

**COFNODION Y CYFARFOD PWYLLGOR ARCHWILIO A SICRWYDD RISG
CYMERADWYO**

APPROVED MINUTES OF THE AUDIT AND RISK ASSURANCE COMMITTEE MEETING

Date and Time of Meeting:	9.30am, 10 th June 2021
Venue:	Via MS Teams

Present:	Mr Paul Newman, Independent Member (Committee Chair) (VC) Mr Winston Weir, Independent Member (Committee Vice-Chair) (VC) Mr Maynard Davies, Independent Member (VC) Professor John Gammon, Independent Member (VC) Mrs Judith Hardisty, Vice-Chair, HDdUHB (VC)
In Attendance:	Ms Lucy Evans, Audit Wales (VC) Ms Eleanor Ansell, Audit Wales (VC) Mr James Johns, Head of Internal Audit, NWSSP (VC) Mr Eifion Jones, Internal Audit, NWSSP (VC) Mr Kevin Seward, Internal Audit, NWSSP (VC) (part) Miss Maria Battle, HDdUHB Chair Mr Steve Moore, HDdUHB Chief Executive (VC) (part) Mrs Joanne Wilson, Board Secretary Mr Huw Thomas, Director of Finance Mr Andrew Carruthers, Director of Operations (VC) (part) Mr Rob Elliott, Director of Estates, Facilities & Capital Management (VC) (part) Mr Anthony Tracey, Assistant Director of Digital Services (VC) (part) Ms Clare Moorcroft, Committee Services Officer (minutes)

Agenda Item	Item	
AC(21)96	Introductions and Apologies for Absence	
	Mr Paul Newman, Audit & Risk Assurance Committee (ARAC) Chair, welcomed everyone to the meeting. Apologies for absence were received from: <ul style="list-style-type: none"> Mrs Lisa Gostling, Director of Workforce & OD Mrs Mandy Rayani, Director of Nursing, Quality & Patient Experience Mr Simon Cookson, Internal Audit, NWSSP Ms Clare James, Audit Wales Ms Anne Beegan, Audit Wales Mrs Charlotte Beare, Head of Assurance and Risk Mr Ben Rees, Head of Local Counter Fraud Services 	
AC(21)97	Declaration of Interests	
	No declarations of interest were made.	
AC(21)98	Minutes of the Meetings held on 20th April and 5th May 2021	
	RESOLVED – that the minutes of the Audit & Risk Assurance Committee meetings held on 20 th April and 5 th May 2021 be APPROVED as a correct record.	

AC(21)99	Table of Actions	
	An update was provided on the Table of Actions from the meetings held on 20 th April and 5 th May 2021 and confirmation received that outstanding actions had been progressed or forward planned for future meetings. In terms of matters arising:	
	AC(21)80 – Members noted that the amended Management Responses for the Health & Safety Internal Audit report, cleared by the Director of Nursing, Quality & Patient Experience, were appended to the Table of Actions. Mr Newman was content that these address the concerns raised during previous discussions.	
	AC(21)82 – Mr Maynard Davies highlighted that the update within the Table of Actions focuses on coding storage, when the issue was with version control. Mr Huw Thomas apologised for this misunderstanding, and committed to obtain a further update for the August 2021 meeting. It was agreed that completed actions would be removed from the Table of Actions.	HT
AC(21)100	Matters Arising not on the Agenda	
	There were no matters arising not on the agenda.	
AC(21)101	Audit & Assurance Services Report	
	Mr James Johns presented the Audit & Assurance Services report, which confirms delivery of the remaining four Internal Audit reports from the 2020/21 Internal Audit Plan and confirmation that all audits within the Plan have been completed.	
	The Committee CONSIDERED the assurance available from the finalised Internal Audit reports.	
AC(21)102	Withybush General Hospital Wards 9 & 10 Lessons Learnt (Advisory Review)	
	<i>Mr Andrew Carruthers and Mr Rob Elliott joined the Committee meeting.</i> Mr Eifion Jones introduced the Withybush General Hospital (WGH) Wards 9 & 10 Lessons Learnt report, explaining that this was an advisory review which had originated from the Capital, Estates and IM&T Sub-Committee (CEIM&TSC). It had focused on an overspend on this project, stemming from unforeseen work and underfunding of certain areas. The Estates directorate had also undertaken their own internal review; following which, changes to reporting formats had been introduced, together with formalised internal management meetings. A Post Project Evaluation (PPE) is planned for early next year. The Internal Audit review was intended to assess progress, and the auditors had been pleased to note the changes introduced, which will improve oversight and governance arrangements. It was noted, however, that these will require positive, proactive staff involvement. Members were reminded of the recent Estates Directorate Governance review, and plans for a review of PPEs, which may provide an opportunity to review management processes.	

