COFNODION Y CYFARFOD PWYLLGOR ARCHWILIO A SICRWYDD RISG CYMERADWYO
APPROVED MINUTES OF THE AUDIT AND RISK ASSURANCE COMMITTEE MEETING

Date of Meeting: **09:00, Tuesday 23 June 2026**
Venue: **Dolau Cothi, Picton Terrace and Virtual, via Microsoft Teams**

Present:
Cllr. Rhodri Evans, Independent Member (Committee Chair)
Mr Winston Weir, Independent Member (Committee Vice-Chair) (VC)
Mr Maynard Davies, Independent Member

In Attendance:
Ms Urvisha Perez, Audit Wales (VC)
Mr David Williams, Audit Wales (VC)
Mr David Murphy, Audit Wales (VC) (part)
Mr James Johns, Head of Internal Audit, NWSSP (VC)
Ms Sophie Corbett, Deputy Head of Internal Audit, NWSSP (VC)
Mrs Joanne Wilson, Director of Corporate Governance/Board Secretary
Mr Huw Thomas, Executive Director of Finance
Mr Ben Rees, Head of Counter Fraud (VC) (part)
Ms Claire Bird, Assurance and Risk Officer (deputising for Miss Charlotte Wilmshurst, Assistant Director of Assurance and Risk)
Professor Philip Kloer, Chief Executive (part)
Mr Andrew Carruthers, Chief Operating Officer (part)
Mr Keith Jones, Director of Operational Planning and Performance (VC) (part)
Ms Angela Bell, Assistant Director of Quality, Safety and Patient Experience for Allied Health Sciences (VC) (part)
Ms Sharon Daniel, Executive Director of Nursing, Quality and Patient Experience (VC) (part)
Ms Rebecca Richards, Head of Infection Prevention (VC) (part)
Ms Cathie Steele, Interim Assistant Director of Nursing Assurance and Safeguarding (VC) (part)
Mr Mark Henwood, Executive Medical Director (part)
Mr Dilesh Khandhia, Associate Clinical Director of Pharmacy and Medicines Management
Ms Carly Hill, Assistant Director (VC) (part)
Mr Lee Davies, Executive Director of Strategy and Planning (part)
Mr Shaun Ayres, Director of Delivery (VC) (part)
Ms Rhian Davies, Assistant Director of Finance, Financial Planning and Statutory Reporting (VC) (part)
Mr Timothy John, Head of Accounting and Statutory Reporting (VC) (part)
Ms Clare Moorcroft, Committee Services Officer (minutes)

Minutes Ref.	Item	Action
AC(26)097	**Introductions and Apologies for Absence**	

Cllr. Rhodri Evans, Audit and Risk Assurance Committee (ARAC) Chair, welcomed everyone to the meeting. He explained that there would be slight changes to the order of certain agenda items, to facilitate attendance by presenters. Apologies for absence were received from:

- Dr Neil Wooding, Chair, Hywel Dda UHB
- Mrs Eleanor Marks, Vice-Chair, Hywel Dda UHB

- Miss Charlotte Wilmshurst, Assistant Director of Assurance and Risk

AC(26)098 **Declaration of Interests**

Mr Maynard Davies declared interests in item AC(26)109, noting that his son is a Consultant Radiologist in Northern Ireland, that his wife worked in Radiology for 26 years, and that he had managed the NHS Wales e-Library.

AC(26)099 **Minutes of the Meeting held on 14 April 2026**

Decision: RESOLVED – the Minutes from the meeting held on 14 April 2026 were approved as an accurate record.

AC(26)100 **Table of Actions**

An update was provided on the Table of Actions from the meetings held on 14 April and 7 May 2026, with Members noting that certain of these remain in progress. In terms of matters arising:

AC(25)171 – Mrs Joanne Wilson advised that the Standard Operating Procedure (SOP) is yet to be finalised. Whilst the stated timescale for this is July 2026, it may take longer. The operational team wish to take further steps to standardise the SOP. It was intended to re-audit this area in Quarter 1 of 2026/27; however, this has been postponed at the request of the Health Board. Consideration is being given to other audits which might be brought forward to replace it. The resulting impact on the Internal Audit programme at this early stage is not ideal.

AC(26)45 – the items for consideration by the Strategy and Planning Committee (SPC) and Quality, Safety and Experience Committee (QSEC) have now been added to the forward Workplans for these committees.

AC(26)76 – likewise, the item for consideration by the Digital, Data and Innovation Committee (DDIC) has been added to the forward Workplan for this committee.

AC(26)79 – Members heard that Mr Huw Thomas is leading on work in relation to contract management, and that an update on the Major Infrastructure Investment Programme Internal Audit has been scheduled for the August 2026 meeting.

AC(26)87 – with regard to the suggestion around inviting the Chair of QSEC to engagement meetings with Healthcare Inspectorate Wales (HIW), it was noted that there are processes already in place. It is probably more appropriate for the QSEC Chair to provide input via these routes.

AC(26)101 **Matters Arising not on Agenda**

There were no other matters arising.

AC(26)102 Committee Self-Assessment

Presenting the report, Mrs Wilson reminded Members that three areas for improvement had been identified in this year's Self-Assessment process. The first, in relation to the role of the Independent Member (IM) had been discussed at forums including IM development sessions. The second had been addressed via development of an SOP with Internal Audit, which has been shared with all Members. The third has been addressed by strengthening risk and assurance reporting.

Decision: The Committee **TOOK ASSURANCE** from the progress made against the actions being undertaken to improve its effectiveness.

AC(26)103 Annual Review of Committee Terms of Reference

Mrs Wilson introduced the report, which outlines the proposed changes following the annual review of ARAC's Terms of Reference. The suggested amendments are detailed within the report and approval of these is requested, prior to submission for ratification by the Board.

Decision: The Committee **APPROVED** the Audit and Risk Assurance Committee's Terms of Reference (version 20) for onward ratification by the Board on 30 July 2026.

AC(26)104 All Wales NHS Audit Committee Chairs' Meeting Update

Cllr. Evans reported from the All Wales NHS Audit Committee Chairs' (AWACC) meeting held on 1 June 2026, indicating that this had been both useful and interesting. As recorded in the notes, there had been a discussion around Internal Audit. Members heard that 6% of audits in organisations across Wales had received limited or unsatisfactory assurance ratings, which likely reflects the challenging environment. Only 66% of management responses are received on time, against a target of 85%. Cllr. Evans congratulated Mr Ben Rees on his appointment as Chair of the Counter Fraud Liaison Group. It was noted that Cardiff and Vale and Hywel Dda UHB Counter Fraud teams have the least staff resources. Despite this, the HDdUHB team manages the most referrals, detects the most frauds and recovers the most money.

The Committee thanked Mr Rees for his work and requested that he pass on these thanks to his colleague Mr Terry Slater. Whilst grateful for the recognition, Mr Ben Rees indicated that the team's success relies on support from colleagues across the Health Board and from ARAC. Referencing the Audit Wales Update, Mr Maynard Davies highlighted that a Deep Dive into the local Digital Transformation Review is scheduled for the next DDIC meeting.

Decision: The Committee **NOTED** the All Wales NHS Audit Committee Chairs' Meeting Update.

AC(26)105 **Financial Assurance Report**

Mr Thomas introduced the Financial Assurance Report, noting that there were no 'Alert' items to bring to the Committee's attention. In terms of 'Advise' items, firstly, the number of staff overpayments has decreased. Secondly, there is one loss exceeding £5k relating to drug wastage, details of which are provided in Schedule 4. The Health Board also signed off losses and write-offs less than £5k totalling £18,550, representing a reduction on the previous period. 'Assurance' items include the work progressing on 'No PO, No Pay', and Public Sector Payment Policy (PSPP) compliance. Finally, Mr Thomas drew Members' attention to the Quinquennial Revaluation of NHS Wales Estate outlined in Appendix 4 of the report.

Mr Davies wished to congratulate the team on the fact that no Single Tender Actions (STAs) had been made during 2025/26, or indeed since March 2024. He had never worked in an organisation where this had been achieved. Whilst welcoming the comment, Mr Thomas suggested that this position was 'hard won and easily lost', with frequent pressure to utilise STAs. Referencing Appendix 1a, Mr Davies noted that a number of contracts are awarded for clinical services. He enquired which forum or committee monitors whether these are delivering value for money. It would be useful, for example to undertake an exercise which contrasts the costs of external provision with provision by the Health Board, should it be fully-resourced to do so.

