papers that are strengthening further through ongoing improvements.
- We continue to hear from a broad range of patients and staff, supported by enhanced arrangements for patient safety walkabouts.

- Our Board is managing a significant period of change well and is taking positive steps to maintain cohesion and effectiveness through development and continuous improvement.

AW found that in relation to corporate systems of assurance that “there are strong arrangements to oversee risk, performance, service quality and safety and audit recommendations. The Health Board is taking steps to improve data quality and further strengthen governance arrangements for quality and safety. There is an opportunity to clarify committee oversight in the Board Assurance Framework dashboard”.

In respect of the corporate approach to planning, AW found that “the Health Board is refreshing its long-term strategy and maintains good oversight for developing and delivering corporate plans and strategies. While the Health Board is progressing its Clinical Services Plan, the plan currently only covers nine of its most fragile services”.

AW found that in relation to the management of financial resources, “the financial position remains a concern, with a forecast year-end deficit for 2025/26 and the savings plan currently off track. As in previous years, the Health Board was unable to submit a financially balanced three-year Integrated Medium Term Plan to the Welsh Government. However, the Health Board has improved on its opening plan deficit of £31.5 million, and at month seven, is forecasting a deficit of £28.3 million. It is also taking steps to improve the deficit position and achieve financial sustainability by 2028- 29”.

AW reviewed the progress made against recommendations from previous Structured Assessment reports. Of the 18 recommendations raised in previous reports, 17 were confirmed as complete, and 1 noted as in progress, which has now been completed.

Two new recommendations were issued in the Structured Assessment for 2025. Both recommendations have now been completed and were approved by AW in February 2026.

ISA260 Report and Letter of Representation

The Committee received the AW ISA 260 report and Letter of Representation at its meeting held on 24 June 2025, setting out the results of the audit of the Health Board’s financial statements. There were no trivial misstatements identified in the financial statements, nor were there any uncorrected misstatements above the agreed trivial level of £0.717 million. Initial misstatements in the accounts were corrected by management.

Recommendations previously raised had been addressed, with no new recommendations identified relating to 2025/26.

The audit found that the Health Board did not meet the two statutory financial duties as it did not meet its revenue resource allocation over a three-year period ending 31 March 2025, and does not have an approved three-year integrated medium-term plan in place for the period 2024/25 to 2026/27.

Performance Audits 2025/26

AW reported on the following performance work during 2025/26:

- **Review of Capital Investment Prioritisation** - The report presented in June 2025 found that “the Health Board has an effective and improving approach to capital prioritisation and there are good oversight arrangements for its Board approved capital investment plan. However, the feasibility of the plan is uncertain due to the extent of the backlog costs and limited capital funding.” One recommendation was raised within this report.
- **Review of Urgent and Emergency Care: Arrangements for Managing Demand** - The report presented in June 2025 found that “changes to urgent and emergency care services are leading to some improvements in managing demand, supported by reasonable plans and effective oversight. However, poor performance in areas including ambulance handover delays continue, and there is a need to strengthen staff and patient engagement.” 14 recommendations were raised within the report.
- **Tackling the Planned Care Challenges** - The report presented in June 2025 found that “the Health Board is now making good progress addressing its longest waits but needs to do more to ensure timely diagnostic and therapy services. Referral demand is increasing, and the Health Board needs to agree a financially and clinically sustainable plan to meet current and future patient needs. The Health Board also needs to address its service inefficiencies and strengthen its approach for identifying and reporting on harm resulting from delays in access to care.” Six recommendations were raised within the report.
- **Discharge Planning Progress Update** – The report presented in October 2025 found that “the Health Board has made slow progress in addressing the previous recommendations we made in 2017 to help improve discharge planning. Our 2017 report made six recommendations that set out 12 specific actions for the Health Board. Noting that the Health Board had accepted these recommendations, our follow up work found that:
 - no progress has been made against four of the actions;
 - work is still on-going against four of the actions;
 - one of the actions has been superseded by other developments;
 - three of the actions have been implemented.”

Of the six recommendations in the 2017 report, 3 remain outstanding. One new recommendation arose from the follow up report.

