



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

<b>DYDDIAD Y CYFARFOD: DATE OF MEETING:</b>	09 May 2024
<b>TEITL YR ADRODDIAD: TITLE OF REPORT:</b>	Draft Audit & Risk Assurance Committee Annual Report 2023/24
<b>CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:</b>	Cllr. Rhodri Evans, Chair of Audit & Risk Assurance Committee
<b>SWYDDOG ADRODD: REPORTING OFFICER:</b>	Cllr. Rhodri Evans, Chair of Audit & Risk Assurance Committee

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

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

Ar Gyfer Penderfyniad/For Decision

**ADRODDIAD SCAA**

**SBAR REPORT**

**Sefyllfa / Situation**

The purpose of the paper is to present the Audit & 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 2023/24 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 UHB's procedures and systems in maintaining a sound system of internal control and the conclusions drawn for the 2023/24 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. Please note that there is still some information to be updated in respect of Internal Audit finalising the remaining 6 reviews which will be presented the June ARAC meeting.

**Argymhelliad / Recommendation**

The Audit & Risk Assurance Committee is asked to feedback comments 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.

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<b>Amcanion: (rhaid cwblhau)</b> <b>Objectives: (must be completed)</b>	
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 <a href="#">Quality and Engagement Act (sharepoint.com)</a>	Not Applicable
Galluogwyr Ansawdd: Enablers of Quality: <a href="#">Quality and Engagement Act (sharepoint.com)</a>	Not Applicable
Amcanion Strategol y BIP: UHB Strategic Objectives:	Not Applicable
Amcanion Cynllunio Planning Objectives	Not Applicable
Amcanion Llesiant BIP: UHB Well-being Objectives: <a href="#">Hyperlink to HDdUHB Well-being Objectives Annual Report 2021-2022</a>	10. Not Applicable

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

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



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

Bwrdd Iechyd Prifysgol  
Hywel Dda  
University Health Board

# **AUDIT AND RISK ASSURANCE COMMITTEE**

## **ANNUAL REPORT**

**2023/24**

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## 1 Introduction

- 1.1 The Audit and Risk Assurance Committee (ARAC) was established under Board delegation with approved Terms of Reference and Operating Arrangements that are aligned to the NHS Wales Audit Committee Handbook, published by the Welsh Government (WG). The Committee is an independent Committee of the Board and has no Executive powers other than those specifically delegated in the Terms of Reference.
- 1.2 The Committee, through its in-year reporting, has regularly kept the Board informed regarding the results of its reviews of assurances, together with any exceptional issues that arose. In accordance with the NHS Wales Audit Committee Handbook guidance and generally accepted standards of good practice, the Committee is required to issue an Annual Report, constituting a formal report of the matters that it has considered during the year. The purpose of this report, therefore, is to provide the Board and the Accountable Officer with assurance in respect of the adequacy and effectiveness of the Health Board's procedures and systems in maintaining a sound system of internal control, and the conclusions drawn for the 2023/24 financial year. This report supports the compilation of the Accountability Report and sets out how the Committee has met its Terms of Reference.

## 2 Role and Purpose

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

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

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

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

2.4.1 The **Head of Internal Audit Annual Report and Opinion 2023/24** provided an overall limited assurance rating. The audit plan was prepared on the basis of a risk based planning approach, including areas the Health Board had specifically identified as known risks areas and areas of potential concerns. The Plan was reviewed and updated during the year to re-focus audit work on to areas of emerging or increasing risk and responding to the Health Board's increased escalation status. It is considered that the Health Board has adequate arrangements at a corporate level however, arrangements across areas and services within the organisation show variation and in total the Health Board received 8 limited assurance rated reports, however 15 reports provided substantial or reasonable assurance.

2.4.2 Concerns around potential system weaknesses regarding fraudulent financial activity as raised in the **Counter Fraud Annual Report 2022/23** presented to the Committee in April 2023. The report noted that the Counter Fraud team had received a similar number of referrals in 2022/23 as were received in 2021/22. Targeted training and communication continued throughout the year to high-risk staff groups, alongside an annual awareness programme on counter fraud. The notable increase in the number of staff contacting the Counter Fraud Team, and a decrease in activity linked to investigative work compared to prior years suggests that prevent and deter measures are taking effect. In addition, the Counter Fraud team has provided input in terms of updating relevant policies and procedures across the Health Board and supported the Corporate Governance Team in raising awareness around the requirements of the Standards of Behaviour Policy.

2.4.3 The **Counter Fraud Work Plan** for 2023/24 highlighted the work required to meet the WG Directions on Counter Fraud Measures. Full compliance with the Government Functional Standards 013 – Counter Fraud came into

effect in April 2021, and due for enforcement during 2023/24, noting that the annual self-review has been undertaken in line with the new standards. The workplan was developed in response to the outcomes of the self-review, identifying fraud risks, and the plan is sufficiently flexible to undertake additional work if required.

- 2.4.4 The Committee received regular **Escalation Status Reports** throughout the year highlighting the progress made and challenges faced by the Health Board. Key concerns raised in the year included:
- The sustainability of the organisation's continued escalation status given the position of other Health Boards, with recognition of the need to demonstrate delivery on actions in order to increase WG confidence by June 2023;
  - The change of escalation status to Targeted Intervention for the entire Health Board from its meeting with WG in January 2024. The Committee will continue to seek assurance on progress made against the increased escalation status once further detail provided by WG.
- 2.4.5 A **Deep Dive on Ophthalmology** highlighted the long-standing fragilities and challenges impacting this specialty, with various recommendations from historic reviews on the service remaining open on the Health Board's Audit and Inspection Tracker. Whilst noting the progress being made, including regional partnership working with Swansea Bay University Health Board, the implementation of transformational pathways, and the awarding of Ophthalmic Diagnostic and Treatment Centres (ODTC) contracts, progress to fully implement recommendations remain challenging as a result of recruitment issues, implementation of the 'Open Eyes' system, and a lack of interest from providers in Ceredigion to take forward ODTC contracts. Assurance could not be taken from the report, with progress to be reported at a future meeting. A further update was provided to the Committee in December 2023, noting the further recruitment of staff, investment in the existing workforce, improved utilisation of Primary Care pathways, with work continuing on demand and capacity modelling. Recognition was given that the Ophthalmology service is included within the Clinical Services Plan, and reviewed in a number of fora, however consideration was to be given to scrutiny by a single forum and the development of a single action plan.
- 2.4.6 The Committee was unable to take assurance on an update report on the internal audit report on **Royal College of Physicians (RCP) Medical Record Keeping Standards** as the report did not clearly demonstrate progress made in relation to compliance with these Standards. However, progress was noted by the Committee in relation to the internal audit recommendations and that the Health Board's clinical record keeping audit takes place against the new eight standards as set out within the Clinical Record Keeping Policy, with progress monitored through the Effective Clinical Practice Advisory Panel. A deep dive on the topic was requested to be presented at Operational Quality, Safety and Experience Sub-Committee (OQSEC).



