

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

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| Date and Time of Meeting: | 9.30am, Wednesday 26 July 2023  |
| Venue:                    | Board Room, Ystwyth Building, St David's Park, Carmarthen and via Microsoft Teams |

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| Present:       | Cllr. Rhodri Evans, Independent Member (Committee Chair)<br>Mr Winston Weir, Independent Member (Committee Vice-Chair)<br>Mr Maynard Davies, Independent Member<br>Mrs Judith Hardisty, Vice-Chair, HDdUHB  |
| In Attendance: | Mr James Johns, Head of Internal Audit, NWSSP<br>Ms Lucy Evans, Audit Wales (VC)<br>Mrs Joanne Wilson, Director of Corporate Governance/Board Secretary<br>Mr Huw Thomas, Director of Finance<br>Miss Charlotte Wilmshurst, Assistant Director of Assurance & Risk<br>Miss Maria Battle, Chair, HDdUHB<br>Mr Steve Moore, Chief Executive, HDdUHB<br>Mr James Field, Assistant Director of Communications<br>Ms Rhian Davies, Assistant Director of Finance<br>Mr Timothy John, Senior Finance Business Partner<br>Ms Clare Moorcroft, Committee Services Officer (minutes) |

| Agenda Item      | Item   |
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| <b>AC(23)143</b> | <b>Introductions and Apologies for Absence</b>   |
|                  | Cllr. Rhodri Evans, Audit & Risk Assurance Committee (ARAC) Chair, welcomed everyone to the meeting and thanked them for their attendance. Apologies for absence were received from: <ul style="list-style-type: none"> <li>• Ms Anne Beegan, Audit Wales</li> <li>• Mrs Mandy Rayani, Director of Nursing, Quality &amp; Patient Experience</li> <li>• Mr Ben Rees, Head of Local Counter Fraud Services</li> </ul> |

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| <b>AC(23)144</b> | <b>Declaration of Interests</b>        |
|                  | No declarations of interest were made. |

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| <b>AC(23)145</b> | <b>Management Override</b>  |
|                  | Mr Huw Thomas introduced the Management Override report, which is intended as a response to the audit risk raised consistently and commonly around management override. With financial pressures so significant, there is a need to ensure adequate robustness, particularly around year end processes. The work outlined within the report had begun as a result of the Audit Plan for 2021. There had been engagement with members of the Finance team in separate groups and outcomes had been collated into the framework document presented. This document comprises the following four elements: <ul style="list-style-type: none"> <li>• Compassionate leadership</li> </ul> |

- Professional ethics and behaviour
- Maintaining the organisation's values and culture
- Exercise of professional judgement

Mr Thomas hoped that this response to an identified audit risk would be helpful and provide assurance to the Committee.

Welcoming the report, Mrs Judith Hardisty noted that, in most of the responses, the 'Open to Challenge' option ranks fairly low, and requested further clarification/interpretation. Mr Thomas replied that openness of debate is an area identified as requiring reflection. Empowerment is an intended theme for the Finance team going forward to facilitate a culture of more open debate and dialogue and give them the permission to challenge. There is potentially a broader issue across the wider organisation, certainly within the Finance team, around where issues are resolved and how/whether they might be resolved at a lower level. Mr Thomas is keen to set out future values and behaviours in this regard. Cllr. Evans commended the document and thanked those involved in its compilation.

The Committee **NOTED** for information the document, 'Ethical Finance - Our True North'.

**AC(23)146 HDdUHB Annual Report 2022/23**

Cllr. Evans welcomed Miss Maria Battle and Mr Steve Moore to the meeting.

Whilst nominated to present the HDdUHB Annual Report, Mr Moore indicated that this document was very much the work of the Corporate Governance team and other parties and handed over to the Director of Corporate Governance. Mrs Joanne Wilson thanked Mr James Field, Assistant Director of Communications and team, Mrs Tracy Price and the Performance team and Miss Charlotte Wilmshurst and the Governance and Risk team for their significant contribution to the Performance and Accountability Report components of the Annual Report. Members were reminded that they had received these documents in draft form and that the Performance Report had also been shared with the Chairs of the Strategic Development & Operational Delivery Committee (SDODC) and Quality Safety & Experience Committee (QSEC). All feedback from both Welsh Government and Audit Wales had been addressed, with attention drawn to the Changes Forms attached at Appendix 1a and 1b, which provide an audit trail of the amendments made. It was noted the audit trail included all amendments made to the documents since these were presented in draft format to the Committee in May 2023. Furthermore, both elements complied with the manual for accounts. The Committee was requested to approve the various components of the HDdUHB Annual Report 2022/23 for onward ratification by Board.