In response, Mr Thomas acknowledged that no forum fulfils this role currently, although the Finance and Performance Committee (FPC) would be the most appropriate. Given the value of certain of these contracts, and the scrutiny that contracts in other areas receive, he agreed that it would be reasonable to consider progressing this suggestion further. This also aligns with the work mentioned earlier around contract management. Mr Thomas indicated that an Artificial Intelligence (AI) model is being built, which will analyse contract data, invoice data and responses from managers on performance, and provide output on whether contracts are being effectively managed. He committed to provide a report to ARAC and DDIC on this topic. **HT**

Mr Davies noted that one of the contracts relates to Obstetric and Non-Obstetric Ultrasound Examinations, and queried whether this will serve to address some of the recommendations in the Audit Wales Radiology Review report. Whilst it was suggested that this may partially mitigate, Members were reminded that there are significant fragilities in relation to this service.

Decision: The Committee:

- **SCRUTINISED** the award of contracts listed
- **DISCUSSED** the staff overpayments as detailed and **TOOK ASSURANCE** that actions to control them are sufficiently embedded

- **DISCUSSED** losses as detailed and **APPROVED** the losses in excess of £5,000
- **NOTED** that no Single Tender Actions were awarded during the Financial Year 2025/26
- **TOOK ASSURANCE** from the actions taken to:
  a) Improve Purchase To Pay (P2P) compliance
  b) Manage breaches of Standing Financial Instructions (SFIs)
  c) Manage Single Tender Actions (STAs)

The Committee agreed to **ASSURE** the Board in relation to the Financial Assurance report.

AC(26)106 Counter Fraud Update

Presenting the report, Mr Rees advised that delivery of the 2026/27 Counter Fraud Workplan is progressing as expected. The team has continued to deliver awareness and prevention activity across the Health Board, including Primary Care engagement with the ophthalmic sector, and targeted awareness with the Breast Care Unit at Prince Philip Hospital. This has been well-received. Two local proactive reviews have been completed. The first considered IR35 and off-payroll working risks linked to agency nursing arrangements and found a strong control framework, with no evidence of non-compliance in the sample tested. The second reviewed petty cash arrangements across the Health Board and provided positive assurance overall, whilst identifying certain opportunities to rationalise accounts, reduce reliance on petty cash and strengthen local controls, with recommendations made. Finally, the Counter Fraud SRT has now been uploaded to the NHS Counter Fraud Authority portal and digitally signed, and the required quarterly statistics have been submitted to Counter Fraud Services Wales.

Cllr. Evans enquired how the recommendations mentioned are tracked. In response, Members heard that it is intended to track Counter Fraud recommendations and report on these during the In-Committee ARAC session going forward. Liaison with services and departments will take place as required. Consideration had been given to the use of the Audit Management and Tracking (AMAT) system. However, due to the access settings on AMAT and the sensitivity of certain Counter Fraud recommendations, this is not appropriate.

Decision: The Committee **RECEIVED** for information the Counter Fraud Update Report and appended items.

The Committee agreed to **ASSURE** the Board in relation to the Counter Fraud Update report.

Mr Ben Rees left the Committee meeting.

AC(26)107 **External Recommendations and Welsh Health Circulars Assurance Report**

Mrs Wilson introduced the report, highlighting in the first instance the section outlining progress since the previous report to ARAC. Development of an audit tracking performance dashboard has had to be placed on hold, due to prioritisation of work required in relation to Radiology. In terms of numbers, there has been an increase in the number of open reports from 134 to 142, with an increase in overdue reports from 49 to 50. Several reports have been closed, which are detailed. The main areas of concern are the Community and Integrated Medicine (CIM) Clinical Care Group (CCG), which remains in Level 3 for governance and has been for some time now. This CCG is also an outlier in relation to recommendations without revised timescales being completed. Estates and Facilities, despite being at Level 1, also has a number of outstanding recommendations.

Mrs Wilson recalled an ARAC request around Deep Dives into specific areas. Following the introduction of the new ways of working and placing of accountability with the Executive Director rather than the Corporate Governance team, such Deep Dives will be conducted by the Chief Operating Officer (COO). Mrs Wilson has, however, offered to attend these, along with the relevant Assurance and Risk Officer, if required. Monthly position reports will also be provided. Regarding the CIM CCG, Ms Claire Bird indicated that, whilst there has been an improvement in terms of the number of overdue recommendations, there has been an increase in those overdue by more than six months. The triumvirate team, with herself supporting, has met with representatives of each integrated system. Quarterly meetings to focus on AMAT are also planned. It is hoped that further improvements will result. Actions are being taken to add the reports currently missing from AMAT, which will provide a more representative view. With regard to the latter, Mrs Wilson highlighted that this will impact on numbers, increasing them further.

In respect of timescales, Mr Davies enquired whether any issues are due to external factors, with progress dependent on other organisations, for example. Ms Bird confirmed that this can be the case, whilst advising that there is a separate reporting status for reports or recommendations which fall into this category. Classification of them as such does, however, depend on the information provided by functions; it does sometimes become apparent at a later date that they are impacted by external factors. Members were advised that those reports classified as overdue are within the Health Board's control. Mrs Wilson reported that there had been a detailed discussion at QSEC around this issue, with the Chair undertaking to write to those Executive Directors responsible for audits and reviews under QSEC's remit. It had subsequently been decided to extend this correspondence to all Executive Directors.

Cllr. Evans enquired regarding how, when functions close reports and recommendations, it is ensured that there is continued progress or compliance. In response, Mrs Wilson indicated that closure requires sign-off by both the Lead Officer and Executive Director, with the latter being ultimately accountable. There are, however, instances where it subsequently becomes apparent that recommendations should not have been closed. This is generally only identified by further or follow-up audits and reviews.

Decision: The Committee **TOOK ASSURANCE** on the effectiveness of processes in place across the Health Board to track the progress made to implement recommendations identified by auditors, inspectorates and regulators, and implement Welsh Health Circulars (WHCs) issued by Welsh Government.

The Committee agreed to **ASSURE** the Board in relation to the External Recommendations and Welsh Health Circulars Assurance report.

AC(26)108 **Audit Wales Update Report**

Mr Andrew Carruthers joined the Committee meeting.

Mr David Williams introduced the Audit Wales Update report. In terms of financial audit work, the ISA 260 appears later on the agenda, together with the Health Board's accounts. This year's audit has gone well, and remains on track for certification later this week. Once finalised, the team will focus on the audit of the Health Board's charities' accounts. Moving onto the performance audit work, Ms Urvisha Perez advised that the Radiology review is complete and on today's agenda. The Cancer and Estates reviews are at the early stages of reporting, with the remainder of performance audit work at the planning stage.

This year's Structured Assessment will focus mainly on delivery of Integrated Medium Term Plans (IMTPs) or Annual Plans. They will assess the extent to which delivery is supporting financial sustainability, improved operational performance, effective risk management and robust oversight, scrutiny and governance. The change in approach will allow a stronger focus on effectiveness and impact. A letter will be issued in the next few weeks, explaining the changes. The draft project brief will be finalised in July 2026; in the meantime, Audit Wales staff will begin to observe relevant Board and committee meetings.

The report also includes links to relevant national outputs and to the Strategic Equality Plan. Audit Wales has also recently published two insight pieces, not included in the update report, one focused on Planned Care and the other on Urgent and Emergency Care. Both set out key themes from local work and challenges facing Welsh Government and the wider NHS. They also set out key questions for Welsh Government, the NHS and, in the case of the Urgent and Emergency Care piece, questions for local authorities as well.

With regard to national reviews, Mr Davies queried whether the Health Board prepares formal responses to those reports for which it is not officially the target audience. He highlighted that there may be learning within such reports which is relevant at a local level. Mrs Wilson indicated that there has been a suggestion at the most recent AWACC meeting that health boards will be expected in the future to develop local responses to national reports. At present, any relevant findings are taken forward on a more informal basis. Mr Andrew Carruthers indicated that all national reviews provide useful input, intelligence and potential learning; the key is to identify and apply this locally. Ms Perez confirmed that Audit Wales is currently considering how it follows up review recommendations. She would consult with colleagues and provide an update at the next meeting. In response to a query around delivery of the planned performance audit work, Ms Perez confirmed that this is currently on track. **UP**

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

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

AC(26)109 Review of Radiology Services

Ms Angela Bell joined the Committee meeting.