2.4.7 The following **limited assurance** Internal Audit reports were received in the year:

- **Job Planning** – concerns were raised regarding the ability to operationally implement the recommendations raised within the action plan, with staff subject to a number of demands and pressures, and that a concerted effort would be required to re-establish the pre-COVID-19 position. A follow-up audit was presented to the Committee in April 2024 with limited assurance provided.
- **Theatre Loan Trays and Consumables** – a number of significant matters requiring attention were raised in the report, including the decontamination of unused theatre trays returned by the private healthcare facility, no central record of trays issued, a loss of income due to charging methodology, lack of stock control measures, and informal loan arrangements in place which may not be appropriate or equitable. A follow-up report was presented to the Committee in February 2024 which provided a reasonable assurance rating provided, noting the suspension of the loan service which would not be reinstated until relevant safety systems had been implemented. A further comprehensive update was requested for presentation to the Committee at its meeting scheduled for May 2024.
- **Records Digitalisation** - the report was presented to ARAC at its meeting in June 2023, with concerns raised around the Executive and Senior Responsible Officer “ownership” of this area, with an agreement that a follow-up audit would be conducted. The follow-up audit was presented to the Committee in April 2024 with reasonable assurance provided.
- **Strategic Transformation Programme Governance** – concerns were raised relating to a lack of evidence to demonstrate appropriate scrutiny, approval and formal programme governance arrangements. Management responses to recommendations raised were updated to reflect discussions held at the Committee meeting in August 2023 to consider the findings of the savings governance review, and progress to be monitored via the Health Board’s Audit Tracker. A follow-up audit was presented to the Committee in December 2023 with reasonable assurance provided.
- **Quality and Safety Governance, Bronglais Hospital** – several matters of concern were raised on the findings of the report regarding the application of operational quality and safety governance measures, particularly in relation to incident management. The Committee had significant concerns in respect to the findings in the report, and requested an interim update was provided to the Committee in December 2023. A follow-up audit, presented to the Committee in February 2024 provided reasonable assurance, noting the progress made on the high priority recommendations raised.
- **NICE Guidance** –the review focussed on the operational arrangements in place for assessing and ensuring compliance with NICE guidelines, as opposed to the extent to which the Health

Board is compliant with these guidelines. A follow-up was presented to the Committee in February 2024 with substantial assurance being awarded, and the Committee noted the significant progress made in a short period of time to implement the agreed actions from the original audit.

- **Estates Condition** – concerns were raised regarding the availability of funding and the potential impact on patient care in order to identify and manage key risks associated with the existing estate. The Committee escalated this matter to Board level in particular the £5m threshold as set by WG, and the requirement to submit business cases for presentation to the Infrastructure Investment Board. In addition, the Health Board was asked to consider how it could continue to deliver services if new hospital proposals were not approved.
- **Decarbonisation** – challenges and risks such as the lack of capital funding, and uncertainty of WG targets affecting the Health Board's ability to effectively progress the WG's Decarbonisation agenda were highlighted. Further consideration of where decarbonisation sits within the Health Board's priorities given the current financial position is also required.
- **Discharge Management** – the follow-up report identified that five of the eight recommendations previously raised had not been fully implemented, recognising that issues may require to be addressed locally in the first instance. The Committee requested an update report to be provided to its meeting in August 2024.
- **Standards of Cleanliness** – the report awarded limited assurance against all four objectives, with six matters arising noted. The report will be presented to the Committee at its meeting scheduled for May 2024.
- **Glangwili General Hospital: Fire Precautions Phase 1** – the financial risk associated with unfunded forecasted overspend determined the limited assurance awarded, with the current estimated overspend material and currently unaffordable for the Health Board. However it was recognised that an additional funding request has been submitted to WG, which if granted, would have a positive impact on the level of assurance provided.

#### 2.4.8 Key concerns raised to the Board from the regular Financial Assurance Report during 2023/24 included:

- Value for money in relation to contracts awarded, with clarification sought on whether contracts had been awarded via framework or direct awards, with further review of contracts to establish whether they should have been treated as consultancy. Retrospective information was presented to the Committee at its meeting in August 2023 to address this query;
- Potential benefit overclaims by the Health Board in its role as 'appointee' for certain patients in MHLD. An internal audit was requested to provide assurance over the legality of arrangements and appropriateness of the controls. The audit was deferred due to the reprioritisation of the IA plan;

- A lack of Board oversight and the potential for conflicts of interest in respect of contracts awarded and procurement processes. Outcomes of the governance work undertaken relating to contract and procurement processes were provided to the Committee at its meeting in April 2024, with the requirement for the IT team to undertake procurement training;
- Issues in relation to Project Bank Accounts (PBAs), mandated by WG, were not working as intended across Wales. An update was provided to the Committee at its meeting in February 2024 highlighting that the Health Board is compliant with WG requirements regarding PBAs. Instances of non-compliance related to areas under the responsibility of Supply Chain Partners (SCP) in the operation of accounts. The Health Board continues to take actions to improve compliance by its SCs;
- Proposed amendments to the Scheme of Delegation that requisitions up to £5m are approved by the Assistant Director of Finance, and those above £5m by the Director of Finance to avoid delays and inefficiencies in the current process, for which the Committee did not support due to the low number of requests. At its meeting in April 2024, the Committee were notified that this amendment was being withdrawn

2.4.9 Concerns were raised relating to **Single Tender Actions (STA)** caused by delays in All Wales procurement processes being implemented. Discussion focussed on whether the Health Board ought to take the approach of continuing with local arrangements unless specifically instructed otherwise by NWSSP to avoid any future delays.

2.4.10 Following an internal audit on **Agency and Rostering** where reasonable assurance was provided, concerns were raised in relation to the breach of Standing Orders as a result of non-framework agency spend being non-compliant with Standing Orders. The Committee were informed of the intention to remove all non-framework agency use by the end of July 2023, and that the matter would be highlighted in the Nurse Stabilisation Programme report to PODCC scheduled for October 2023.

2.4.11 As a result of AW timelines to complete the financial audit work for 2023/24, the Committee noted the requirement for an extraordinary ARAC and Board Meeting in July 2023 to sign off the **Annual Report and Accounts for 2023/24**. However, this will impact on the Health Board's ability to hold the Annual General Meeting by the end of July 2023 in line with Standing Orders, which has been scheduled for 26 September 2024. A variation in Standing Orders has been issued by WG stating that AGMs must be held by 30 September 2024.