**Performance Report**

Referencing page 1 of Appendix 1a, Mr Maynard Davies noted the statement that the addition of 'Well-being Statement and Objectives' and 'Delivering our Wellbeing Objectives' was noted as 'to be cleared' and enquired whether this had taken place. Mrs Wilson confirmed that this had been agreed by both Welsh Government and Audit Wales. Mrs

Hardisty commended the document, her only suggestion for future iterations being that it would be useful to quantify statements such as the one on page 11 around additional care being provided to tourists and students by including estimated numbers. Mr Thomas felt that this would be an area the Data Science team may be able to take forward and agreed to explore this further. The Committee approved the Performance Report section of the Annual Report.

### **Accountability Report**

In regards to the Accountability Report component, three additional changes have been noted, as follows:

Page 192 – updated to reflect Mr Maynard Davies’ membership of and attendance at Remuneration & Terms of Service Committee

Page 276 – addition of page numbers to the Statement of Directors on pages 181 and 182

Page 285 (page 5 of the Annual Accounts) – hashed areas have been updated to show figures of £1,154,992 and £1,152,733

All of these would be reflected in the final version ratified by the Board. Subject to these amendments being made, the Committee approved the Accountability Report section of the Annual Report.

Cllr. Evans thanked all of those involved for their contribution.

### **Financial Statements (Accounts)**

Mr Thomas wished to add his thanks to the Corporate Governance team and Finance team, and to colleagues in Audit Wales and Internal Audit, noting that this has been a challenging year for a number of reasons. The Annual Accounts had been subject to a longer audit period than originally anticipated, in part due to additional complexities created by IFRS 16 and the new risk-based audit standard for Audit Wales, which was producing benefits; audit work had also been impacted by staffing issues which are affecting audits across the UK. There had been a small number of changes since the draft accounts were presented to the Committee:

- Welsh Risk Pool – the Health Board had not been notified of a settlement which had been agreed. There was no impact on the bottom line; however, debtor and liability were increased
- Continuing Health Care (CHC) – the Health Board had been following a given process for a number of years; the classification has changed. This does not affect the overall liability position or bottom line. In future, the approach taken will be adjusted accordingly
- An error in the Remuneration/Pensions report had been due to erroneous information provided by the Pensions Agency
- Other errors had been identified and corrected during the course of the audit; none had been of significance or concern, however, they will be reflected upon and learned from
- There were no changes to the ‘critical’ reports submitted