- **Urgent and Emergency Care: Flow out of Hospital** - The report presented in December 2025 found that “despite patient flow being a key aspect of plans across partners, high numbers of delayed discharges continue to negatively affect urgent and emergency care services, including ambulance handovers and emergency department waiting times. Increased complexity of demand, capacity constraints, and weaknesses in the discharge planning process are all key barriers to more effective patient flow. Partners understand the need to

drive improvements, but more action is needed to secure the sustainable improvements required.” Fifteen recommendations were raised within the report.

The following reports were deferred during 2025/26:

- **Review of the Management of Outpatients** – This review was deferred to April 2026 and assessed whether the Health Board had effective arrangements in place to manage its outpatient appointments. AW found that “the Health Board has significantly reduced the number of patients waiting over one year for a first outpatient appointment, meeting the Welsh Government target by March 2025. However, the focus on first outpatient appointments has affected its ability to reduce the number of patients experiencing delayed follow-up outpatient appointments, with numbers continuing to increase. In October 2025, approximately 17,000 patients were waiting twice as long as they should be for a follow-up outpatient appointment”. Two recommendations were raised within the report
- **Structured Assessment 2024 Deep Dive - review of investment in digital systems** - The review, expected in May 2026, will examine digital arrangements, with a particular focus on how NHS bodies are investing in digital technologies, solutions, and capabilities to support the workforce, transform patient care, meet demand, and improve productivity and efficiency.
- **Structured Assessment 2025 Deep Dive - review of the arrangements to manage estates** - The review, expected August 2026, will examine the effectiveness of corporate arrangements to manage the Health Board’s estate with a particular focus on how NHS bodies are prioritising resources to meet strategic priorities whilst also ensuring the current estate remains fit for purpose. When undertaking this work, Audit Wales will take into account the local work which examined the Health Board’s arrangements for managing capital prioritisation.
- **Review of cancer services** - This review, expected in August 2026, will follow on from the review of national leadership arrangements for cancer services undertaken in 2024/25. Whilst the exact focus of this work is to be determined, it is likely to consider the progress NHS bodies are making towards achieving Welsh Government targets and quality standards for cancer services as well as the efficacy of local plans and associated actions to recover cancer waiting lists. It will also consider the use of the additional Welsh Government financial allocations to improve cancer services.
- **Review of radiology services** - This review, expected in June 2026, will examine the effectiveness of arrangements to manage current and future demand for the Health Board’s radiology services and will assess the extent of progress made in implementing the recommendations from the 2017 radiology service review.

10. Internal Audit

Internal Audit (IA) services are provided by the NHS Wales Shared Services Partnership (NWSSP). The service provision is in accordance with a Service Level Agreement agreed by the Shared Services Partnership Committee, on which the Health Board has permanent membership.

IA provide an independent and objective opinion to the Accountable Officer, the Board and the ARAC, on the degree to which risk management, control and governance support the achievement of the organisation's agreed objectives. The Committee approved the content of the 2025/26 NWSSP IA Strategy, Plan and Charter at its meeting held on 15 April 2025, following a detailed review. The scope of this work is focused on significant risk areas and local improvement priorities. The Committee requested the need for audits to be delivered to the agreed timescales and were kept informed of any slippages in the Internal Audit Plan 2025/26.

The Head of IA has met weekly with the Director of Corporate Governance/Board Secretary throughout 2025/26, to discuss and consider any changes to the IA plan, and in discussion with the Chair of the Committee with any changes approved by the Committee. Changes to the IA plan resulted from the need to accommodate fluctuations in operational demand or to support the Health Board in response to emerging concerns and the increase in its escalation status within the Health Board. The Head of IA has also met with the Chair of the Committee on a regular basis to monitor the audit programme. Further work is need by both Internal Audit and the Health Board to reduce the number of deferred audits and ensure compliance with set timescales and reporting of audits.

The Committee has received progress reports against delivery of the IA Plan at each meeting, with individual assignment reports also being received. Executive Directors, accompanied by lead officers, have been requested to attend to be held to account and to provide assurance that remedial action is being taken to address the findings within the IA reports. The outcome of each audit, providing an overall conclusion on the adequacy and application of internal controls for each area under review, was considered by the Committee. The assessment of adequacy and application of internal control measures is graded in terms of 'no assurance' through to 'substantial assurance'.

The Audit and Assurance Shared Services Unit (SSU) provide an objective assessment of whether the Health Board's systems and controls for capital and estates projects are working effectively. During 2025/26, the Committee has continued to work effectively with the Audit Team to further strengthen the Health Board's internal control processes surrounding capital projects and estates assurance.