2.4.12 Assurance was provided on the progress against the recommendations raised within the AW review of **Operational Governance Arrangements in MHL D**, concerns were noted on the number of outstanding recommendations owned by the MHL D Directorate on the Health Board's Audit Tracker.

2.4.13 The **Audit Tracker** report presented to the Committee in April 2024 noted the escalation of MHLD as a service of concern, the fourth time in 12 months where the service has been highlighted. The Committee agreed that the service is required to show an improved position by its scheduled meeting in August 2024.

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

2.5.1 The Committee noted at its meeting held 18 April 2023 the WG confirmation of a variation order approving the Health Board's Annual General Meeting to take place no later than 28 September 2023, replacing the previously scheduled date of 27 July 2023.

2.5.2 Concerns were raised around the implications of the execution of the contract for the construction of the **Day Surgery Unit at Prince Philip Hospital**, and an associated breach of the Standing Orders. In order to mitigate the breach of Standing Orders, the contract proceeded as a simple contract, with a limitation period of six years from the date the cause of action accrued. The processes in place for the signing of contracts would be discussed and reviewed with the Head of Internal Audit to ensure their robustness. This was reported to the Board.

2.5.3 The review of the adequacy of the Declaring, Registering and Handling Interests, Gifts, Hospitality, Honoraria and Sponsorship arrangements currently in place and the proposed actions for 2023/24. The Committee received the next annual review in May 2024.

2.5.4 The approval of all documentation relating to year end at its meeting on 27 July 2023.

2.5.5 The approval of the revised Health Board's Standing Orders (SOs) and Standing Financial Instructions (SFIs) at the Board meeting on 27 July 2023 and the revised Model SOs and SFIs in 30 November 2023.

2.5.6 The approval of the Risk Management Strategy at the Board Meeting on 28 March 2024.

2.5.7 The ratification of the Committee's Terms of Reference at its meeting on 18 April 2023 and 20 February 2024.

2.5.8 Changes to the Financial Scheme of Delegation, approved at the meetings on 18 April 2023, 15 August 2023, and 17 October 2023.

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

- Board Oversight (Substantial Assurance)
- Follow-up: NICE Guidelines (Substantial Assurance)
- Escalation Status Actions (Reasonable Assurance)
- Deprivation of Liberty Safeguards (Reasonable Assurance)

- Mental Health and Learning Disability Services – Timely Access (Reasonable Assurance)
- Follow-up: Strategic Programme Governance (Reasonable Assurance)
- Follow-up: Bronglais General Hospital Quality and Safety Governance (Reasonable Assurance)
- Follow-up: Theatre Loan Trays and Consumables (Reasonable Assurance)
- RAAC Internal Major Incident (Reasonable Assurance)
- Transforming Urgent and Emergency Care (Reasonable Assurance)
- Elective Waiting List Management: Single Cancer Pathway (Reasonable Assurance)
- Follow-up: Records Digitisation (Reasonable Assurance)
- Agency Rostering (Reasonable Assurance)
- Cross Hands Health and Wellbeing Centre (Reasonable Assurance)
- IT Digital – Technical Resilience (Reasonable Assurance)
- Sealing of Contracts (Advisory Review)
- Quality and Safety: Bronglais General Hospital Initial Follow Up (Advisory Review)

### 3 Committee Structure and Meetings

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

3.2 The membership of the Committee has undergone changes due to Independent Members changing roles, and changes to the number of Members, and for 2023/24 was as follows:

NAME	ROLE	DATES
Rhodri Evans	Committee Chair	Full year
Winston Weir	Committee Member	Full year
Maynard Davies	Committee Member	Full year
Chantal Patel	Committee Member	To April 2023
Judith Hardisty	Committee Member	To October 2023
Michael Imperato	Committee Member	From October 2023
Eleanor Marks	Committee Member	From February 2024
Anna Lewis	Committee Member	December 2023 (one meeting only)

3.3 During the financial year 2023/24, eight scheduled meetings of the Committee were convened, with meetings held in May and July 2023 to review the draft and final Financial Statements and the Accountability Report for 2022/23. A high level

of commitment from Committee Members has been demonstrated throughout the year, as recorded in the attendance of meetings held. All meetings were quorate.

- 3.4 Although invited to attend certain meetings to provide assurances and explanations to the Committee on specific issues, neither the Chair, Chief Executive Officer (CEO), nor any other Executive Director of the Health Board, are members of the Committee. In particular, the CEO is invited annually to present the Accountability Report and to present progress reports at each meeting on the Health Board's Escalation Monitoring and Joint Executive Team (JET) meetings with WG.
- 3.5 Having a key role to play in establishing and maintaining a sound system of internal financial control, the Executive Director of Finance has been in attendance at the majority of meetings, sending deputies when required. The Committee 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.
- 3.6 A review of the Committee's terms of reference and operating arrangements took place on 18 April 2023, with these approved by the Committee and ratified by the Board on 25 May 2023. There were only minor changes, including the number of members, as mentioned above.
- 3.7 The Committee also has regular attendance from representatives of:
  - The Auditor General/AW;
  - NWSSP Audit and Assurance Services (Internal Audit and Specialised Services Unit);
  - NHS Counter Fraud Services.

#### **4 Committee Work Programme 2023/24**

- 4.1 The Committee reviewed and approved the audit strategies and plans for the auditors as listed below, and received audit reports produced in support of them during 2023/24:
  - AW;
  - NWSSP Audit and Assurance Services:
    - Internal Auditors;
    - Specialised Services Unit.
- 4.2 Acting upon the outcomes of effectiveness reviews is as important as undertaking them and it is essential that outcomes and associated actions are reported appropriately. Appropriate Executive Directors and Lead Officers of audit reports were requested to attend Committee meetings to provide an opportunity to discuss the reports more fully, and for the Committee to satisfy itself that the findings raised in the reports were being addressed, with recommendations implemented to address control weaknesses or compliance issues.
- 4.3 The Committee continues to receive progress updates directly as and when requested, as well as referring reports to the Board and other Board Committees to ensure the wider aspects or impacts of the report are fully understood.

## 5 External Audit

5.1 External Audit is provided by AW, with its work in 2023/24 falling under the two broad headings of:

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

5.2 The outline AW Annual Plan 2023 was discussed in April 2023 by the Committee; with the Committee receiving the detailed AW 2023 Annual Audit Plan at its meeting held on 11 May 2023. 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. 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.

