

**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, Thursday 11 May 2023
Venue:	Board Room, Ystwyth Building, St David's Park, Carmarthen and via Microsoft Teams

Present:	<p>Cllr. Rhodri Evans, Independent Member (Interim Committee Chair)</p> <p>Mr Winston Weir, Independent Member (Committee Vice-Chair) (VC)</p> <p>Mr Maynard Davies, Independent Member</p> <p>Mrs Judith Hardisty, Vice-Chair, HDdUHB</p>
In Attendance:	<p>Ms Anne Beegan, Audit Wales (VC)</p> <p>Ms Lucy Evans, Audit Wales (VC)</p> <p>Mr Anthony Veale, Audit Wales (VC) (part)</p> <p>Mr James Johns, Head of Internal Audit, NWSSP</p> <p>Mr Eifion Jones, Internal Audit, NWSSP (VC) (part)</p> <p>Mr Martyn Lewis, Internal Audit, NWSSP (VC) (part)</p> <p>Mrs Joanne Wilson, Director of Governance/Board Secretary</p> <p>Mr Andrew Spratt, Deputy Director of Finance (VC), deputising for Mr Huw Thomas, Director of Finance</p> <p>Ms Rhian Davies, Assistant Director of Finance, deputising for Mr Huw Thomas, Director of Finance</p> <p>Mr Timothy John, Senior Finance Business Partner</p> <p>Miss Charlotte Wilmshurst, Assistant Director of Assurance & Risk</p> <p>Professor Phil Kloer, Deputy Chief Executive/Medical Director (part)</p> <p>Ms Helen Williams, Head of Medical Education & Professional Standards (VC) (part)</p> <p>Mr Andrew Carruthers, Director of Operations (VC) (part)</p> <p>Mr Jason Wood, Major Capital Development Manager (VC) (part), deputising for Mr Rob Elliott, Director of Estates, Facilities and Capital Management</p> <p>Ms Stephanie Hire, General Manager Scheduled Care (VC) (part), deputising for Mr Keith Jones, Director of Secondary Care</p> <p>Mrs Tracy Price, Performance Manager (VC) (part)</p> <p>Mr James Field, Assistant Director of Communications (VC) (part)</p> <p>Mr Anthony Tracey, Digital Director (VC) (part)</p> <p>Ms Clare Moorcroft, Committee Services Officer (minutes)</p>

Agenda Item	Item
AC(23)84	Introductions and Apologies for Absence
	<p>Cllr. Rhodri Evans, Audit & Risk Assurance Committee (ARAC) Chair, welcomed everyone to the meeting. Apologies for absence were received from:</p> <ul style="list-style-type: none"> • Mr Huw Thomas, Director of Finance • Mrs Mandy Rayani, Director of Nursing, Quality & Patient Experience • Mrs Lisa Gostling, Director of Workforce & OD • Ms Jill Paterson, Director of Primary Care, Community & Long Term Care

	<ul style="list-style-type: none"> • Mr Rob Elliott, Director of Estates, Facilities and Capital Management • Mr Keith Jones, Director of Secondary Care • Ms Louise O'Connor, Assistant Director (Legal and Patient Support) 	
AC(23)85	<p>Declaration of Interests</p> <p>Mrs Judith Hardisty declared an interest in item AC(23)92, as Chair of the local Regional Partnership Board (RPB).</p>	
AC(23)86	<p>Audit Wales Annual Plan 2023</p> <p><i>Professor Philip Kloer joined the Committee meeting.</i></p> <p>Mr Anthony Veale presented the Audit Wales Annual Plan 2023, reminding Members that an outline plan had been submitted to the previous meeting and advising that this was the detailed audit plan. The Plan is in a slightly different format from previous iterations, which it is hoped is more accessible. Page 7 outlines key risks and key inputs to the audit work programme and details of the materiality, which amounts to £11.638m; the materiality for the remuneration report will be lower. As might be expected, there are significant financial statement risks, including the quinquennial valuation of the Health Board's estate, and management override of the controls in place, the latter being a standard risk. Specific risks include the accuracy of the remuneration report disclosures and the accuracy and completeness of the related party disclosures. Audit Wales will be focusing on the Health Board's financial deficit as part of the year-end process. Mr Veale noted that the presentation included within the Draft Annual Accounts item mentions IFRS 16, the new standard around leases. This brings with it various complexities in terms of compliance. Exhibit 4 on page 13 outlines the planned performance audit work, with the usual Structured Assessment and deep dive into investment in Digital. There will also be a review of Planned Care Service Recovery. Finally, the Audit Plan document includes details of the local audit team and of the audit fee.</p> <p>Mr Winston Weir welcomed the clear report and the proposal that differing levels of materiality be applied to different aspects of the accounts. In light of the issues which have been seen elsewhere within NHS Wales, Mr Weir enquired whether there will be a particular focus on leasing, expenses for directors and consultancy costs. In response, Mr Veale acknowledged that these are potentially 'sensitive' areas which can attract public attention and concern. Audit Wales will, indeed, be mindful of any contentious or novel expenses, as are they always. With regards to leasing, the same materiality level will apply, and more testing will be conducted in this area. Referencing the statement on page 15 that 'I shall make no changes without first discussing them with the Director of Finance and Board Secretary' Cllr. Evans suggested that this should also include the Chair of ARAC. Whilst noting that it was a standard form of words, Mr Veale acknowledged this feedback and agreed this should form part of the process. Audit Wales' first point of contact, should any changes to the fee be required, would be the Director of Finance and Board Secretary; however there would be liaison with the Audit and Risk Assurance Committee Chair and all changes would need to be formally presented to and agreed by the</p>	