The assurance ratings for these audits are outlined below. In considering the IA reports the Committee engaged in discussion with the Head of IA where it was felt appropriate, to obtain further information about the assurance rating given by IA. The audit reviews reported as part of the IA Plan for 2025/26 are outlined below:

Substantial Assurance

- Medical Devices Regulations
- Cyber Security

| | |
|--------------------------|---|
| Reasonable Assurance | <ul style="list-style-type: none"> • Escalation Governance • Corporate Risk: Ophthalmology • Commissioning – Long Term Agreements • Patient Experience • Managed Practices • Departmental /Shadow IT systems management |
| Limited Assurance | <ul style="list-style-type: none"> • Nursing Management (Follow Up) • Sickness Management • Validation of Emergency Department Waiting Time Data • Human Tissue Authority • Vaccination and Immunisation • <i>Level 3/4</i> • <i>Operational governance arrangements</i> |
| Unsatisfactory Assurance | <ul style="list-style-type: none"> • N/A |
| Advisory/Non-opinion | <ul style="list-style-type: none"> • Estates Assurance – Space Utilisation • Control of Contractors • Capital Governance Arrangements • <i>Space Utilisation</i> • <i>Human Tissue Authority Follow Up</i> |

**Reports in Italics were reported to ARAC in 2026/27 (post 31 March 2026)*

The Global Internal Audit Standards (the Standards), issued by the Institute of Internal Auditors in January 2024 and effective from January 2025 apply to UK public sector audits from 1 April 2025, and has informed the Internal Audit Plan for 2025/26. The new Standards require that a risk-based internal audit plan is created that supports the achievement of the organisation's objectives. The Plan will be delivered in accordance with the Internal Audit Mandate and Charter and agreed Key Performance Indicators.

Head of Internal Audit Opinion (Section to be updated when Head of Internal Audit Opinion has been finalised)

The IA plan has been agile and responsive during the year to ensure that key developing risks are covered. As a result of this approach, and with the support of officers and independent members across the Health Board, the plan has been delivered substantially in accordance with the agreed schedule and changes required during the year, as approved by the Committee. In addition, regular audit progress reports have been submitted to the Committee. Although changes have been made to the plan during the year, IA have undertaken sufficient audit work during the year to be able to give an overall opinion in line with the requirements of the Public Sector Internal Audit Standards.

The Head of Internal Audit has concluded the following assurance rating for 2025/26:

**Head of Internal Audit Opinion not available –
Insert rating when issued**

Whilst there were no audited areas that resulted in ‘no assurance’, the following audit reports were issued with a conclusion of limited assurance during 2025/26:

| Report Title and Date of Issue | Lead Director | Total Number of Recommendations | Of Which High Priority |
|--|--|---------------------------------|------------------------|
| Nursing Management (Follow Up) (July 2025) | Chief Operating Officer | 3 | 1 |
| Sickness Management (July 2025) | Director of Workforce & Organisation Development | 2 | 1 |
| Validation of Emergency Department Waiting Time Data (September 2025) | Chief Operating Officer | 6 | 2 |
| Human Tissue Authority (October 2025) | Chief Operating Officer | 6 | 2 |
| Vaccination & Immunisation (January 2026) | Director of Public Health | 9 | 5 |
| Internal Escalation: Level 3 & 4 Functions (March 2026) | Director of Finance | 7 | 3 |
| Operational Governance Arrangements (April 2026) | Chief Operating Officer | 4 | 4 |

Table above to be updated should any further limited assurance reports be presented to Committee in May

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

Where audit assignments planned this year did not proceed to full audits following preliminary planning work, these were either: removed from the plan, removed from the plan and replaced with another audit, or deferred until a future audit year. Subsequent to the approval of the plan in April 2025, the following audits were deferred:

| Review Title | Reason |
|----------------------------------|--|
| Estates & Facilities Directorate | Time reallocated to be used for cleanliness standards re-audit follow up, which was itself subsequently deferred to 2026/27. |

| | |
|--------------------------------------|--|
| Cleanliness Standards re-audit | Re-audit of previous multiple limited assurance audits deferred as whilst actions were in process of being implemented, there was insufficient progress made with embedding the previously agreed actions. |
| Health & Safety | Re-audit of previous limited assurance audit deferred to 2026/27 as insufficient progress made with implementing the previously agreed actions. |
| Theatres Stock system implementation | Deferred as a result of the impact of additional time taken on other audits. |
| Primary Care Corporate Risk | Deferred due to a reduction in the risk score which was reported to the Board. |
| Complaints | Deferred due to the implementation of new arrangements. |
| ED Data Follow up | Follow up deferred due to limited progress with implementation of actions. |

IA is aware of the plans and actions put in place by the Health Board in response to their recommendations and will follow these up in 2026/27 to ensure they have been enacted.