Mr David Murphy presented the Review of Radiology Services report, which is a follow-up to the 2017 Review of Radiology Services, during which 11 recommendations were made. The review examined the effectiveness of arrangements to manage current and future Radiology demand. Five of the 11 previous recommendations had been completed, with 6 outstanding and in progress at the time of review. Key messages were as follows:

- Whilst short-term performance improvements had been achieved, including reductions in very long waits and improved Cancer pathway reporting, Radiology demand remains high and performance is not yet sustainable.
- Improvement is partly reliant on targeted recovery actions, rather than underlying capacity changes.
- Overall, progress had been made; however, this remains fragile, with one of the Health Board's noted fragile services not yet delivering resilient service improvement.
- Waiting lists more than doubled between January 2020 and January 2026, reaching a peak of just under 15,000 pathways.
- Whilst there were long waits, these had been substantially reduced during 2025 to just under 3,000 still waiting over 8 weeks. Improvement was driven by focused backlog reduction, rather than sustained demand capacity balance.
- Ultrasound services remain the main pressure point, with the largest number of waits over 8 weeks and delays across all sites. Demand remains consistently high, making performance gains difficult to sustain.

- Underlying risks include the absence of an out-of-hours, non-obstetric ultrasound service; improvement sustained by non-recurrent funding, outsourcing and short-term recovery actions
- In terms of referral quality, there is no consistent Health Board-wide approach to routine reporting of impact.
- There are no fully costed, prioritised multi-year equipment replacement plans.
- With regard to workforce, there is a reliance on agency staff, outsourcing and overtime.
- Whilst governance has improved, assurance remains variable, particularly where services rely on temporary measures.
- Planning is fragmented, with no single integrated long-term radiology plan.

Following the review, 4 recommendations have been made, replacing the outstanding recommendations from 2017. These focus on out-of-hours ultrasound provision, referral quality, demand management, patient feedback and learning and the need for an integrated Radiology plan.

The Health Board's management response has been received, which includes phased actions. Certain of these begin in 2026; however, a number extend into 2027 and 2028. Delivery appears to be dependent on stabilising the workforce, leadership capacity, and development of the integrated plan. Acknowledging the phased approach to improvement, Audit Wales had found the overall response to be constructive.

Professor Philip Kloer joined the Committee meeting.

Mr Carruthers welcomed the review and its findings, which highlight a number of areas the Health Board recognises as challenging. These include demand, capacity, waiting times, quality and patient safety. Whilst already recognised, the review provides a helpful focus for ongoing work. As has been acknowledged, a number of these involve significant actions, and capacity issues will limit the pace of change; hence the need for a phased approach. Ms Angela Bell added her thanks to the Audit Wales team for the review. With regard to timescales for actions, she advised that a pragmatic approach had been applied, with delivery balanced against the need for service stabilisation. Recommendation 4 is a good example of one which the Health Board feels it may be able to achieve sooner, with the benefit of additional support. The aim in the management response had been to provide clear milestones for progress.

Recognising that the review's findings are challenging, Mr Thomas congratulated the team on its response. He emphasised that the findings and recommendations need to be owned by the wider organisation, not considered the sole responsibility of the service. Whilst the issue of additional resources has been partially addressed, alongside this an alignment of demand and capacity is required. This needs to form part of a comprehensive Health

Board-wide approach, contributing to it becoming a truly data-driven organisation.

Cllr. Evans enquired whether the current Organisational Change Process (OCP) will assist in addressing any of the review findings. In response, Mr Carruthers explained that the Radiology OCP has been somewhat challenging, in terms of agreeing the revised leadership model. It has required significant engagement with stakeholders, including trade unions, to agree a model acceptable to all parties, meaning that it has taken longer than anticipated. Positive progress has, however, now been made. Ms Bell confirmed that the consultation launched on 11 June 2026. It is hoped to commence recruitment into additional leadership roles throughout Quarter 3, with successful candidates in post by February 2027. A number of the dates in the management response and action plan are aligned to this increased leadership capacity. An example being Recommendation 3, around patient feedback, with the requirements for this aligning with the new quality manager role.

Declaring various personal interests in Radiology, Mr Davies noted that the way forward in relation to the Clinical Services Plan (CSP) has recently been agreed. He requested assurance that review recommendations and actions align with CSP outcomes in relation to Radiology. Ms Bell confirmed that this was the case, whilst highlighting that the Radiology aspect of the CSP is minimal, given that it relates to capacity to deliver X-Ray services on a specific site. In relation to Recommendation 2, Mr Davies noted the plan to establish a Radiology Referral Management Group. He wished firstly to enquire regarding progress on e-referrals. Secondly, he noted previous work by the Royal College of Radiology on the iRefer system, available from the NHS Wales e-Library. This sets out for all doctors the type of Radiological examinations appropriate for various medical conditions. He enquired how these elements will be incorporated into the work of the Referral Management Group. Ms Bell welcomed these useful queries, and committed to feed them back to the team reviewing the terms of reference for this group. **AB**

Mr Carruthers felt that this raised a wider issue for the Health Board around how it moves away from paper-based referrals. He suggested that there should come a point when the organisation only accepts electronic referrals. This is very much a ‘live’ conversation. Mr Thomas proposed that a report be drafted for DDIC on electronic test requests. Whilst predominantly a digital issue, this would naturally require clinical engagement. It was requested that this also consider Primary Care. Mr Davies’ final query was in relation to the management response to Recommendation 4, which commits to ‘Complete and submit the overarching Radiology plan… for committee oversight and agreement of committee update schedule by March 2028.’ He enquired which would be the receiving committee. Mrs Wilson advised that, whilst there is potential for this matter to require **HT**

discussion at various committees and at Board, it would likely be SPC in the first instance. **LD**

Whilst noting that certain improvements have been embedded, Cllr. Evans highlighted that these include temporary mitigations. In view of this, he requested assurance that improvements are sustainable, recognising in particular significant workforce fragilities. Mr Carruthers emphasised that the latter is a UK-wide issue. It requires innovative approaches to ensure that service models and rotas are created which will be attractive to potential applicants, a focus on 'growing our own' staff and consideration of the potential for digital and AI solutions to release capacity.

In response to a query around whether Audit Wales is content with the management response, Mr Murphy confirmed and expressed thanks for the support provided to the review team. Audit Wales recognise the reason for proposing extended timescales for certain actions. Whilst explaining that these were intended to be realistic, based on current capacity, Mr Carruthers emphasised that the Health Board will seek to make progress more quickly wherever possible. Following further discussion, it was agreed that a progress update should be scheduled for six months' time. **AC**

Decision: The Committee **NOTED** the Audit Wales Review of Radiology Services and associated management response.

The Committee agreed to **ASSURE** the Board in relation to the Audit Wales Review of Radiology Services report and associated management response.

Mr David Murphy and Ms Angela Bell left the Committee meeting.

AC(26)110 Internal Audit Plan Progress Report

Mr James Johns presented the Internal Audit Plan Progress Report, which provides the usual update on progress in delivering the Internal Audit Plan. Section 2 of the report details those audits finalised since the previous meeting, with this concluding delivery of the Plan for 2025/26. The Head of Internal Audit Opinion and Annual Report is also included on today's agenda.

Cllr. Evans noted the volume of audits being reported to this meeting and the challenges this presents for ARAC. He advised Members that a new protocol and approach has been discussed and agreed, which he hoped would prevent a similar situation in the future.

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

AC(26)111 Progress Update on Operational Governance Arrangements Internal Audit

Mr Carruthers introduced the report, advising that in addition to the ARAC discussions on this topic, the new ways of working had

also been considered at a recent Board Seminar. Various actions had been identified, and the report seeks to provide assurance regarding progress.

Mr Davies welcomed the report's clarity; however, highlighted that it focuses mainly on process. He enquired how it will be ensured that actions will achieve the desired outcomes, and whether there are defined objectives and timescales. Whilst recognising the need for certain CCGs to be de-escalated, Mr Carruthers suggested that the overall aim is to change the ways of working and empower local teams. He emphasised that this involves, in the longer-term, a much deeper cultural shift. It is his intention, however, to change behaviours more quickly. For example, earlier intervention on issues, to prevent them from escalating. He agreed, however, that certain key areas could be identified, where progress is required.