Referencing the overspend in relation to this project, Mr Rob Elliott explained that this was a matter of the timing of reporting the overspend, rather than it being unnecessary expenditure. It was acknowledged that both the timing of the overspend and its reporting to the project team had been later than would be desired. Members were assured, however, that changes in process to address this issue have been introduced. Mr Elliott recognised the need to ensure that 'rounded' governance arrangements are in place prior to projects commencing. Agreeing, Mr Jones observed that a significant amount of pressure had been placed on one particular individual during this project, and that improvements in this regard are required. Mr Andrew Carruthers emphasised that, whilst he had taken on overarching responsibility for this project late in the process, he was committed to working with the Estates team to ensure that issues identified by the review are addressed. Welcoming the report, Mr Winston Weir noted that a number of the findings/recommendations, particularly in relation to PPEs, appear similar to those in previous reports. Mr Weir also expressed concern in relation to the findings around additional costs relating to water, asbestos and legionella works, suggesting that these were issues which had been identified on a generic basis several years earlier and that there should have been a more accurate baseline assessment of costs. Mr Elliott acknowledged that there have been previous reports regarding water management/safety, and emphasised that improvements have been made. It was suggested that, in this case, there was a 'gap' in information flow between the operations and design teams, which has since been closed.

Whilst accepting these comments, Mrs Judith Hardisty highlighted that they only refer to water management, and that there were additional costs in relation to other areas. Mrs Hardisty shared Mr Weir's view, that such issues should be resolved and fully costed in advance of projects commencing. There were a number of similarities with the Women & Children's Phase 2 project, including deficiencies in completion of returns and in providing responses to Welsh Government. Several of these returns should have been submitted before the COVID-19 pandemic began. Mrs Hardisty did not share the auditors' sense that the necessary improvements had been made, or the level of assurance communicated in the report. Holding a PPE in January 2022 seems too long after the scheme; Mrs Hardisty felt that an exercise to examine the lessons learned could take place during projects, with a PPE once the facility opens. This should apply equally to the various other capital schemes coming on track in the near future. Mr Elliott accepted that there are a number of wider issues and that asbestos and Legionella have been identified as a concern within the UHB's estate previously. It was emphasised, however, that governance processes have been improved to ensure that full analysis is available to officers. It was also accepted that the findings around returns were similar to those associated with the Women & Children's Phase 2 project. The importance of completing returns accurately and in a timely manner had been acknowledged, and Project Director roles had been established to address this issue. Mr Elliott stated that the timing of PPEs is outwith his control, whilst recognising the potential benefit of conducting evaluations and lessons learned exercises at an earlier stage.

Mrs Hardisty enquired who does control PPEs. In response, Mr Jones advised that the CEIM&TSC had recently received a presentation from the Planning Directorate on PPEs, with a series being planned during the next 12 months. It was acknowledged that the wider service implications from projects need to be considered. A lessons learned exercise from the Women & Children's Phase 2 project is being prioritised. Mr Davies confirmed that there had been a useful presentation on PPEs at CEIM&TSC, following discussions at the April 2021 ARAC meeting. This had included the need for cognisance of practical considerations (such as water safety) and whether projects are delivered on budget. Also, however, whether projects deliver what they set out to achieve. Mrs Hardisty expressed concern that Mr Davies is being required to offer assurance, and these concerns were shared by Mrs Joanne Wilson, who emphasised that executive leads and officers should be providing such information and assurance. It was suggested that there are significant concerns regarding Capital Governance arrangements, with Members advised that the Board has requested the Director of Strategic Development & Operational Planning undertake a full review of this area and present a report to the August 2021 ARAC meeting. Mr Thomas reported that he has already met with Mr Lee Davies in this regard, suggesting that there needs to be a consistent approach across the organisation, with a framework developed for consideration by Board. This applies to all projects, be they digital, service transformation or capital/estates.