11. Counter Fraud

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

The Committee received and approved the 2025/26 Annual Work Plan of the Local Counter Fraud Officer at its meeting held on 15 April 2025, ensuring that it had an appropriate level of coverage, and subsequently received regular reports to monitor progress against the plan. These reports provided an overview of current cases, details of concluded fraud investigations, policy and procedure reviews, actions being taken to deter and prevent fraud and to raise fraud awareness throughout the Health Board.

The Committee received the Counter Fraud Annual Report 2025/26 at its meeting held on 15 April 2025. The Health Board's Counter Fraud provision has demonstrated compliance with the requirements of the WG Directions to NHS Bodies on Counter Fraud Measures. The overall 'green' rating from the Quality Assurance assessment ("Self-Review Tool" (SRT)), demonstrates the continued efforts from the Local Counter Fraud Service (LCFS) in working in an innovative way

to achieve a balance of both reactive and proactive work to meet the NHS Counter Authority's Standards. A key strategy from previous years has been to change the view amongst the wider Health Board of the Counter Fraud Team, from being a reactive unit for referral and investigation, to a proactive unit purposed to prevent fraud and reduce fraud risk. This is showing signs of taking effect, with increased contact seeking advice and assessment. This strategy will continue, whilst being mindful that the message around the importance of investigation should not be lost. The Counter Fraud Team can demonstrate a continued trajectory of improvement across the service, with continued success shown across key measurables. Key areas of work for next year will be to maintain focus on inform and involve, continuing to raise awareness of Fraud, Bribery and Corruption and further embedding a counter fraud culture fostered over preceding years as well as further developing work associated with Prevent and Deter, including building on Fraud Risk Analysis, identifying specific Fraud Risk based proactive exercises and recording outcomes on Clue3 against the Government Functional Standards.

The Local Counter Fraud Officer has been in regular attendance at Committee meetings during 2025/26, and issues have been discussed in detail, as appropriate, with Committee members. Progress details for cases highlighted as part of the Counter Fraud Investigations Report have regularly been provided at In-Committee meetings.

12. Committee Effectiveness – Feedback from self-assessment process

As stipulated within the Standing Orders, the Committee undertakes a regular and rigorous self-assessment and evaluation of the performance of the Committee. This involves the completion of a short digital form which requested feedback on the following areas for the self-assessment undertaken for 2024/25:

- Governance and administration;
- Committee's inputs;
- Conduct of Committee meetings;
- Interface with other Committees, including the Board;
- Committee's impact; and
- Individual role on Committee.

The Committee was presented with a progress update at its meeting in August 2025 on the actions in response to the outcomes of the 2024/25 self-assessment, noting all five actions were complete.

The self-assessment for 2025/26 focussed on five core areas of governance and assurance:

- Governance, Assurance and Oversight;
- Risk Management and Internal Control;
- Internal and External Audit;
- Financial and Annual Reporting; and
- Committee Effectiveness and Continuous Improvement.

Outcomes from the self-assessment for 2025/26 were presented to the Committee at its meeting in December 2025, with three actions identified - two noting the continuation of existing processes, and one with a completion date of March 2026.

13. Assurance on Clinical Governance

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

- Does the Health Board have a plan which is fit for purpose and is completed on time?
- Does it cover all relevant issues?
- Is it making a difference and leading to demonstrable change?
- Is change supported by recognised improvement methodologies?
- Does the organisation support clinical audit effectively?

The Committee was presented with an update on the Health Board's Clinical Audit functions and programmes, and an update on plans for 2025/26 at its meetings on 15 April 2025 and 14 October 2025. The Committee took assurance from the updates presented at both meetings.

The 2026/27 programme will be shared with the Committee, Clinical Audit Scrutiny Panel (CASP) and Operational clinical care groups.