Cllr. Evans shared the view that the intended impact of changes to ways of working needs to be more closely defined. He highlighted the need to identify who will be undertaking checks and scrutiny, and how changes would ensure improvements in operational areas, including audit outcomes. In response, Mr Carruthers explained that the ultimate scrutiny will be at the monthly COO Integrated Operational Delivery meetings. At these, evidence will be required that CCGs are considering and documenting the pertinent issues, and that they are developing action plans. Mr Carruthers has deliberately set out to define expectations in this regard. Mrs Wilson felt that it is important to acknowledge that operational governance encompasses areas other than those within the COO's portfolio, such as Estates and Facilities, and corporate services. There may be issues in any of these, making this a Health Board-wide responsibility. As such, the Chief Executive has requested that all Executive Directors formulate a delivery agreement and focus on governance in their area.

Whilst recognising that the focus today is on operational governance as a result of the Internal Audit, Professor Philip Kloer confirmed that he has clearly stated that the issue is wider. He also reiterated that operational governance is not solely a COO responsibility, given that there are operational elements in a number of Director's portfolios. He suggested that the way in which ARAC oversees this issue probably requires further consideration. It may also impact on the Internal Audit Programme for future years.

Decision: The Committee **TOOK ASSURANCE** that all actions have been implemented within the agreed timescales to address the audit findings which strengthen operational governance arrangements.

The Committee agreed to **ASSURE** the Board in relation to the Progress Update on Operational Governance Arrangements Internal Audit.

Professor Phil Kloer left the Committee meeting.

AC(26)112 GP Out of Hours (Limited Assurance)

Mr Keith Jones joined the meeting.

Ms Sophie Corbett introduced the GP Out of Hours Internal Audit report. This audit had reviewed the processes and controls in place for the management of key systems and risk areas within GP Out of Hours, specifically controlled stationary and controlled drugs. It had identified 7 findings requiring management attention. In relation to the management of prescription pads, whilst procedures were in place, these required updating. Security of prescription pad stock during transportation between sites requires strengthening and stock check arrangements lack segregation of duties. In relation to controlled drugs, whilst there are Health Board-wide policies in place, these do not align with the arrangements within GP out of hours. At Glangwili Hospital (GGH), access to controlled drugs was not restricted to clinicians, with reception staff seen to access the key safe for the controlled drugs cabinet. There was inconsistency in controlled drugs registers in use at GGH and Prince Phillip Hospital (PPH) sites, and the entries in the register for PPH suggested that only drugs actually issued to patients are captured, rather than all stock movements. Finally, optimum stock levels have not been determined and, whilst stock checks were completed, these were inconsistent. An overall rating of Limited Assurance has been concluded.

Mr Carruthers thanked the Internal Audit team for their work. Whilst welcoming the report, he expressed disappointment at a rating of Limited Assurance, particularly in relation to the management of controlled drugs. The management response describes the actions already taken, including a number which were immediate. The time frame for other actions reflects the fact that processes and policies will need to be developed and progressed via the required routes. It is hoped that these will ensure future compliance.

Noting that there are a number of serious and concerning findings in the report, Cllr. Evans enquired regarding the actions which have been put in place already. He further enquired whether these are short-term mitigations while working towards full compliance. Mr Carruthers advised that, for Key Finding 4, work has commenced on formulating a policy and procedure. Various changes around security and keys have been implemented. Staff have been reminded of the processes and their responsibilities with regard to controlled drugs. Mr Carruthers confirmed that actions have been taken at pace and urgency, given the severity of the issues identified.

With regard to Key Finding 4, Mr Davies queried whether other sites allow non-clinical staff as a second signatory. He highlighted that supervision of the entire process is not necessarily as straightforward in this environment as in other ‘closed’ clinical environments such as wards. Given limited staff resources, it is

also possible that two clinical staff would not be available at the required point in time. Mr Carruthers committed to investigate further. Mr Thomas suggested that electronic prescribing processes would likely assist in this regard, and would seek to establish timescales for implementation. **AC** **HT**

Mr Weir shared others' concerns around the findings. With regard to the intention to develop policies and procedures, he suggested that these should have already been in place. He also felt that timescales should be sooner than September 2026, whilst recognising the need for due consultation. He requested clarification of the process required. In response, Mrs Wilson advised that there is a recognised process for approval of policies. Not all are considered at the Executive Team; however, the relevant corporate or operational team would need to liaise with the Health Board's Policy Co-Ordination Officer. It would be challenging to complete the required process by September.

Mr Carruthers indicated that certain findings have prompted immediate actions, others apply to only one site, others resulted from evidence not being available. Steps need to be taken to formalise processes and ensure that they are properly documented. He assured Members, however, that actions which require time will not preclude improvements in the short-term. Mrs Wilson advised that all recommendations will be added to the AMAT system and progress against them tracked.

Decision: The Committee **NOTED** the GP Out of Hours (Limited Assurance) Internal Audit report.

The Committee agreed to **ADVISE** the Board in relation to the GP Out of Hours (Limited Assurance) Internal Audit report, given their concerns around its findings.

AC(26)113 Commissioning Third Sector (Reasonable Assurance)

Mr Johns introduced the Commissioning Third Sector Internal Audit report. This had considered the management and monitoring arrangements for commissioning services provided by the Third Sector. As part of the audit, a sample of contracts in place between the Health Board and Third Sector providers were reviewed. Four medium priority findings were identified. These included the need to make improvements to contractual documents, to ensure that they contain all the key elements required; steps to address the absence of performance information submitted to the Health Board, to allow monitoring and scrutiny; a lack of procedural guidance to aid managers in the development of contracts; a need to enhance reporting through the organisational and CCG structure to ensure the appropriate level of monitoring over these arrangements. An overall rating of Reasonable Assurance has been concluded.

Mr Carruthers welcomed the report and its more positive outcome. Having reflected on the findings, and with recent changes in personnel and portfolios, he suggested that this spans a number

of areas. As such, it would be sensible for it to be overseen more centrally, and he had requested that the Director of Operational Planning and Performance takes a leadership role in this regard. Mr Keith Jones welcomed the report and endorsed all of its recommendations. It offers a number of extremely helpful and constructive suggestions. He agreed with Mr Carruthers that a greater degree of central oversight is required. Whilst there is a framework and structure in place, there is potential to improve the consistency of its application. It will be important to ensure that a Service Level Agreement (SLA) is applied to every contract, and evidence that review processes are in place. It is intended to introduce a twice-yearly review by those CCGs where contracts are in place, of compliance against both the principles of the SLA and the recording mechanism being undertaken to maintain oversight. Updates can be provided to the relevant committee.

Mr Thomas advised that he has been undertaking work in relation to outsourced and insourced service contract management, with a commitment to provide a report to FPC. Whilst the Health Board is adept at procuring services, it is less effective at managing these contracts subsequently. It is probably the case that Third Sector contract management should form part of these considerations, and Mr Thomas suggested that a discussion take place outside the meeting. By way of assurance, he further advised that contract management is included in his list of objectives for this year. It was noted that Long Term Agreements (LTAs) are separate and are the responsibility of the Director of Strategy and Planning. **HT/AC**

Mr Davies noted that there is also an information aspect to this topic. For example, if patient-facing services are commissioned from Third Sector organisations, whether and how information is entered onto patient records. Such data should feed into discussions around value for money and impact of interventions. Referencing Key Finding 4, Mr Davies enquired which Board level committee would receive the proposed review report. He was informed that this would be FPC.

Decision: The Committee **NOTED** the Commissioning Third Sector (Reasonable Assurance) Internal Audit report.

The Committee agreed to **ASSURE** the Board in relation to the Commissioning Third Sector (Reasonable Assurance) Internal Audit report.

Mr Keith Jones left the Committee meeting.

AC(26)114 Regional Joint Committee Governance Arrangements (Advisory Report)

Ms Corbett introduced the Regional Joint Committee Governance Arrangements Internal Audit report. The audit had considered the governance arrangements in place to support effective partnership working between Hywel Dda and Swansea Bay University Health Boards through the Regional Joint Committee (RJC), which was established to strengthen collaboration in the planning and

delivery of health services. The audit focused on the design of the arrangement, with a subsequent review of operational effectiveness planned for later in 2026/27. Good progress has been made in establishing the structure and defining regional priorities. Governance arrangements are operating as intended, with evidence of Board scrutiny, effective escalation and flexible decision making. There are opportunities to strengthen consistency and maturity across sub-groups, given variation in governance documentation, clarity and alignment of objectives, and the articulation of work programme outputs and success measures. A programme wide approach to risk management would also strengthen existing arrangements. As this is an advisory review, an assurance rating has not been assigned; however, four actions aligned to the findings have been identified.