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In response to a query from Mr Davies regarding whether there are defined change control procedures for Estates projects, as there are for IT projects, Mr Elliott confirmed that there are standard procedures; whilst acknowledging that certain of the information was not completed as accurately or in as timely a manner as it should have been. Mr Newman remained concerned with respect to how the issues resulting in an overspend arose, in what is a relatively small project. It was suggested that asbestos, water safety and Legionella issues are not unusual/unexpected and that the initial contract should have been more accurately prepared. This illustrates the premise that 'if you start in the wrong place, you end in the wrong place' which has been mentioned previously in regards to capital projects. Mr Newman was also concerned by the use of verbal authority/verbal amendments to contracts, suggesting that this should not be regarded as acceptable. A requirement for amendment in writing would allow proper consideration and contemplation of the requested changes and this should be in accordance with the scheme of delegation. Echoing the comments of other Members, Mr Newman observed that similar/common findings have recently been noted in two capital projects, and suggested that separate reviews for each might – in view of this – hold limited value. The need for evaluation sooner rather than later was also emphasised, to ensure that the same issues are not repeated going forward. Mr Carruthers accepted all of the points raised, and agreed to consider whether evaluations for the two projects could be merged, in order to reflect on common themes. This would necessitate revised timescales for the evaluations.

AC/RE

Mr Elliott left the Committee meeting.

	The Committee NOTED the Withybush General Hospital Wards 9 & 10 Lessons Learnt (Advisory Review) report.	
AC(21)103	<p>COVID-19 Governance Update (Advisory Review)</p> <p><i>Mr Steve Moore joined the Committee meeting.</i></p> <p>Mr Johns introduced the COVID-19 Governance Update report, explaining that this audit had a similar scope to the previous review on this topic. The Executive Summary provides an overarching view of the findings, noting that the UHB's governance arrangements had continued to operate successfully during the second phase of the COVID-19 pandemic. The Command and Control structure had, in particular, facilitated effective decision-making. The wider committee structure and risk management processes had also continued to operate effectively. Overall, therefore, the UHB is in a strong position with regards to its governance during the pandemic.</p> <p>Referencing the final bullet point of section 3.1 on page 5 of the report, Mr Davies noted that the Board and Committee Standard Operating Procedure has not yet been updated to include details as how to adapt meeting arrangements in the event of a future emergency response. In response, Mrs Wilson explained that this related to a recommendation from the first review. The operating arrangements are already in place; it is the protocols which require updating in the event of a third wave of COVID-19. Mr Newman suggested that it would be helpful if the report could summarise any actions required. Mr Johns advised that Internal Audit had identified very little in the way of actions required during this review; it was then suggested that this be indicated more clearly.</p> <p><i>Mr Carruthers left the Committee meeting.</i></p> <p>The Committee NOTED the COVID-19 Governance Update (Advisory Review) report.</p>	<p>JJ/JW</p>
AC(21)104	<p>Brexit Risks and Actions (Advisory Review)</p> <p>Mr Johns introduced the Brexit Risks and Actions report, explaining that this review had been concerned with the ongoing risks relating to Brexit. As the situation had moved on considerably, it provides a brief overview of the overarching arrangements. As with the previous report, the Executive Summary sets out the review's main observations/findings. These focused on the EU Settlement Scheme and information sharing. Key priorities are outlined on page 4, which involve the impact of the EU Settlement Scheme on business continuity plans; Information Asset Owners; the need to update key risk areas and ensure actions from the Brexit Steering Group are closed off.</p> <p>With regard to the first key priority, the EU Settlement Scheme, Mrs Hardisty noted that the potential impact on UHB partners, for example in relation to domiciliary care, was not included. Whilst this is not a UHB responsibility, it will impact on the organisation, as Local Authorities employ a number of EU nationals in care facilities. Mrs Hardisty was aware of discussions between the UHB and Local Authorities in this regard. In response, Mr Johns explained that this issue was not part of the review's scope. Mr Thomas advised that he had taken over executive leadership of the Brexit Steering Group. The County Director</p>	