14. Assurance on regulatory directions

The Health Board's compliance against with Welsh Health Circulars (WHCs) is reported to alternate meetings. WHCs are guidance documents issued to Health Boards, providing a streamlined, transparent and traceable method of communication between the NHS Wales and NHS organisations relating to areas including workforce, finance, estates, quality and safety, legislation, governance, performance / delivery, information technology, science, research, planning, public health, policy, and health professional letters.

Of the 32 open WHCs presented to ARAC in February 2026, 13 were reported as being non-compliant:

- 4 are overdue as they have passed their original implementation dates;
- 4 cannot be progressed due to factors external to the Health Board;
- 4 are pending an internal decision within the Health Board before they can be progressed; and
- 1 is unable to be completed in the manner initially proposed.

Reasons for non-compliance with overdue WHCs include:

- Ongoing development work and cross-CCG coordination requirements;
- Dependency on Clinical Service Plan (CSP) outcomes;

- Joint-leadership actions required to secure additional funding and resources; and
- Awaiting relevant national guidance.

Reasons for non-compliance with WHCs that are reliant on external factors or internal decisions include:

- Projects stalled due to lack of funding;
- Dependence on Welsh Government approvals or superseding national frameworks;
- Suspended national programmes with no reinstatement
- Significant service capacity gaps requiring major investments
- Service changes awaiting funding
- System rollouts which require resources and national direction; and
- Lack of national data systems and essential administration system upgrades from Digital Health and Care Wales (DHCW).

15. Forward Plan

The Committee, in addressing issues identified in previous years, has continued to provide additional assurance that the Board is functioning effectively.

The Committee will continue to focus on those areas which will be subject to increased scrutiny, and ensuring those areas which received limited assurance during 2025/26 improve. Further work is need by both Internal Audit and the Health Board to reduce the number of deferred audits and ensure compliance with set timescales and reporting of audits.

The Committee will continue to receive assurance on effectiveness of the Risk Management Framework, and the implementation of the Risk Management Strategy, and the processes in place across the Health Board to track the progress on the implementation of recommendations identified by auditors, inspectorates and regulators, along with Welsh Health Circulars (WHCs).

Any areas of Committee concern raised during 2025/26, including scrutiny of outstanding improvement plans, will be followed up in 2026/27. Any learning taken from the self-assessment of committee effectiveness exercise will be acted upon as appropriate.

In order to continue the triangulation of assurance for the Board and provide the required degree of scrutiny, it is the Committee's intention to continue to refer matters of concern, to the Quality, Safety and Experience Committee (QSEC), People, Organisational Development and Culture Committee (PODCC), Strategy and Planning Committee (SPC), Finance and Performance Committee (FPC), Digital, Data and Innovation Committee (DDIC) and Health and Safety Committee (HSC). This is being taken forward through the Chairs of Committees meeting.

16. Conclusions

It is acknowledged that the Committee is a well-established Committee of the Board with a detailed annual workplan in place. It provides a key source of assurance to the Board that the organisation has effective controls in place to manage the significant risks to achieving its objectives and that controls are operating effectively. It is vital that risk management is at the heart of this process. The Committee will continue to receive assurance during 2026/27 on the effectiveness of the risk management framework via the regular presentation of the risk assurance report, and the implementation of its risk management objectives as defined in the Risk Management Strategy.

The Committee believes it has met the duties of its Terms of Reference through the completion of a comprehensive workplan and has provided assurance to the Board on a significant number of matters in respect of the adequacy and effectiveness of the organisation's functions and systems to maintain a sound system of governance and internal control. However, during the year, the Committee alerted and advised the Board on a number of areas via Committee Update Reports where it was not being provided with the required degree of assurance to enable it to discharge its duties.

Focus will continue to be placed on work that is undertaken in collaboration and partnership, with the Committee seeking assurance that robust processes and reporting arrangements are in place where significant activity is shared with another organisation, e.g. NWSSP, or the new Joint Commissioning Committee.

It is the opinion of the Committee that the Accountability Report, incorporating the Governance Statement, which was received at the Committee meeting held on 7 May 2026, is consistent with the view of the Committee on the Health Board's system of internal control. **TO BE COMPLETED FOLLOWING RECEIPT OF THE HEAD OF INTERNAL AUDIT OPINION.**

The Board is therefore asked to endorse the contents of this report as a summary of the work and findings of the Audit and Risk Assurance Committee for the financial year 2025/26.