Mrs Wilson advised that she and her equivalent at Swansea Bay UHB (SBUHB) have discussed the report with auditors. The Chair has also seen the report, which will be considered at the next RJC meeting. Most actions have already been implemented. Steps to address Action 4, Programme Risk Management, had also been requested by the RJC at its most recent meeting. The Director of Corporate Governance at SBUHB is leading on this work. It was felt that maturity assessments on the sub-groups may be somewhat excessive; however, a joint response will be prepared and actions added to AMAT. Members were advised that HDdUHB will be passing over responsibility for supporting the RJC to SBUHB in the near future.

It was noted that significant progress is evident between the work programmes in Appendices A and B. Mr Thomas expressed concern around capacity within the health boards to focus on regional work in addition to local priorities. Mrs Wilson indicated that this sentiment had been expressed by others at the most recent RJC meeting. Mr Davies suggested that there are certain areas and specialties which could potential benefit from a regional approach. In others, however, the two health boards have such different needs and starting points, as to make regional working unrealistic. In addition, it was highlighted that leading on regional work is challenging in the absence of authority over another body. Mr Carruthers also noted that regional clinical working requires engagement with two separate cohorts of clinicians, and involves significant staff resource.

Decision: The Committee **NOTED** the Regional Joint Committee Governance Arrangements (Advisory Report) Internal Audit report.

The Committee agreed to **ASSURE** the Board in relation to the Regional Joint Committee Governance Arrangements (Advisory Report).

Mr Andrew Carruthers left the Committee meeting.

AC(26)115 **WellSky System (Advisory Report)**

Ms Corbett introduced the WellSky System Internal Audit report. Members were advised that in August 2025, it was identified that transactions associated with the aseptic module of the WellSky pharmacy stock management system had not been correctly accounted for within Oracle, resulting in costs being overstated by just over £6m. Internal Audit had been asked to undertake an advisory review to establish the root causes, assess the effectiveness of corrective actions undertaken and identify any learning. The findings of our review concurred with an internal review undertaken by Finance and Pharmacy in December 2025. The error arose and persisted due to Pharmacy not properly engaging finance expertise during implementation of that module. Also weak oversight of the WellSky and Oracle system interfaces and accounting treatments. The review has confirmed that corrective action has been taken to address the historic mistakes and strengthen ongoing processes. As this is an advisory review, an assurance rating has not been assigned; however, one action relating to the establishment of the proposed task and finish group has been suggested.

Mr Thomas welcomed the audit and findings, apologising for the fact that the task and finish group had not been convened and committing to do so by the end of July 2026. Mr Thomas' main concern was to obtain assurance, both around WellSky going forward and regarding other systems, that such a situation will not recur. This will require extensive testing of systems; he would ensure that a timescale for the task and finish group to undertake the necessary actions is defined. Members heard that an action in relation to this report will be created on AMAT, which will be closed when the matter is addressed. It may also be appropriate to request Internal Audit undertake related follow-up work. **HT** **HT**

Decision: The Committee **NOTED** the WellSky System (Advisory Report) Internal Audit report.

The Committee agreed to **ASSURE** the Board in relation to the WellSky System (Advisory Report).

AC(26)116 **Infection Prevention and Control (Limited Assurance)**

Ms Sharon Daniel, Ms Rebecca Richards and Ms Cathie Steele joined the Committee meeting.

Ms Corbett introduced the Infection Prevention and Control (IPC) Internal Audit report. The audit focused on policies and procedures, training, improvement arrangements and governance. Whilst policies are aligned to national standards, they require review to ensure they remain current. Training compliance rates for medical and dental staff groups were particularly poor, with only 41% compliance. Various infection prevention and control compliance checks are undertaken within the Health Board; however these are not completed consistently across all sites and there was limited evidence of remedial actions. There was no

Health Board-wide IPC improvement programme in place for the period of review, although the Health Board is in the process of developing an Infection Prevention and Control assurance framework. This is in line with the requirements of the Quality Statement published by Welsh Government in February 2026.

The Infection Prevention team also has a work plan in place to drive infection prevention activities. At the time of the review, it required updating to strengthen and ensure that actions are SMART (Specific, Measurable, Achievable, Realistic/Relevant, Timely). Governance arrangements require review and updating, to clarify reporting arrangements and ensure that groups are operating as intended. Attendance at the Infection Prevention Strategic Steering Group (IPSSG) had been quite poor and there was no evidence of reporting by sub-groups during the period reviewed. An overall rating of Limited Assurance had been concluded, with four actions identified.

Ms Sharon Daniel thanked Ms Corbett, explaining that she had commissioned the audit to test IPC governance arrangements introduced following the OCP, to ensure that these were working effectively and not creating gaps in oversight and accountability. As noted, it has returned a Limited Assurance rating, having identified issues around training, compliance, the audit programme and work plan. The audit was undertaken over a three month period. Whilst Ms Daniel felt that the findings were valid, she suggested that they are consistent with a system undergoing a significant transition.

The audit was largely a controls-based audit focusing on policies, monitoring and reporting, which probably did not the initial request to test the OCP governance model. She was not sure that the recommendations fully align with the level of risk being implied. These views have been discussed with the Internal Audit team and Ms Daniel suggested that the audit should be recognised as a ‘snapshot’ during the transition. Significant work is underway to strengthen the arrangements, and the workplan has been refreshed. As noted, a performance assurance framework aligned to the Welsh Government requirements is being developed. Notwithstanding her concerns, Ms Daniel welcomed the report as a useful basis for strengthening the clarity and consistency and visibility of IPC arrangements. She was hopeful that the actions proposed will be implemented within the stated time frame.

Whilst recognising that certain actions have already been put in place, Cllr. Evans enquired whether these are sufficient as a ‘first measure’ to reduce operational and patient safety risks. Ms Daniel explained that, in terms of the recommendations relating to systems and controls, outcomes are monitored extremely closely within the organisation. The Improvement Plan had already been submitted to the Executive Team and QSEC. The focus going forward will be on strengthening the governance arrangements through to IPSSG, to ensure the correct systems and processes are in place, to impact on the outcomes. With regard to training,

Ms Rebecca Richards indicated that all staff are able to access the recommended IPC training via ESR. The team is also considering provision of more targeted training for staff, to address the key areas of concern. Cllr. Evans clarified that it is not the availability of training which is an issue, rather that it is one of compliance. He enquired how the required behavioural change and improved engagement might be achieved. Ms Daniel reiterated that the system is in transition, whilst acknowledging that face-to-face training, for example, may be more appropriate.

Mr Davies recorded his disappointment regarding the Limited Assurance rating, particularly with IPC being one of the Targeted Intervention criteria. He enquired whether the actions with completion dates of 30 June are on target, and whether anything more can be done to expedite those with longer timescales. In response, it was suggested that longer timeframes are required for a number of these, due to the need to embed processes and demonstrate impact and improvement. Returning to the issue of debate around the scope of this audit, Mrs Wilson assured Members that the new SOP in relation to Internal Audits sets a requirement for a clear audit scope, signed-off by the relevant Lead Executive.

Decision: The Committee **NOTED** the Infection Prevention and Control (Limited Assurance) Internal Audit report.

The Committee agreed to **ADVISE** the Board in relation to the Infection Prevention and Control (Limited Assurance) Internal Audit report, given their concerns around its findings.

Ms Sharon Daniel, Ms Rebecca Richards and Ms Cathie Steele left the Committee meeting.

AC(26)117 Medical Workforce Stabilisation (Reasonable Assurance)

Mr Mark Henwood and Ms Carly Hill joined the Committee meeting.

Mr Johns introduced the Medical Workforce Stabilisation Internal Audit report. The audit had examined the controls in place on managing medical variable pay as part of the broader Medical Workforce Stabilisation Programme. It had considered various elements and identified that there is currently no dedicated policy or procedure for use and management of medical variable pay, with inconsistent approaches within wards and specialties. This has led to instances of retrospective recording of requests and approval of shifts, no segregation of the requesting and approving officer, incorrect reasoning of requested shifts, with some approvers not being the budget holders. One high priority action around this matter had been noted and an overall rating of Reasonable Assurance returned.