	<p>for Pembrokeshire had acted as the link between health and social care sectors, and as indicated above, the Director of Workforce & OD has also been in discussion with Local Authorities. There is likely to be a broader piece of work conducted around domiciliary care, into which these discussions will feed. In terms of comments made around Brexit Steering Group governance, Mr Thomas explained that the COVID-19 response had been prioritised, which had meant that certain aspects, such as reviewing the Terms of Reference, had not taken place. Attendance at meetings of the Group had also been variable; however, Mr Thomas had ensured that 'offline' discussions were taking place with those members unable to attend meetings due to the pandemic.</p>	
	<p>The Committee NOTED the Brexit Risks and Actions (Advisory Review) report.</p>	

AC(21)105	<p>Local Deployment of the Welsh Immunisation System (WIS) (Reasonable Assurance)</p>	
	<p><i>Mr Kevin Seward and Mr Anthony Tracey joined the Committee meeting.</i></p> <p>Mr Johns introduced the Local Deployment of the Welsh Immunisation System (WIS) report; which outlined the findings of an audit around the local implementation of this national system, deployed at pace, during a challenging time. The audit had returned a Reasonable Assurance rating, with a number of recommendations identifying potential for improvement in various areas. Mr Kevin Seward highlighted that the auditors had received positive feedback from Digital Health & Care Wales (DHCW) with regards to HDdUHB's engagement during the WIS deployment. Mr Anthony Tracey confirmed that the system had been implemented at pace and that DHCW had been extremely supportive in achieving this, together with all those involved within the UHB.</p> <p>Welcoming the report and its findings, Mr Davies enquired whether there are any examples of good practice from other Health Boards which could be shared with HDdUHB. In response, Mr Seward indicated that no similar Internal Audits had been conducted in other Health Boards; however, DHCW is conducting an All Wales review. Mr Tracey committed to share this with ARAC once published. Mrs Hardisty emphasised that implementation of WIS is a significant achievement, which is a testament to the team involved, and that this should be recognised, together with DHCW's feedback. Mrs Hardisty enquired whether there is potential scope for the system to be used in future vaccination rounds/programmes, such as COVID-19 'booster' vaccinations, or 'flu vaccinations. Mr Tracey responded that WIS is, indeed, viewed as a sound basis for an All Wales system of this type. It links into national systems and laboratory systems and is anticipated to remain in use. DHCW are working with clinicians and Public Health Wales in this regard. Members heard that there have already been 4 or 5 versions of WIS since it was introduced, and consideration is being given to developing the system to be more inclusive.</p> <p>In response to a query regarding whether WIS could be expanded to include childhood immunisations, Mr Tracey advised that WIS had been based on the current IT system for these. There are discussions around developing a single system which will include the improvements made</p>	<p>AT</p>

	<p>to WIS during its existence. Mr Davies noted that the childhood immunisation IT system is Oracle based and enquired whether there were any associated licencing issues. In response, Members heard that there had been; however, these had now been resolved through the development of a web-based application/system. The additional licencing costs which had arisen had been funded by Welsh Government. Mr Thomas suggested that deployment of WIS bears testament to what can be achieved by a small nation. This significant digital and operational endeavour, developed as Health Boards and partners were trying to keep pace with vaccination delivery, should be recognised. It is important to learn from the pace of and approach to deployment, and how this might be applied to other digital programmes going forward. Mr Newman echoed previous comments and welcomed the report, which was extremely positive, with only minor issues raised. He agreed that any opportunities to apply learning must be grasped.</p> <p><i>Mr Seward and Mr Tracey left the Committee meeting.</i></p>	
	The Committee NOTED the Local Deployment of the Welsh Immunisation System (WIS) (Reasonable Assurance) report.	

AC(21)106	Head of Internal Audit Opinion & Annual Report 2020/21	
	<p>Mr Johns presented the Head of Internal Audit Opinion & Annual Report 2020/21, reminding Members that a draft had been presented to the previous meeting. The report's key purpose is to provide an overall opinion on the adequacy and effectiveness of the organisation's framework of governance, risk management and control. This overall opinion – one of Reasonable Assurance – which represents a positive outcome for the UHB, is outlined in paragraph 1.2. The report also discusses delivery of the Internal Audit Plan and provides, in paragraph 1.4, a summary of the audit assignments and their assuring ratings. The vast majority of these had been positive, with only three returning a Limited Assurance rating. Section 2 of the report provides further narrative around the basis for the overall opinion, together with a brief summary of each audit. This section also includes a statement around conformance with the Public Sector Internal Audit Standards. Section 3 outlines work with other NHS organisations. Section 4 focuses on delivery of the Internal Audit Plan and Section 5 details the individual audit assignments by assurance rating.</p> <p>Mr Newman welcomed the report, noting that its contents should not be surprising to Members as a draft version had been discussed at ARAC's previous meeting. The report accurately reflects the Internal Audit work conducted during the year. Mrs Wilson wished to express her thanks to Mr Johns for his cooperation, contribution and advice throughout the year. To this, Mr Newman added the Committee's thanks to Mr Johns and his team for completing the Internal Audit programme in challenging circumstances.</p>	
	The Committee CONSIDERED the assurance provided by the Head of Internal Audit Annual Report and Opinion for 2020/21.	