5.3 In 2023, the AW Structured Assessment focussed on the Health Board's corporate arrangements for ensuring that resources are used efficiently, effectively, and economically, with a specific focus on Board transparency, cohesion, and effectiveness; corporate systems of assurance; corporate approach to planning; and corporate approach to financial management. This was presented to the Public Board meeting held on 25 January 2024 after being presented to the Committee on 12 December 2023. The overall conclusion was that *'the Health Board has generally effective corporate arrangements, however, it is facing significant performance and financial challenges.'*

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

### **Board transparency, effectiveness and cohesion**

The Board and its committees continue to operate effectively, maintaining focus on public transparency, good governance and continuous improvement. There are opportunities to further enhance arrangements for patient safety walkabouts, and whilst the Board is cohesive, a period of significant change will need to be well managed to ensure this is maintained.

#### **Public transparency of Board business**

- The Health Board continues to have a strong commitment to public transparency.

#### **Arrangements to support the conduct of Board business**

- The Health Board has robust arrangements to support the effective conduct of Board and committee business.

#### **Effectiveness of Board and committee meetings**

- Board and Committee meetings are conducted appropriately and effectively and remain focused on strategic risks and objectives.

#### **Quality and timeliness of Board and committee papers**

- The Board and its committees continue to receive good quality, timely papers, and interactive tools to support effective scrutiny, assurance and decision making.

#### **Board commitment to hearing from patients/service users and staff**

- The Board has maintained its commitment to hearing from patients and staff, but there are opportunities to enhance arrangements for patient safety walkabouts.

#### **Board cohesiveness and commitment to continuous improvement**

- Whilst the Health Board has been stable and cohesive, it is going through a period of significant change which will need to be well managed. However, the robust approach to Board development and improvement provides a good foundation to manage this change.

#### **Corporate systems of assurance**

The Health Board has maintained and enhanced corporate systems of assurance related to risk and recommendation tracking, and there is appropriate Board oversight. The approach to overseeing the quality and safety of services is improving. Whilst corporate oversight of organisational performance is strong, there is scope to strengthen assurance on the effectiveness of performance management systems.

#### **Corporate approach to overseeing strategic and corporate risks**

- The Health Board continues to have a mature approach to overseeing risks to achieving strategic objectives and oversight and assurance on its operational and corporate risk management arrangements have strengthened.

#### **Corporate approach to overseeing organisational performance**

- The Health Board maintains strong corporate and Board oversight and scrutiny of organisational performance, however there is scope to strengthen assurance on the effectiveness of performance management systems.

#### **Corporate approach to overseeing the quality and safety of services**

- The Health Board is improving its approach to overseeing the quality and safety of services and is taking appropriate steps to ensure compliance with the new duties of quality and candour.

#### **Corporate approach to tracking recommendations**

- The Health Board continues to have robust arrangements for tracking audit and review recommendations.

#### **Corporate approach to planning**

The Health Board has maintained its focus on its long-term vision, and development and delivery of the Annual Plan is supported by appropriate corporate and Board oversight. However, opportunities remain to strengthen oversight of other corporate plans, further improve the planning objectives and review capacity to support planning activities.



### **Corporate approach to producing strategies and plans**

- The Health Board has maintained its focus on its long-term vision, and the development of plans is supported by appropriate corporate oversight. However, given the scale of planning activity, capacity remains a concern.

### **Corporate approach to overseeing the delivery of strategies and plans**

- The Health Board's arrangements to oversee delivery of its Annual Plan remain robust, supported now by streamlines planning objectives. However, opportunities remain to articulate expected outcomes for planning objectives, strengthen oversight of other corporate plans and realign planning objectives to the overarching, longer-term strategic objectives.

### **Corporate approach to managing financial resources**

Despite a clear process for financial planning, and reasonable arrangements for managing and monitoring the financial position, the Health Board's financial position is extremely challenging for 2023/24.

### **Financial objectives**

- The Health Board did not achieve its revenue financial duties for 2022/23 and will continue to not achieve them in 2023/24, with the financial position extremely challenging.

### **Corporate approach to financial planning**

- The Health Board has a clear process for financial planning; however, the development and delivery of its savings plans is a challenge.

### **Corporate approach to financial management**

- The Health Board has appropriate arrangements for financial management and controls, but ongoing pressures are resulting in overspends.

### **Board oversight of financial performance**

- The Health Board continues to have good arrangements for monitoring and scrutinising its financial position, although greater scrutiny on those with delegated responsibility for overspend budgets is needed.

Of the eight recommendations raised in previous AW reports, one was confirmed as complete, four are in progress, one is not complete, and two will be subject to a follow-up review.

Five new recommendations were raised in Structured Assessment 2023, with management responses approved at the Committee meeting in February 2024.

- 5.5 The Committee received the AW ISA 260 report and Letter of Representation at its meeting held on 26 July 2023, setting out the results of the audit of Health Board's financial statements. There were no uncorrected misstatements above the agreed trivial level but lower than materiality. Initial misstatements in the accounts were corrected by management. Issues arising from the report included concerns around Continuing Health Care (CHC) accruals due to early closedown procedures, and concerns regarding the lack of a robust system within the Health Board to accrue annual leave balances. Management had responded to the

recommendations arising in the report and AW will follow up progress against them during next year's audit.

5.6 AW reported on the following performance work during 2023/24:

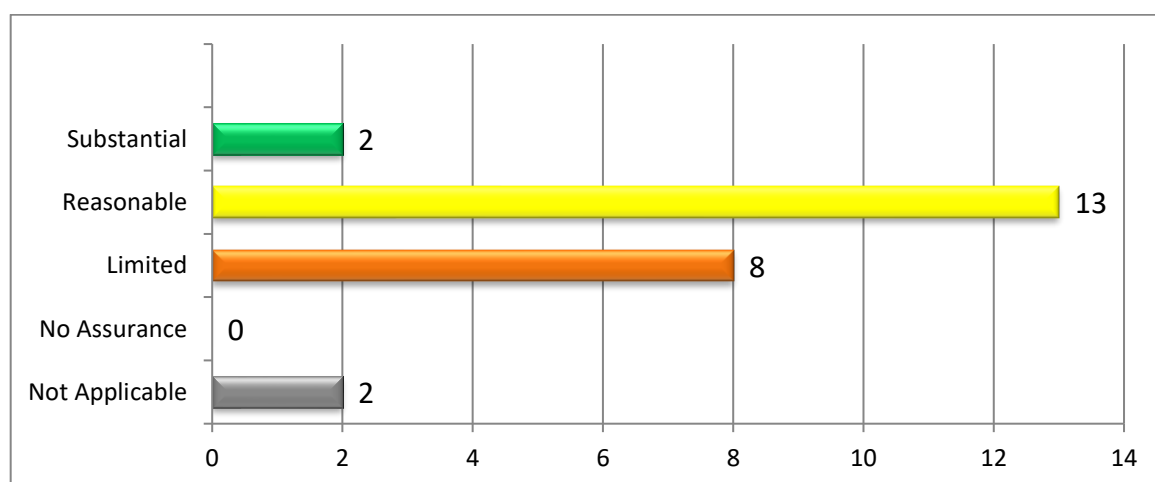
- **Review of Workforce Planning Arrangements** – this report focussed on whether the Health Board's approach to workforce planning is helping it to effectively address current and future NHS workforce challenges, specifically regarding its strategic approach to workforce planning, operational action to manage current and future challenges, and monitoring and oversight arrangements. The report found that the Health Board is clearly focusing its efforts on its significant workforce challenges and is taking pragmatic steps to help reduce risks. However, the Health Board need to urgently develop a clear and consolidated workforce implementation plan and measure the impact it is having to help address the significant workforce challenges it faces.
- **Primary Care Follow-up Review** – this report focussed on assessing the extent to which the Health Board has implemented the recommendations as raised in the initial report issued in 2018. Additional work was also undertaken to assess the extent to which the Board and/or its committees regularly consider matters relating to the planning, performance, risks, and opportunities associated with the Health Board's primary care services, and the capacity and capability of the Health Board's central Primary Care Service Team to deliver local and national priorities alongside the day-to-day operational and business needs. It was found that the Health Board is making good progress in addressing recommendations previously raised, and that it is improving the management of primary care services, providing additional capacity, and strengthening oversight of primary care challenges at Board. However, capacity remains stretched in some areas, and more work is needed to develop a financial baselines. Consideration of primary, including oversight of performance, in routine committee business requires improvement.