Mr Mark Henwood welcomed the report and its findings. He suggested that the introduction of the Allocate rostering system has been extremely helpful in providing a structure now for

increased grip and control over rota management. As identified by the audit, the need now is for a prescribed policy and procedures around approval and segregation of duties, and to ensure that there is no retrospective submission of shifts. It is still the case that shifts are being submitted via paper-based systems; with Allocate having been rolled-out, this is unnecessary. The new medical rate card has also provided valuable structure and consistency around rates. Whilst there are some issues it has, on the whole, been well received. Mr Henwood was content with the suggestions made in the report, indicating that work has already commenced on developing the policy. He was also confident that the timescale for implementation is achievable.

Cllr. Evans noted the following statement in the report: '47% of the shifts retrospectively submitted to bank and approved/finalised by an officer taking 10 days or more to be recorded on Allocate after the shift had been worked.' He requested assurance that improved uptake of Allocate will address this matter. Mr Henwood recognised that this causes issues with reporting, and suggested that the challenge is a cultural and historical one. A policy will make it clear that there should be no paper-based submissions, barring exceptional circumstances. In response to a query around the October timescale for development of the policy, Members were advised that sufficient time to undertake the required consultation prior to implementation. Ms Carly Hill indicated that the first draft had been completed and is ready to share with stakeholders. The team is linking with the Corporate Policies Office to establish the correct procedure.

Decision: The Committee **NOTED** the Medical Workforce Stabilisation (Reasonable Assurance) Internal Audit report.

The Committee agreed to **ASSURE** the Board in relation to the Medical Workforce Stabilisation (Reasonable Assurance) Internal Audit report.

Ms Carly Hill left the Committee meeting.

AC(26)118 High Cost Drugs (Limited Assurance)

Ms Corbett introduced the High Cost Drugs Internal Audit report, which described the narrow-scope review focusing on the control of costs associated with high cost drugs dispensed in secondary care. High cost drugs are defined as those meeting or exceeding £5k per course or per year per patient. Drugs approved by the National Institute for Health and Care Excellence (NICE) or the All Wales Medicine Strategy Group are added to the Health Board formulary and do not require approval of costs. However, non-formulary medicines or formulary medicines proposed to be used for an indication other than that stated within the formulary require approval via a non-formulary request or Individual Patient Funding Request (IPFR).

Whilst arrangements for adding medicines to the formulary and the approval requirements for non-formulary drugs are set out

within the policy, this policy was in draft at the time of the review. This requires updating to reflect changes in operational governance arrangements and to provide greater clarity regarding approval requirements for use of non-formulary drugs during periods of supply shortages for the formulary alternative. The audit had identified instances where the formulary had not been updated appropriately. Also, instances where an Individual Patient Funding Request (IPFR) had not been completed or had been completed retrospectively and only covered part of the period reviewed. Costs relating to these cases (for the period reviewed) exceeded £82k and may have been recoverable if an IPFR had been submitted. There is no monitoring of high cost drug use at patient level to identify costs that could be recharged or to ensure that periodic clinical review is undertaken. Whilst data is available to enable this, it would require significant manual analysis in its current form. Finally, a centralised record of non-formulary and IPFR requests is needed, to enable oversight of approvals. Limited Assurance overall had been concluded, with seven actions identified.

Mr Henwood was in complete agreement with the report's findings, which had identified a lack of grip and control over high cross drugs, and acknowledged that significant work is required. He was content with the actions as suggested and that the proposed time frames for actions are considered achievable.

Mr Davies queried whether the advent of Electronic Prescribing and Medicines Administration (ePMA) is likely to have a significant impact on the issues identified within the report. Mr Thomas suggested that, whilst it will have some impact, it would not necessarily resolve all of the issues. In common with the WellSky system discussed earlier, it also relies on proper usage. Given that the action in relation to Key Finding 2 has a completion date of 31 May 2026, assurance was requested that this had been achieved. Ms Bird advised that no evidence was recorded on the AMAT system as yet. Cllr. Evans noted that the report infers significant financial risk exposure and potential cost avoidance. He enquired whether there has been any discussion around the prescribing of high cost drugs. In response, Mr Henwood recognised that processes are clearly not sufficiently rigorous, with a gap in financial governance.

Building on an earlier query, Mr Weir enquired whether implementing electronic prescribing at the patient level would assist in monitoring high cost drug usage and clinical governance, as opposed to the more mechanistic approach currently employed. He further enquired where responsibility for this area lies. Mr Henwood agreed that a structure will need to be put in place and regular audits conducted. Responsibility sits with both clinicians, in terms of appropriate prescribing and pharmacy, in terms of appropriate ongoing issuing of medications. Both parties' accountability will need to be clear.

Mr Weir suggested that a high-level accountability and overview is required, with oversight of drug budgets, including high cost drugs. This is where electronic prescribing may offer opportunities. Agreeing, Mr Henwood felt that there was potential to introduce a regular review process as part of clinical governance by clinical leads. Mr Thomas reiterated his earlier comment that ePMA will offer certain opportunities for improvement, although these are restricted. It will assist in administration and in reducing prescribing errors. It will also help in terms of data and Patient Reported Outcome Measures (PROMs) analysis. However, it will not address the issue of clinical appropriateness of prescribing.

Professor Phil Kloer and Mr Dilesh Khandhia joined the Committee meeting.

For context, Ms Corbett explained that the clinical aspect had not been examined as part of the audit. However, discussions with the lead pharmacist during the testing suggested that the majority of the patients in the sample are on long-term or lifelong treatments. The likelihood is that the vast majority of treatment plans have been in place for a number of years. Therefore, this could be a population of patients dating back quite some time, rather than new patients coming through the system. It is also possible that some of treatment plans may have been initiated outside of the Health Board by specialists in other health boards. Ensuring that approval processes are applied when such patients are transferred into HDdUHB's care may require further consideration.

Mr Davies noted that several of the recommendations make reference to data quality and availability, and emphasised the importance of ensuring that information is recorded correctly. He queried whether there might be opportunities to utilise AI to, for example, highlight trends or anomalies. Mr Thomas agreed that, once AI systems are in place, this should be revisited.

Mr Dilesh Khandhia explained that extensions on certain of the completion dates have been requested, due to staffing issues. He assured Members, however that the various actions are being progressed. He also assured the Committee that scrutiny and oversight are a high priority and more CCG visibility would be welcomed at the relevant meetings. In terms of ePMA, the potential to automatically flag non-formulary items and require completion of further information is being explored. A suite of documents will be available from the system, including a form for non-formulary items. It is hoped that these will help to provide checks and 'close loops'. Whilst this will be time-consuming, there is a plan in place. He had been assured by the ePMA team that these functions will be possible and they appear to work in testing.

Decision: The Committee **NOTED** the High Cost Drugs (Limited Assurance) Internal Audit report and **REQUESTED** that a progress update be provided to the December 2026 meeting. **MH**

The Committee agreed to **ADVISE** the Board in relation to the High Cost Drugs (Limited Assurance) Internal Audit report, given their concerns around its findings.

Mr Mark Henwood and Mr Dilesh Khandhia left the Committee meeting.

AC(26)119 **Follow Up and Action Implementation Review (Reasonable Assurance)**

Mr Johns introduced the Follow Up and Action Implementation Review, which considered these arrangements within the Health Board. It brings together a number of elements, including the corporate arrangements in place and the work undertaken on an ongoing basis by the Assurance and Risk team, considering the evidence uploaded in terms of closing down the actions. It also evaluated an additional sample of recommendations and encompassed the broader work undertaken on follow-up reviews throughout the year. It had concluded Reasonable Assurance overall and had found, as in previous years, that the corporate arrangements in place are robust and sound, with good processes in place and strong liaison with operational teams. The sampling of recommendations and actions had returned a mixed position, with certain showing sufficient evidence to justify an assertion of full implementation, and others where further work and evidence is required before recommendations can be closed.

Mrs Wilson welcomed the report and thanked both the Internal Audit team and her own Assurance and Risk team for their efforts. The only comment she wished to add was to note that, since the report was issued, the outstanding action in relation to the Estates Condition audit has been completed. Noting that this left only one audit with open recommendations, Vaccination and Immunisation, Cllr. Evans requested a progress update. Members heard that this is being taken forward, and that the Executive Director of Public Health is aware of the issue. Its status is highlighted in the regular report provided by the Assurance and Risk team. Whilst it was noted that an update is scheduled for SPC, there is currently no clear timeline for conclusion. Cllr. Evans requested that the importance of addressing the matters arising identified in the audit is emphasised to management, on behalf of the Committee. **JW**

<u>Decision</u>: The Committee **NOTED** the Follow Up and Action Implementation Review (Reasonable Assurance) Internal Audit report.