AC(21)107	Overview and Performance Report (Section of HDdUHB Annual Report)	
	Mrs Wilson introduced the Overview and Performance Report, which forms one section of HDdUHB's Annual Report. Members were	

	<p>reminded that this had been presented to the previous meeting, and had also been reviewed by the UHB Chair, Chief Executive and Chairs of the People, Planning & Performance Assurance Committee and the Quality, Safety & Experience Assurance Committee. Mrs Wilson thanked Ms Tracy Price in the Performance team for her work in preparing the report. Mr Thomas echoed these sentiments, emphasising that the report represents a significant undertaking involving a number of teams across the UHB. All Executive Directors have contributed, together with the Communications and Governance teams. Mr Thomas suggested that the report is relatively self-explanatory. The UHB's Annual Report, to which this document contributes, will serve to reflect the significant effort of the organisation in responding to the COVID-19 pandemic, and will be of a different style to previous Annual Reports.</p> <p>Mr Newman thanked all of those involved in preparing the report, noting that 2020/21 had been a remarkable year and that it would be difficult for any report to do full justice to the work of the organisation.</p> <p>The Committee APPROVED the Performance Report chapter of the 2020/21 Annual Report for onward ratification by Board.</p>	
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AC(21)108	Accountability Report	
	<p>Mr Steve Moore presented the Accountability Report, which will also form part of the UHB's Annual Report; recognising that a draft of this document had previously been considered by ARAC and shared more widely. The feedback received from Welsh Government, Audit Wales and Internal Audit is captured in Appendix 1, alongside an overview of amendments made since the draft report was presented and reviewed. Furthermore, it was confirmed the documentation had been prepared in accordance with the Manual for Accounts. Mr Moore thanked the Governance team for their efforts in compiling this report, with Mrs Wilson paying particular testament to Mrs Charlotte Beare for the work she had undertaken in preparing the documentation.</p> <p>Mr Newman echoed these thanks. Referencing feedback in Appendix 1, specifically amendments requested by Welsh Government, Mr Newman reported that public access to committees had been discussed at the most recent All Wales Audit Committee Chairs' meeting. As the 'virtual' meeting format is likely to be the norm for some time, it is possible that Health Boards will need to consider the feasibility of livestreaming all committee meetings moving forward.</p> <p>The Committee APPROVED the content of the Accountability Report, as a source of assurance to the Board that a robust governance process was enacted during the year, and RECOMMENDED its subsequent approval to the Board.</p>	

AC(21)109	Audit Wales ISA 260 and Letter of Representation	
	<p>Ms Lucy Evans introduced the Audit of Accounts Report, explaining that this contains issues relating to the Annual Accounts which Audit Wales wish to bring to the UHB's attention. Ms Evans thanked the UHB's Finance team for their engagement during the audit process, noting that the working relationship has been positive and constructive. The challenging nature of the past year was recognised; however, HDdUHB had been the first Health Board to submit their annual accounts and</p>	

Welsh Risk Pool return. Members' attention was drawn to the key areas highlighted on pages 6 and 7 of the report:

- There are no uncorrected misstatements;
- The corrected misstatements are detailed in Appendix 3 – although it should be noted that these are presentational in nature, with no impact on the UHB's financial bottom-line/performance;
- Audit Wales intend to issue an unqualified true and fair audit opinion and a qualified regularity audit opinion on this year's accounts – the latter as a result of the UHB not meeting its two statutory financial duties, detailed in Exhibit 2;
- The emphasis of matter and substantive report relating to Clinicians' Pension Tax Liabilities, noting that the Ministerial Direction issued does not alone regularise the scheme. This is an issue common to all Health Boards;
- The concerns regarding the lack of a robust system within HDdUHB to accrue annual leave balances.