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

- 6.1 At the direction of the Minister for Health and Social Services, IA is provided by the 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.
- 6.2 IA provide an independent and objective opinion to the Accountable Officer, the Board and the ARAC, on the degree to which risk management, control and governance support the achievement of the organisation's agreed objectives. The Committee approved the content of the 2023/24 NWSSP IA Strategy, Plan and Charter at its meeting held on 18 April 2023, following a detailed review. 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 2023/24.
- 6.3 Throughout 2023/24, the Head of IA has met weekly with the Director of Corporate Governance/Board Secretary 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. The Head of Internal Audit has also met with the Chair of the Committee on a regular basis to monitor the audit programme.

- 6.4 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 in order to be held to account and to provide assurance that remedial action is being taken to address the findings within the IA reports. The outcome of each audit, providing an overall conclusion on the adequacy and application of internal controls for each area under review, was considered by the Committee. The assessment of adequacy and application of internal control measures is graded in terms of 'no assurance' through to 'substantial assurance'.
- 6.5 The Audit and Assurance SSU provides an objective assessment of whether the Health Board's systems and controls for capital and estates projects are working effectively. During 2023/24, 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.
- 6.6 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 felt it appropriate to obtain further information about the assurance rating given by IA. The 31 audit reviews (6 audits to be agreed and finalised) reported during 2023/24 are outlined below:




## 7 Head of Internal Audit Opinion

- 7.1 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.

7.2 The Head of Internal Audit has concluded for 2023/24:

<b>Limited Assurance</b>		<p>The Board can take Limited Assurance that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Some matters require management attention in control design or compliance with low to moderate impact on residual risk exposure until resolved.</p>
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7.3 The work of the IA service is informed by an analysis of the risks to which the Health Board is exposed, with an Annual Plan based on this analysis. It should be recognised that many of the reviews were directed at high-risk areas, and the overarching opinion therefore needs to be read within this context

7.4 In reaching this opinion, IA identified an increased number and percentage of Limited Assurance ratings in comparison to prior years, with a reduction in the number of reports issued with Substantial Assurance. From the reports issued during the year, 2 were allocated Substantial Assurance, 13 were allocated Reasonable Assurance. However, 8 were allocated Limited Assurance. No reports were allocated with no assurance. In addition, 2 Advisory & Non opinion reports were also issued.

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

**7.5.1 Consultant Job Planning Follow-up**

This review has sought to establish progress made by management to implement agreed actions arising from the previous internal audit over the arrangements across the health board for management of the systems and controls in place for consultant job planning. Whilst there was an increasing trend in job plan compliance (up to 67% as at February 2024) following the work undertaken by the Medical Directorate Team in engaging with Service Directorate Management, a limited assurance was concluded overall. A number of matters remain, including mechanisms to ensure job plans are regularly reviewed, rollout of an audit programme to review consultant sessions and additional pay, and the prompt investigation and resolution of potential under and over payment identified in the this and the previous audit report. In light of the pace of progress against the recommendations in the original report, the Committee requested an update on progress against the recommendations in August 2024.

**7.5.2 Quality and Safety Governance – Bronglais General Hospital**

This audit reviewed operational quality and safety governance arrangements to provide assurance that issues fundamental to the quality and safety of services are managed, monitored, and escalated. It raised significant matters which required management attention including the lack of a clear governance structure

and reporting arrangements from informal groups and meetings through to the Health Board, gaps in the quality and safety topics expected to be reviewed at directorate level and reports /representation at meetings, and a high open incident numbers with no clear plan or action to identify the root issue and address the backlog.

Given the significant concerns, Internal Audit were asked to undertake an initial follow up to review progress, with a full follow up also undertaken which concluded reasonable assurance in February 2024. This reported that action remained ongoing for three recommendations, which relate to ensuring key risks and issues from support groups are reported through to the Quality Forum, addressing the overdue risks highlighted to the Quality Forum, and reducing the number of open incidents assigned to the directorate.

### **7.5.3 NICE Guidelines**

This audit related to the operation of arrangements in place for assessing and ensuring compliance with NICE guidelines, and is not a reflection of the extent to which the Health Board is compliant with these guidelines. Two high priority matters were raised in respect of leads not being assigned to complete statements of compliance and therefore compliance assessments were not completed, and no oversight of NICE guideline compliance or progress in assessing this across the Health Board. This has been followed up, and in recognition of the work progressed, provided reasonable assurance.

### **7.5.4 Estates Condition**

The audit sought to evaluate the arrangements to identify and manage key risks associated with the existing estate and the implementation of resulting strategies to manage/mitigate the risk. An overall limited assurance rating was determined due to the concerns that identified estate risks cannot be managed within existing funding. This assurance opinion is in line with that determined across NHS Wales, given the common challenges faced by each organisation. Seven of the eight matters arising are currently being progressed. This review will be followed up in 2024/25 to ensure all matters have been addressed.

### **7.5.5 Decarbonisation**

This audit considered progress against the NHS Wales Decarbonisation Strategic Delivery Plan and the Health Board's Decarbonisation Action Plan, demonstrating how they will implement the Strategic Delivery Plan initiatives. Following on from the advisory review delivered in 2022/23, the scope of the audit included governance, strategy progress and implementation. The audit found that a lack of funding impact's the health board's ability to produce a fully costed plan; establish a long-term financial model for the funding required to support the decarbonisation programme; implement structural changes to address the insufficient staffing resource dedicated to decarbonisation; and complete the key actions assigned to the initiatives set out in the Strategic Delivery Plan in a timely manner. This financial shortfall, has been highlighted by the Director of Strategy and Planning to WG, will impact on the organisation's ability to meet national decarbonisation targets in 2025 and 2030. This review will be followed up in 2024/25 to ensure all matters have been addressed.