The Committee agreed to **ASSURE** the Board in relation to the Follow Up and Action Implementation Review (Reasonable Assurance) Internal Audit report.

AC(26)120 **Head of Internal Audit Opinion & Annual Report 2025/26**

Mr Johns presented the report, which is a key document prepared on an annual basis to provide the overall opinion of the risk governance and control arrangements operating within

the Health Board. Along with the opinion, it also provides a range of support and information in terms of the rationale around the opinion and how it has been developed. It also provides a breakdown of audit reports by assurance rating and a summary of overall findings. The report also contains a range of other information Internal Audit is required to report to the Committee on an annual basis, in relation to the scope of reviews, delivery of the plan, performance information, and how the workplan is delivered in compliance with the Global Internal Audit Standards. An additional document has been provided, in common with the last few years, which provides greater detail around formulation of the opinion and information on year to year comparisons around individual assurance ratings and opinions. The key message, set out in Section 1.2 of the main report, is the overall annual opinion, which has been concluded as Limited Assurance. The main driver of this is the number of limited assurance reports issued during the year. There have been ten such reports, as set out in Table 1 of the main report.

Cllr. Evans expressed that, whilst this opinion was disappointing, it does illustrate that the Health Board is engaging with the process as intended, by demonstrating openness and honesty in its responses. It would be easy for the organisation to 'dilute' the process by selecting areas where there is known to be good practice. However, this would not be beneficial or represent value for money. It is important to identify where there are issues and risks, and to face these 'head on'. This process will provide robust recommendations which will serve to improve quality and safety.

Professor Kloer echoed the view that the overall opinion was disappointing, whilst respecting and recognising the rationale. He agreed that the Internal Audit Plan is seeking to target areas where the organisation wishes to learn and improve. He suggested, however, that the overall opinion is also partially related to actions not being implemented sufficiently at pace prior to follow-up audits. He felt that the Health Board needs to accept that it has agency in this respect to improve a number of these situations. In a large organisation, it would be surprising if there were not a certain number of incidents reported; likewise, if all an organisation's internal audits were rated as reasonable or substantial assurance, it would be logical to question whether the approach being taken is balanced. Professor Kloer did enquire, however, whether Internal Audit or Audit Wales have a view or sense from their national viewpoint of whether HDdUHB's approach is appropriately balanced, or not sufficiently targeted, or too harshly targeted.

In response, Mr Johns advised that there is a consistent risk-based approach to Internal Audit across Wales, which will, by its very nature, generate a certain number of Limited Assurance reports. As has been mentioned, in HDdUHB's case, certain of the follow-up audits have demonstrated positive progress, others less so. There have also been instances where follow-ups have had to be deferred. Adding to this, and echoing comments by Professor

Kloer, Ms Corbett suggested that an opinion of Limited Assurance is perhaps to be expected, given the position the Health Board is in financially and in escalation terms. There are clearly risk areas requiring attention, and higher assurance would probably suggest that the audit programme was not focused on the correct areas. It is also potentially reflective of the organisation's commitment to utilise Internal Audit for its intended purpose, which is to drive improvement.

Noting that there have been a number of advisory reports during the year, Cllr. Evans enquired whether – if these had been assurance rated – the overall opinion would have differed. Ms Corbett advised that, whilst these reports are considered during compilation of the Annual Report, they do not contribute to the overall opinion. On this topic, Mr Thomas suggested that advisory reports still involve a great deal of organisational time and effort, and suggested that it would be appropriate for their inclusion in the Internal Audit programme to be approved by the ARAC Chair and Executive Lead. Mr Davies further added that advisory reports are sometimes included in place of rated audits, which is not necessarily beneficial. Noting that there has been a particularly high number of advisory reports this year, Mrs Wilson agreed with the suggestion around approval. She did emphasise, however, that the SOP developed and mentioned earlier seeks to make processes more transparent and robust. **JW**

Returning to the fact that ten Limited Assurance reports have been received this year, Mr Weir noted that these cover a wide range of topics. If they were in a particular area, it might be understandable; however, this is not the case. They do, however, provide indicators to where a focus on improvement is required. It also substantiates the independence of Internal Audit. Mr Weir felt that this year's report represents a fair summary of the Health Board's position and should be viewed as a positive platform for improvement and a starting point.

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

The Committee agreed to **ADVISE** the Board in relation to the Head of Internal Audit Opinion and Annual Report 2025/26, noting that it would also be discussed at the extraordinary Public Board meeting on 25 June 2026.

AC(26)121 Escalation Status Update Report

Mr Lee Davies and Mr Shaun Ayres joined the Committee meeting.

To provide additional context for this item, Professor Kloer highlighted changes to the accountability arrangements in Wales and steps taken to ensure executive oversight for each de-escalation criteria. HDdUHB's first Escalation Board meeting with Welsh Government had recently taken place, with the level of scrutiny having increased significantly. This had identified a need

to focus on clarity in responses, which will demand equivalent scrutiny and clarity via the committee structure. The other point of note is that Professor Kloer felt Welsh Government is supportive of and has a level of confidence in the Health Board in its endeavours to de-escalate. It does, however, need the organisation to demonstrate its route to achieving this and a commitment to work with Welsh Government.

Mr Shaun Ayres presented the report, suggesting that, whilst all 31 criteria are mapped to committees, facilitating the necessary oversight by ARAC, the focus now perhaps needs to move from ownership to triangulation and impact. This requires a more granular understanding of the data and where causal effect is more liable to have the greatest impact. The other issue, as previously identified, is one of capacity and ability to deliver multiple programmes of improvement concurrently. There are numerous expectations around simultaneously improving performance, reducing costs, protecting quality, stabilising fragile services, sustaining de-escalation areas and strengthening planning maturity. Whilst this might be possible to deliver, the capacity to do so may be limited by the fact that the same people are being asked to deliver system expectations and whether they can do this safely at the same time as driving performance improvement, financial improvement and quality control overall. It may be that, at certain points, certain areas or programmes will take priority or impact more greatly than others. This will necessitate robust, targeted plans at an early stage and may require additional support.

Professor Kloer wished to recognise Mr Ayres' important role and contribution as the interface between Executive Directors and CCGs. Whilst noting that all of the expectations identified are the Health Board's statutory responsibilities, he also recognised that achieving them involves significant challenges and demands on teams. The letter from Welsh Government is quite specific on the escalation domains, and the Health Board shares these views. He noted the need to ensure that committee agendas are appropriate apportioned to reflect this. Members heard that Professor Kloer would be meeting with the Executive Director of Finance and Executive Director of Strategy and Planning to discuss the route map to achieving financial balance. Whilst this had been discussed by the Board, it requires further discussion with Welsh Government.

Returning to the issue of capacity, Cllr. Evans queried the level of confidence that this exists to deliver on all expectations. Professor Kloer noted that the Health Board's Annual Plan submission and financial trajectory described therein had not met Welsh Government expectations. Whilst there has since been progress on this, his concern is that plans are not developed to a sufficient level at an early enough stage. This means that the first few months of the year are often spent developing and adjusting the detail of the plan, rather than on delivery. In response to a query around what the Committee might do to assist, Professor Kloer

suggested that the organisation needs to improve in defining workstreams, impact and timescales.

Mr Lee Davies noted that discussion of ARAC's role has been a recurring theme. He suggested that, if all de-escalation criteria were being delivered on, this role would not be required; however, it is clear that certain criteria present ongoing challenges. It may be that ARAC has a role in surfacing and identifying how these might be progressed, although this potentially encroaches on the remit of the Board. With regard to the capacity issue, Mr Ayres suggested that there are potentially two considerations aside from the physical resource and staff to deliver:

- Whether plans are clear, in terms of what they are targeting and whether this is backed by data
- Whilst the capacity to project manage may exist, whether there is the skillset to take programmes of work forward

Cllr. Evans added to this the issues of prioritisation and ownership.

Professor Kloer gave examples of de-escalation criteria which are proving particularly challenging. Healthcare Associated Infections (HCAIs) are a concern for both Welsh Government and the Health Board. Whilst at a relatively low level, this is an area which is proving persistently challenging to improve. Additional support has been requested. Likewise, additional support is required around grip and control in UEC, with Welsh Government having identified an individual who may be able to assist. Members were assured that the Health Board is taking a targeted approach in seeking support where it is most needed. There will, however, be areas where significant specialist input is required in order to support the necessary skillset for improvement.