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|  | <p>All of the above were detailed on Slides 8 and 9 of the Accounts Presentation.</p> <p>On page 5 of the Accounts, 'Statement of Changes in Taxpayers' Equity For the year ended 31 March 2023', Mr Davies noted that there are two lines of hash symbols instead of figures. Ms Rhian Davies explained that this is a formatting issue with the submission template, which has been fed back to Welsh Government. The two figures in question are £1,154,992 and £1,152,733. Mr Thomas advised that, whilst the submission template has been designed to be consistent across Health Boards and is therefore prescribed, it is not necessarily the most 'user friendly' or accessible format. Mr Davies wished to recognise the performance improvement achieved in terms of Creditor Payment and Public Sector Payment Policy (PSPP) in what has been a challenging year financially. Members were advised that this improvement had been assisted by support from the Bank Office. Noting that the £1.2m value for PSPP had not been met, Mr Davies requested assurance that this had not adversely affected those suppliers. In response, Mr Thomas indicated that it was difficult to say definitively; however, the fact that no interest had been charged on late payments would suggest not.</p> <p>Mrs Hardisty requested clarification around the statement on page 29 of the Accounts that 'The negative figure for permanent injury is due to the change in the interest rate from a negative rate to a positive rate'. Mr Thomas explained that this relates to the discount factor, the figure is included at current value, discounting future prices and predictions of interest rates. It was noted that, on page 28, Managed Practice staff costs were separately detailed. Emphasising that these were Health Board employees, Mrs Hardisty enquired why this was the case. Ms Davies agreed that these staff were part of General Medical Services (GMS) expenditure; however, indicated that Audit Wales had requested that it be shown separately. Mr Thomas suggested that this could be queried following conclusion of the accounting process.</p> | HT |
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| AC(23)147 | <p><b>Audit Wales ISA 260 and Letter of Representation</b></p> <p>Ms Lucy Evans introduced the Audit of Accounts Report for HDdUHB 2022-23, in what has been (as already stated) an unusual year. The financial audit had been both started and is ending later than normal. Whilst the new auditing standard is requiring more detailed work, it is also yielding useful results. Focusing on the report itself, Ms Evans highlighted key messages on page 5. It is intended to issue an unqualified true and fair opinion, with accounts prepared in accordance with the guidance; and a qualified regularity opinion, due to the Health Board's expenditure being in excess of the revenue resource allocated and failure to meet the financial duty to have an approved three-year integrated medium term plan. In terms of significant issues, there are no uncorrected misstatements, with all the necessary adjustments made by Health Board officers. Appendix 3 details corrected misstatements, which fall into the following categories:</p> <ul style="list-style-type: none"> <li>• Classification – no impact</li> <li>• Disclosure – no impact</li> </ul> |  |
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|  | <p>Corrections included:</p> <ul style="list-style-type: none"> <li>• Welsh Risk Pool and Pensions Agency related information</li> <li>• Annual Leave Accrual – an historic issue; has decreased but remains a concern</li> <li>• CHC – classification of whether creditor/accrual – not a significant concern</li> <li>• Other changes where additional work has provided assurance; these are classified as trivial, however recommendations have been made</li> </ul> <p>Cllr. Evans thanked Ms Evans for her report.</p> <p>Mr Thomas noted that there was a risk, with regular receipt of a qualified regularity opinion, of becoming accustomed to this outcome. Health Board expenditure each year is more than the Minister has allocated. This should not ever be ‘normalised’ and there is a need to reflect on the issue as a Board. Referencing the recommendations in Appendix 4, Cllr. Evans noted that Annual Leave Accrual has been highlighted as an issue for the past two years and requested assurance that a resolution is being sought. In response, Mr Thomas explained that the issue is two-fold: quantum and process. In terms of the former, accrual of annual leave had been a specific and acute concern during the COVID-19 Pandemic, due to pressures on staff. This is now reducing and is a less ‘material’ issue in terms of audit. What is an ongoing concern requiring focus is that annual leave should be recorded on the Electronic Staff Record (ESR) system, which is not universally complied with. There are, for example, staff groups who use other systems for the recording of annual leave. Cllr. Evans suggested that this matter should be formally tracked and progress reviewed by the end of Quarter 1. Mrs Wilson agreed to add the recommendation to the Health Board’s Audit Tracker and agree a course of action with Mr Thomas and Mrs Lisa Gostling, Director of Workforce &amp; OD. In terms of the recommendation around CHC, Mr Thomas assured Members that the Finance team will be reflecting on this, to establish how the current process can be refined in order to prevent a recurrence. This would also be added to the Tracker. Highlighting paragraph 5 on page 4, Mr Davies noted the statement that the ‘audit is substantially complete except for...’ and enquired whether these two tasks had now been concluded. Ms Evans confirmed that the tasks had been cleared on 25 July 2023. The report could, therefore, be regarded as final.</p> <p>The Committee <b>NOTED</b> the Audit Wales ISA 260 and Letter of Representation.</p> | <p>JW</p> <p>JW</p> |
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| <p><b>AC(23)148</b></p> | <p><b>Annual Report and Accounts for 2022/23</b></p> <p>Cllr. Evans thanked the Finance team for their efforts in preparing the Health Board’s Annual Accounts.</p> <p>It was noted that a number of the reports had been considered by the Committee in draft format previously and had been submitted to both Welsh Government and Audit Wales for comment. Cllr. Evans requested assurance from Mr Moore that the Accountability Report represents a true and fair reflection of the year and that he was content with the system of governance at HDdUHB. Mr Moore confirmed both.</p> |  |
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|                  | <p>Following the above discussions and following review of the letter of representation and the ISA 260 , the Committee approved the audited annual accounts for 2022/23, for onward ratification by the Board.</p> <p>Mrs Wilson and Mr Thomas expressed their thanks to colleagues in Audit Wales and Internal Audit for their assistance during the year.</p>  |  |
|                  | <p>The Committee <b>APPROVED</b> the audited annual accounts for 2022/23, for onward ratification by the Board.</p> <p>Having taken into account the above discussions, the Committee <b>APPROVED</b> the content of the HDdUHB Annual Report 2022/23 (which includes the Performance Report, Accountability Report and Financial Statements (Accounts)), in order to provide assurance to the Board that a robust governance process was enacted during the year, and <b>RECOMMENDED</b> these for onward ratification by the Board.</p> |  |
| <b>AC(23)149</b> | <b>Any Other Business</b>   |  |
|                  | There was no other business reported.   |  |
| <b>AC(23)150</b> | <b>Date and Time of Next Meeting</b>  |  |
|                  | 9.30am, 15 August 2023 (Routine Meeting)  |  |

UNAPPROVED