### **7.5.6 Transforming Urgent & Emergency Care: Discharge Management**

This audit sought assurance that discharge planning and management processes in place are effective and compliant with policies and guidance. An overall limited assurance rating was concluded as whilst progress was evident in the roll out of the Optimal Hospital Patient Flow Framework across a sample of wards to support the reduction in discharge delays, a number of high priority matters arising were identified. These included no evidence of review to align discharge processes in the three counties into a single process, an incomplete and outdated Roll Out Action Plan; and incomplete and inaccurate information retained in the Frontier system. A number of recommendations from the previous report had also not been fully implemented. This review will be followed up in 2024/25 to ensure all matters have been addressed.

### **7.5.7 Standards of Cleanliness**

This audit reviewed arrangements for ensuring compliance with the National Standards for Cleaning in NHS Wales. An overall limited assurance rating was concluded with a number of significant matters noted requiring management attention including limited evidence of scrutiny of cleaning audit and no evidence of written assurance reporting or escalation of issues through the Health Board's governance structures, inconsistent training manuals across acute sites with no central record of training maintained, and frequency of cleaning audits is not compliant with Standards or Policy. This review will be followed up in 2024/25 to ensure all matters have been addressed.

### **7.6.8 Glangwili General Hospital – Fire Precautions Phase 1**

This audit reviewed the delivery and management arrangements in place to progress the GGH Fire Precautions Programme, and the performance against its key delivery objectives. An overall limited assurance was determined as a result of the financial risk associated with the unfunded forecasted overspend c£5m, and currently unaffordable from existing financial resources. Additional funding requests have been submitted to Welsh Government since the completion of the audit, and the Health Board currently awaiting feedback. This review will be followed up in 2024/25 to ensure all matters have been addressed.

- 7.6 Management responses that detail the actions to address gaps in control were included in all final IA reports presented to the Committee. The delivery of these actions is tracked via the 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/>.
- 7.7 Where audit assignments planned this year did not proceed to full audits following preliminary planning work, these were either: removed from the plan, removed from the plan and replaced with another audit, or deferred until a future audit year. Subsequent to the approval of the plan in April 2023, the following audits were deferred:

Review Title	Reason
Out of Hours	Deferred as part of reprioritisation of plan. The risk was on the corporate risk register at the time of planning, with the risk being reassessed by the UHB in year in a paper to the September 2023 Board meeting, and was incorporated in the corporate risk relating to the unscheduled care system. Could have had impact as UHB has known challenges in this area.
Medical Locums	Deferred as part of reprioritisation of plan. The risk was on the corporate risk register at the time of planning, with the risk being reassessed by the UHB in year in a paper to the September 2023 Board meeting, and was incorporated in the corporate risk relating to the unscheduled care system. Could have had impact as UHB has known challenges in this area.
Financial Management	Deferred as planned scope overlapped with Financial Efficiency work by Audit Wales. Some of the drivers of financial position e.g. Agency, rostering and Job planning covered separately. Could have had impact on opinion as UHB has significant ongoing financial challenges.
Workforce Strategies – Site Stabilisation	Deferred as part of reprioritisation of plan. No significant impact on opinion anticipated. Potential improvement with UHB in this area.
Managed Practices	Discussion with management and IT Audit. Cloud migration not progressing as planned. No significant impact on opinion anticipated.
New Directorate Governance Arrangements	Deferred as part of reprioritisation of plan. No significant impact on opinion anticipated.
Mental Health Contracting and Commissioning	Deferred as part of reprioritisation of plan. No significant impact on opinion anticipated.
Mental Health and Learning Disabilities Department of Work and Pensions – patients affairs and monies	Deferred as part of reprioritisation of plan. No significant impact on opinion anticipated.

Mortuary (joint audit with Swansea Bay University Health Board)	Deferred as part of reprioritisation of plan. No significant impact on opinion anticipated.
Medicines Management	Deferred as part of reprioritisation of plan. No significant impact on opinion anticipated.
Integrated Localities	Deferred as part of reprioritisation of plan. No significant impact on opinion anticipated.

7.8 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 2024/25 to ensure they have been enacted.

7.9 The Committee is of the opinion that selecting IA reviews based on risk as opposed to selecting areas that may consistently have had a higher internal audit rating provides a far more rigorous process of assurance. On that basis, the Committee believes that the overall Head of Internal Audit (HoIA) Opinion of 'limited assurance' for the year reflects the Internal Audit risk-based programme.

7.10 This Opinion contributed to the Board's assessment of the effectiveness of the organisation's system of internal control and to the completion of the Governance Statement. The basis for forming the opinion can, therefore, be summarised as follows:

- An assessment of the range of individual opinions arising from risk-based audit assignments contained within both the IA and SSU risk-based plans that have been reported to the Committee throughout the year. This assessment has taken account of the relative materiality of these areas and management's progress in respect of addressing control weaknesses;
- Other assurance reviews, which impact on the Head of Internal Audit opinion including audit work performed at other organisations.
- Other knowledge and information that the Head of Internal Audit has obtained during the year including cumulative information and knowledge over time; observation of Board and other key committee meetings; meetings with Executive Directors, senior managers and Independent Members; the results of ad hoc work and support provided; liaison with other assurance providers and inspectors; research; and cumulative audit knowledge of the organisation that the Head of Internal Audit considers relevant to the Opinion for this year.

## 8 Counter Fraud

8.1 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.



- 8.2 The Committee received and approved the 2023/24 Annual Work Plan of the Local Counter Fraud Officer at its meeting held on 18 April 2023, 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.
- 8.3 The Committee received the Counter Fraud Annual Report 2023/24 at its meeting held on 16 April 2024. 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. The report also demonstrated 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 013 – Counter Fraud and NHS Requirements.
- 8.4 The Local Counter Fraud Officer has been in regular attendance at Committee meetings during 2023/24, and issues have been discussed in detail, as appropriate, with Committee members. Progress details for cases highlighted as part of the Counter Fraud Update Report have regularly been provided at In-Committee meetings.