With regard to the last of these, Ms Evans explained that there are currently a number of different systems used to record annual leave, including electronic (for example the Electronic Staff Record) and paper. This had made it challenging to collate annual leave accrual information, and additional work by the Finance team and Audit Wales had been necessary. Further work is required to bring together the various systems, in order to ensure an accurate overall understanding of the annual leave position.

Mr Thomas thanked Ms Evans and the Audit Wales team, noting that this is the third year that the annual accounts have been audited via a virtual arrangement; with HDdUHB being the first organisation to pilot this process with Audit Wales. The new audit methodology, employing more robust data analytics, will provide valuable learning for the UHB. Mr Thomas stated that the audit process had been extremely smooth. The key areas highlighted above were acknowledged, and Mr Thomas recognised the need to reflect on these, particularly the qualified regularity audit opinion, which is of concern. The organisation has spent in excess of its Welsh Government revenue resource allocation, with Members reminded that there has been significant growth and financial expenditure this year, in response to the COVID-19 pandemic. The annual leave accrual issue has been financially challenging; and there is a need to grasp this opportunity to introduce systems which facilitate accurate recording of leave, whilst allowing a certain amount of flexibility in the taking of leave. Other challenges have become prominent this year, such as establishing and operating Field Hospitals. There are no concerns around these, other than in relation to operating leases, which is covered in the notes accompanying the Final Accounts.

Mrs Hardisty noted that the recording of Annual Leave has been a long-standing issue, querying whether it is a case of failing to use an existing system effectively, or whether this is a more widespread, national issue. In response, Mr Thomas explained that it is the latter, and that all Health Boards are finding this challenging. However, HDdUHB has not adopted robust processes previously, and this should be viewed as an opportunity to 'reset' the approach to annual leave accrual. It should be

	recognised that resolving this issue will not be easy or rapid. Ms Evans confirmed that the issue of annual leave accrual is one affecting all Health Boards. Referencing the statement around Clinicians' Pension Tax Liabilities, that the Ministerial Direction issued does not regularise the scheme, Mr Davies enquired whether there is a potential for this to be the subject of a challenge by HMRC in the future. Mr Thomas noted that this is a sensitive issue; whilst the scheme has been established quite openly, the tax implications are outwith Welsh Government mandate, which is why it is being identified as 'irregular'. Mr Newman acknowledged that this is a potential financial risk.	
	The Committee NOTED the Audit Wales ISA 260 and Letter of Representation and REQUESTED that the recommendations made in the ISA 260 report be incorporated within the Audit Tracker.	CB

AC(21)110	Final Accounts for 2020/21	
	<p>Mr Thomas presented the Final Accounts for 2020/21, emphasising that these have been considered in draft form by both ARAC and the Finance Committee. No significant changes have been made since they were last presented, aside from minor amendments to the remuneration report. Members' attention was drawn, however, to the exceptional levels of expenditure required this year, which exceed £1bn. Mr Thomas also highlighted the post-balance sheet note outlined on page 13 of the presentation, relating to the donation of equipment to India, which will appear as a write-off in the 2021/22 annual accounts.</p> <p>Referencing expenditure on external consultants, Mr Newman enquired whether there has been any analysis of how this compares with previous years and with other Health Boards. In response, Mr Thomas drew Members' attention to page 29 of the Final Accounts, note 3.3, which identifies that consultancy service costs for 2020/21 were £1.8m, compared with £1.5m in 2019/20. It was emphasised that this figure includes contracts with multiple organisations, including consultancy services for the Health & Care Strategy Programme Business Case. Mr Thomas offered to provide a breakdown of individual costs and Ms Evans committed to seek equivalent information from other Health Boards for comparison. Mrs Wilson added that Internal Audit would be undertaking a review of consultancy spend and processes in the first quarter of this financial year.</p> <p>The Committee APPROVED the audited annual accounts for 2020/21, for onward ratification by the Board.</p>	HT LE

AC(21)111	Any Other Business	
	There was no other business reported.	

AC(21)112	Date and Time of Next Meeting	
	9.30am, 22 nd June 2021	