Given the earlier Limited Assurance rating for an audit in IPC, Mr Maynard Davies suggested that this is an area where the Health Board needs to improve compliance internally before seeking external support. It is also vital to ensure that committees are escalating issues to ARAC. He enquired whether Committee Chairs are sufficiently clear on their responsibilities in this regard. In response, Mrs Wilson indicated that this is a planned topic for discussion at the next Committee Chairs' session. It was agreed that it would be helpful for Mr Lee Davies and Mr Ayres to attend. **JW**

Decision: The Committee:

- **NOTED** and **TOOK ASSURANCE** from the criteria map and commitments log, which discharges action AC(26)38, and from the boundary rules now operating across committees.
- **AGREED** that the register and a consolidated update of this kind come to each meeting, with referrals to lead committees where it identifies gaps.

- **CONSIDERED** organisational bandwidth as a corporate risk, as requested in February 2026, recognising the totality assessment of 'Alert'.
- **AGREED** to advise the Board that its concern remains deliverability of the whole, not the failure of any single part, consistent with the discussion in April 2026.

The Committee agreed to **ADVISE** the Board in relation to the Escalation Status Update Report, given its concerns around the organisation's capacity to deliver against both the Annual Plan and de-escalation requirements.

Mr Lee Davies and Mr Shaun Ayres left the Committee meeting.

AC(26)122 HDdUHB Annual Report 2025/26

Mrs Wilson presented the HDdUHB Annual Report for 2025/26. She advised that all changes and comments have been tracked and is detailed in Appendices 1a and 1b. The finalised Head of Internal Audit Opinion has been incorporated, which had altered the narrative and conclusion. Minor typographical errors and corrections had also been made. Mrs Wilson wished to record her thanks to Miss Charlotte Wilmshurst for her work on the report, and to Audit Wales and Internal Audit for their support and feedback throughout the year. Mr Thomas added to this his thanks to the Performance, Communications and Governance teams. He was of the opinion that this year's report reads better than previous Annual Reports. Professor Kloer thanked all of those involved in what is a significant task. He welcomed the audit trail of feedback and changes.

Cllr. Evans enquired as follows:

- Whether there any judgments, disclosures, or wording choices where the Committee requires particular assurance before recommending onward progression?
- Whether the Annual Report fully and transparently reflects the areas where the organisation has not yet been able to provide assurance, particularly around governance, capacity and delivery?
- Whether the Chief Executive is personally confident that the balance between achievements and ongoing risks is fair?

In response to these queries, Mrs Wilson and Professor Kloer advised that:

- The main changes are the change to the conclusion, as a result of the finalised Head of Internal Audit Opinion; the Accountability Report clearly calls out that the Health Board has not met its statutory duties in relation to both finance and planning. These are the key issues of which the Committee should be aware.
- The wording within the Annual Report is consistent with what has been reported through the Integrated Performance

Assurance Report (IPAR) during the year, and is consistent with the Annual Accounts.
- As Chief Executive, he was confident that the balance is fair and demonstrates the Health Board's openness. Reflecting on the discussion around Internal Audit, he also felt that it reflects where the Health Board is as an organisation.

Mr Maynard Davies' only comment was that the diagram on page 132 is too small to be legible.
Decision: The Committee **AGREED** to provide assurance to the Board that a robust governance process was enacted during the year, and **RECOMMENDED** approval of the HDdUHB Annual Report 2025/26 to the Board, prior to its submission to Welsh Government, via Audit Wales, by 30 June 2026, and its subsequent presentation at the Annual General Meeting on 30 July 2026.

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

AC(26)123 Final Accounts for 2025/26

Ms Rhian Davies and Mr Tim John joined the Committee meeting.

Mr Thomas introduced the Final Accounts for 2025/26, recording his thanks to Ms Rhian Davies, Mr Tim Johns and the wider Finance team for their diligence in reaching this point. He also thanked the Corporate Governance and other corporate teams for their valuable input. Members heard that the Health Board's mature and constructive relationship with Audit Wales staff and robust processes have ensured that queries and issues have been addressed at an early stage. As this marks Ms Davies' final audit before retirement from the Health Board, Mr Thomas wished to thank her in particular for her significant contribution.

Ms Rhian Davies reminded Members that the draft accounts had been presented to ARAC at the meeting on 7 May 2026. In terms of the primary statements, she advised that there are no changes. The changes that have been made are minor typographical errors. There was one change to the employee costs on note 9.1, which was a simple misclassification of agency staff salaries. These were overstated, with conversely the permanent staff being understated. In the Remuneration Report, there was an update to the pay banding for one Executive Director. The Annual Accounts are being presented to ARAC for approval, prior to their ratification by the Board.

Cllr. Evans wished to add his thanks, on behalf of the Committee, to Ms Davies for all her efforts. He enquired regarding key messages from the Accounts for ARAC's consideration. In response, Mr Thomas drew Members' attention to the information within the presentation around the Health Board's performance against financial targets. The organisation had not met its statutory duties in terms of revenue resource performance and preparing a 3 year plan or IMTP.

AC(26)124 Audit Wales ISA 260 and Letter of Representation

Mr Williams presented the report, which summarises the main findings from the audit of the 2025/26 annual report and accounts at the time of preparing the report. Members' attention was drawn to the feedback sent by Mr Anthony Veale, who was unable to attend due to a clash with another Audit Committee. He was pleased to note that there was nothing of significance in the report, which reflects the quality of the accounts this year and the support from the Director of Finance and Finance team. He had been extremely satisfied with the way the audit has gone this year, and expressed his thanks.

Mr Williams advised that all outstanding audit work and review is complete. Audit Wales has received the assurances from the Shared Services audit team, referenced in the introduction to the report, with no issues noted. Page 6 of the report summarises the outcomes from the audit. Audit Wales intends to issue an unqualified, true and fair audit opinion, but a qualified regularity opinion. There are no significant matters to report, no uncorrected misstatements, and no audit recommendations in this report. The proposed audit report is set out at Appendix 3. The regularity opinion is qualified because the Health Board did not meet its revenue resource allocation over a three year period ending 31 March 2026. The Auditor General also intends to issue a substantive report explaining why the audit opinion in respect of the regularity of expenditure is qualified. That report will also refer to the fact that the Health Board did not meet its financial duty regarding a three year IMTP.

Appendix 2 provides a summary of the small number of corrections made to the draft accounts, as already mentioned. Appendix 4 details the standard letter of representation, which is due to be signed after the extraordinary Public Board meeting on 25 June 2026. Following Board approval of the annual report and accounts, the Auditor General intends to certify the accounts on 26 June 2026, with onwards formal submission to Welsh Government to meet the deadline for that of 30 June 2026. Mr Williams concluded by reiterating Audit Wales' satisfaction with the audit process and extending his thanks to everyone involved.

Decision: The Committee **NOTED** the Audit Wales ISA 260 and Letter of Representation.

The Committee **APPROVED** the Audited Annual Accounts for 2025/26, for onward ratification by the Board.

The Committee agreed to **ASSURE** the Board in relation to the Audit Wales ISA 260 and Letter of Representation and Audited Annual Accounts for 2025/26.

Ms Rhian Davies and Mr Tim John left the Committee meeting.

AC(26)125 **ARAC Workplan 2026/27**

The Committee **NOTED** the Audit Work Programme 2025/26.

AC(26)126 **Any Other Business**

It was noted that, due to technical issues during the meeting, Mr Weir had submitted his queries in relation to item AC(26)109 via the MS Teams Chat facility, as follows:

1. Is referral management quality an issue across all NHS Wales health boards?
2. What is the risk of not having an out-of-hours Ultrasound service? Is this the case for other health boards?
3. The demand capacity issue facing Radiology really impinges upon early access - treatment to prevention - do we have the right level of resources and, if not, are there any opportunities for increased capacity through future technological advances i.e. RIS or PACs or remote access to Radiology reporting?
4. Some recommendation responses go to 2028 - in the interim this suggests that the Health Board is holding risk until then - so what are the mitigations? e.g. workforce plan for Radiology is stated for Jan 2028

It was agreed that these would be forwarded to Mr Carruthers and Ms Bell for response. **CM**

AC(26)127 **Matters and Risks for Escalation to the Board**

As noted.

AC(26)128 **Date and Time of Next Meeting**

9.30am, 13 August 2026