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

- 9.1 Detailed monitoring of the Health Board's financial performance and position falls within the remit of the Sustainable Resources Committee (SRC), with ARAC being responsible for issues of financial governance. The Committee is due to consider the Annual Accounts for 2023/24 in July 2024 with a subsequent recommendation made to the Board for approval.
- 9.2 The Executive Director of Finance has provided regular Financial Assurance Reports to each meeting of the Committee throughout 2023/24. 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. Matters discussed by the Committee during the year and on which assurances were provided included:
- Scheme of delegation changes;
  - Compliance with Purchase to Pay requirements (PSPP);
  - Compliance with Income to Cash requirements;
  - Losses & Special payments and Write offs (see section 11);
  - Compliance with Capital requirements;
  - Compliance with Tax requirements; and

- Compliance with Reporting requirements.

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

9.4 The Committee received the Annual Statement of Financial Procedures at its meeting held 20 February 2024, detailing planned reviews of the financial systems operated by the Health Board planned to be undertaken during 2024/25.

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

10.1 The Committee received the revised Health Board SOs and SFIs at its meeting held on 20 June 2023, and recommended the final version of the SOs and SFIs to the Board for approval at its meeting held on 27 July 2023. These were further revised and received by the Committee at its meeting held on 17 October 2023, and recommended for Board approval at its meeting on 30 November 2023.

## **11 Losses and Special Payments**

11.1 In order to comply with SOs and SFIs, the Committee must review losses and special payments reports and where appropriate, recommend them to the Board for approval. This element of the Committee's work is discharged through consideration and approval of the losses and debtors' write-offs provided in the Financial Assurance Report, which is presented to every Committee meeting. The report has highlighted a relatively static trend of balances outstanding in overpayments against recoveries.

## **12 Assurance on Clinical Governance**

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

- Does the 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?

12.2 The Committee was presented with an update on the Health Board's Clinical Audit functions and programmes, and an update on plans for 2023/24 at its meetings on 20 June 2023 and 17 October 2023. The Committee noted the low levels of clinical audit activity for 2022/23, however took assurance from the increase in clinical audit programme activity for 2023/24, and from the continuation of the majority of mandatory national audits and the processes followed for the escalation of concerns. The Committee also noted the continued development of the clinical audit function with the introduction of AMAT software. The 2023/24 included 75 projects as presented to the Committee at its meeting in October 2023.

12.3 The Committee will receive a Clinical Audit Update at its meeting on 18 June 2024. The Health Board, with the support of the Clinical Audit Department (CAD), will continue to

finalise the outcomes of the 2023/24 programme, ready for reporting in October 2024. The 2023/24 programme will be shared with this Committee, Clinical Audit Scrutiny Panel (CASP) and Operational Quality and Safety Forums.

### **13. Risk Assurance**

- 13.1 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.
- 13.2 The Committee receives on a bi-annual basis the **Risk Assurance Report**, the purpose of which is to provide assurance on the effectiveness of the Risk Management Framework and the implementation of the Risk Management Strategy. This is consistent with the Committee's role of reviewing the establishment and maintenance of an effective system of good governance and risk management across the whole of the organisation's activities that supports the achievement of the organisation's objectives.
- 13.3 The Risk Management Framework as approved by the Board in July 2022 sets out the components that provide the foundation and organisational arrangement for supporting risk management process at the Health Board. The Risk Management Strategy, as approved by the Board in January 2023, provides a supportive framework to ensure the integration of risk management into policy making, planning and decision-making processes.
- 13.4 The Risk Assurance Report demonstrates the work undertaken in relation to the three objectives as contained within the Risk Management Strategy, which for 2023/24 were:
- Define the Organisation's Risk Appetite and Tolerance Statement;
  - Support Operational and Corporate Functions to Strengthen their Risk Management Arrangements; and
  - Strengthen the Assurance that the Board receives in Risk Management Activities.
- 13.5 The Committee received a baseline risk maturity self-assessment in February 2024, which was undertaken in accordance with the Orange Book, which is a recognised risk management standard for the public sector, and will be undertaken on an annual basis. The outcomes of the self assessment informed the revised Risk Management Strategy and its objectives for the next 18 months, which was endorsed by the Committee in February 2024 prior to formal Board approval at its meeting on 28 March 2024.

### **14. Assurance on inspection activity and regulatory directions**

- 14.1 The Committee has continued to monitor the Health Board's Audit Tracker, and scrutinise management responses to external and internal audit reports through 2023/24. The report provides a breakdown of the Central Tracker by Directorate/Service to indicate to the Committee any areas of concern, and an analysis of recommendation themes to identify any particular trends of concern.

14.2 The Health Board has adopted the AmAT system during 2023/24 in order to manage recommendations raised as per HIW inspection activity and Llais reports, and further work will continue in 2024/25 to further utilise the system to cover all audit, regulatory and inspectorate activities.

14.3 The Committee monitors on an annual basis, the Health Board's compliance with NHS Non-Statutory Instruments (also referred to as Ministerial Directions (MDs)). MDs are legislative in character, however they are not statutory instruments. These are issued by Welsh Ministers. The Committee received an assurance report on compliance with MDs for 2023/24 in May 2024, noting that three MDs issued in the year are in the process of being implemented. The paper also notes two MDs issued in previous financial years are ongoing:

- MD issued in 2021 is due to be fully implemented by October 2025 with regards to the Delivery of Autism Services; and
- MD issued in 2023 is due to be implemented by April 2024 with regards to the reporting on the introduction of new medicines into the NHS in Wales.

14.4 The Committee also monitors on an annual basis the Health Board's compliance with Welsh Health Circulars (WHCs). 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. The Committee received an assurance report on compliance with WHCs for 2023/24 in May 2024, in which 11 WHCs are noted as being non-compliant, and details of corresponding risks raised in relation to these instances of non-compliance. Reasons for non-compliance include the requirement of additional resources to fully implement the requirements of WHCs, along with awaiting national guidance. Services should consider the inclusion of any financial resources required to implement WHCs during the planning cycle.

## **15. Other Committee Work**

### **15.1 Escalation Arrangements**

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

The Health Board's escalation status with WG at the start of the financial year was Targeted Intervention (TI) for planning and finance, with de-escalation considered when the Health Board had an approvable and credible plan, and improvement its financial position. The Health Board remained in 'enhanced monitoring' for quality issues related to performance. The Committee received and noted updates from regular Targeted Intervention (TI) meetings with WG throughout 2023/24, and from Joint Executive Team (JET) meetings.

At its meeting in February 2024, the Committee received and noted the update from WG in relation to the change of escalation status to TI for the entire Health Board, reflecting concerns about the lack of sustained progress over a period of time on integrated planning, finance and delivery. Whilst the Escalation Framework has been published and covers six domains which cover the whole organisation, the Health Board awaits feedback on the new organisational TI arrangements, as well as clarification regarding expectations and support.

Due to the wide-ranging nature of the six domains, the Committee noted that consideration should be given to the role of all Committees in the on-going monitoring of the Health Board's escalation status.

The Committee will continue to seek assurance on progress made against the increased escalation status at each meeting once further detail and clarification is provided by WG.

WG will continue to provide the necessary support and advice to address issues raised, including regular Joint Executive Team (JET) and Integrated Quality and Planning and Delivery Group (IQPD) meetings with subject specific discussions as and when considered necessary.

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

In accordance with the Audit Committee Handbook, the Committee reviewed ongoing and planned work relating to arrangements for declaring, registering and handling interests, gifts, hospitality, honoraria and sponsorship at its meeting held on 9 May 2024.

#### **15.3 Single Tender Action (STA) and Quotation Reports**

In line with SOs, and in the interest of probity and transparency, the Committee received reports relating to all STAs during the course of the year via the Financial Assurance reports. This will be supported by the summary of STAs 2023/24 which will be reported to the Committee in June 2024. The summary will include a schedule of all such transactions during the course of the year being presented to the Committee in order to obtain assurance that there were no consistent or recurring themes which might indicate any attempt to circumvent due process, thereby enabling any trends or other issues of concern to be monitored and acted upon.

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

The Committee noted the refreshed approach to the Annual Report and Self-Assessment process for 2023/24 at its meeting held on 20 June 2023. Members participated in a self-assessment and evaluation exercise of the Committee's performance and operation, with responses from self-assessment surveys presented to the Committee at its meeting held on 20 February 2024. The Committee considered the outputs from the process, agreed the actions to be taken to improve its effectiveness, and requested an update at a future meeting. The Chair of the Committee participates at All Wales Audit Chairs' meetings.

**15.5 Private Meeting of Audit and Risk Assurance Committee Members with the Auditors**

In line with the Audit Committee Handbook and the Committee Terms of Reference, Committee Members met privately at individual meetings with IA, AW and Counter Fraud on 14 March 2024. The meetings were attended by:

<b>Independent Members</b>	<b>Attended by</b>
<ul style="list-style-type: none"> <li>• Cllr Rhodri Evans, Committee Chair</li> <li>• Mr Winston Weir, Committee Vice-Chair</li> <li>• Mrs Eleanor Marks, Committee Member</li> <li>• Mr Maynard Davies, Committee Member</li> <li>• Mrs Chantal Patel, Committee Member</li> <li>• Mr Michael Imperato, Committee Member</li> </ul>	<p><b>Meeting with AW</b></p> <ul style="list-style-type: none"> <li>• Ms Anne Beegan, AW</li> <li>• Ms Urvisha Perez, Audit Lead</li> </ul> <p><b>Meeting with Internal Audit</b></p> <ul style="list-style-type: none"> <li>• Mr James Johns, Head of IA</li> <li>• Ms Sophie Corbett, Deputy Head of IA</li> </ul> <p><b>Meeting with Counter Fraud</b></p> <ul style="list-style-type: none"> <li>• Mr Benjamin Rees, Head of Local Counter Fraud Services</li> </ul> <p><b>Meeting with Healthcare Inspectorate Wales</b></p> <ul style="list-style-type: none"> <li>• Mr Richard Hayward, Relationship Manager, HIW</li> </ul>

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

**16. Forward Plan**

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

16.2 The Committee will continue to focus on those areas which will be subject to increased scrutiny, and ensuring those areas which received limited assurance during 2023/24 improve.

16.3 The Committee will continue to closely oversee the implementation of audit, inspectorate and regulatory recommendations to ensure the pace of delivery is improved.

16.4 Any areas of Committee concern raised during 2023/24, including scrutiny of outstanding improvement plans, will be followed up in 2024/25. Any learning taken from the Self-Assessment of Committee Effectiveness exercise will be acted upon as appropriate.

16.5 In order to continue the triangulation of assurance for the Board and provide the required degree of scrutiny, it is the Committee’s intention to further build relationships with the Quality, Safety and Experience Committee (QSEC), People, Organisational Development and Culture Committee (PODCC), Strategic

Development & Operational Delivery Committee (SDODC), SRC and Health & Safety Committee (HSC). This is being taken forward through the Chairs of Committees meeting.

## **17. Conclusions**

- 17.1 It is acknowledged that the Committee is a well-established Committee of the Board with a detailed annual work plan in place.
- 17.2 Whilst the Committee believes it has met the duties of its Terms of Reference, through the completion of a comprehensive work plan, 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. During the course of the year, the Committee also reported a number of areas to Board (through the Committee Update Report) where it was not being provided with the required degree of assurance to enable it to discharge its duties.
- 17.3 The IA work programme was aligned to the Health Board's risk profile, to provide assurance to the Committee that the identified mitigation is reducing or maintaining the level of identified risk. The Committee will also ensure that IA reviews are undertaken of those areas which received limited assurance during 2023/24, and the implementation of the agreed management action plans will be a focus for the Committee's attention. The IA plan for 2024/25 will need to be flexible and respond to the Health Board's requirements, given its significant challenges with longstanding workforce, estate, and financial pressures, significant service fragilities, significant performance issues and increase in escalated status for the whole of the organisation to targeted intervention.
- 17.4 The Committee will continue to request the attendance of the Interim CEO, and Senior Responsible Officer for Targeted Intervention, to provide assurance regarding the Health Board's targeted intervention status.
- 17.5 Finally, focus will continue to be placed on work that is undertaken in collaboration and partnership, with the Committee seeking assurance that robust processes and reporting arrangements are in place where significant activity is shared with another organisation, e.g. NWSSP, or the new Joint Commissioning Committee.
- 17.6 The Committee, therefore, provides a key source of assurance to the Board that the organisation has effective controls in place to manage the significant risks to achieving its objectives and that controls are operating effectively. It is vital that risk management is at the heart of this process. The Committee will continue to receive assurance during 2024/25 on the effectiveness of the risk management framework via the risk assurance report, and the implementation of its risk management objectives outlined in the Risk Management Strategy.
- 17.7 It is the opinion of the Committee that the Accountability Report, incorporating the Governance Statement, which was received at the Committee meeting held on 9 May 2024, is consistent with the view of the Committee on the Health Board's system of internal control. In conclusion, the Health Board has an unsatisfactory

system of internal control to identify and prioritise the risks to the achievement of the policies, aims and objectives to evaluate the likelihood of those risks being realised, and the impact should they be realised, and to manage them efficiently, effectively and economically. Work continues in refining risks to be undertaken at an operational level to enable the Health Board to become a risk mature organisation. Consideration has also been given as to the reliability and integrity of the Health Board's sources of assurance, encompassing the work of both IA and AW, together with the assurances forthcoming from the Committees of the Board.

17.9 The Board is therefore asked to endorse the contents of this report as a summary of the work and findings of the Audit and Risk Assurance Committee for the financial year 2023/24.