	<p>Committee. Building on a comment he had made at the previous meeting, Cllr. Evans noted the proposed 'Local project work' referenced on page 14 and enquired with regard to timelines and type of work, emphasising the need to plan the ARAC Work Programme for the year. Ms Anne Beegan advised that detail was being worked through currently, with a few more meetings scheduled with Executive Directors. Discussions would then take place with Mrs Joanne Wilson, and it is hoped that detail will be available for the next ARAC meeting.</p> <p>The Committee NOTED the Audit Wales Annual Plan 2023.</p>	AB
--	--	-----------

AC(23)87	<p>Internal Audit Plan Progress Report</p> <p>Mr James Johns introduced the Internal Audit Plan Progress report, noting that this is of the usual format. Members' attention was drawn to Section 2, which outlines the reports finalised since the previous meeting. In terms of progress with the remaining audits in the 2022/23 Plan, there are still a number to finalise which are close to completion. These will be presented to the June 2023 meeting, along with the final Head of Internal Audit Opinion and Annual Report, the draft of which appears later on the agenda.</p> <p>Mrs Wilson observed that reports which have been deferred to June 2023, including Financial Management, state May 2023 in Appendix A. Noting that Agency Nursing & Rostering and Strategic Transformation Programme Governance are both due for presentation in June 2023, despite being marked as 'Work in Progress', Mrs Hardisty requested assurance that they will be finalised. Mr Johns responded that both are at an advanced stage and will be ready. Referencing the draft Head of Internal Audit Opinion, Mr Weir noted that this incorporates a 'forward assessment' of non-finalised audit reports and queried the wisdom of this approach. In response, Mr Johns assured Members that this approach was to provide additional context around the overall audit opinion, and would not have been applied if Internal Audit was not confident in the findings of the non-finalised reports. Mr Weir welcomed this helpful clarification. In view of the forecast year-end financial position and likelihood of a qualified financial audit opinion, Mr Weir suggested that the proposed assurance rating for Financial Management was both reassuring and somewhat contradictory. Mrs Wilson and Mr Johns explained that the assurance rating was based on the scope of the audit, which examined the systems and processes in place to manage the Health Board's finances, rather than the 'outcome'. Whilst accepting this, Mr Weir felt that there should be appreciation of the context within which the organisation is operating, including Targeted Intervention.</p> <p>Mrs Wilson noted that the Director of Finance would have a view in relation to the governance relating to financial management however recognised it would be sensible to be cognisant of the overall context.</p> <p>The Committee TOOK ASSURANCE with regard to the delivery of the Internal Audit Plan Progress Report.</p>	JJ
-----------------	---	-----------

AC(23)88	<p>Job Planning (Limited Assurance)</p> <p><i>Ms Helen Williams joined the Committee meeting.</i></p>	
-----------------	--	--

Mr Johns introduced the Job Planning report, the purpose of which was to review the systems and controls in place for consultant job planning. Whilst job plans were in place, there had been significant findings resulting in two high priority matters arising being identified, relating to the lack of service outcomes on job plans; and inaccurate reconciliation of session figures between the job plans and Electronic Staff Record (ESR) system. One medium priority matter arising had also been identified, relating to job plan compliance. As a result, an overall rating of Limited Assurance had been awarded.

Professor Philip Kloer thanked the Internal Audit team for their audit and report. Whilst the outcome had been disappointing, it had identified important factors and learning which need to be addressed. Professor Kloer was not sure that the organisation had recovered yet from the COVID-19 Pandemic, which had prevented it from securing the position it would want in regards to Job Planning. In terms of the high priority matters arising, service outcomes is an area which has presented challenges to the Health Board previously, and which appears to be an issue across Wales. The need to address this area is recognised, and a plan is being developed. Progress has been made on personal outcomes. With regard to discrepancies between job plans and sessions/pay, this was an issue of which Professor Kloer had not been aware. Discussions had taken place with Mrs Lisa Gostling and Mr Andrew Carruthers, which had identified that processes were perhaps not as robust as they should be. One issue had been that data entry to ESR is being undertaken by a number of different parties, which leads to the potential for errors/lack of consistency. It is clear that processes need to be strengthened; there will also be a retrospective review.

Mrs Hardisty wished to highlight the efforts made by Professor Kloer, Ms Helen Williams and the team, and the fact that a number of areas (as noted on page 3 of the report) have been rated as Substantial Assurance. Referencing the management response/action plan, Mrs Hardisty expressed concern that those identified as Responsible Officers are not necessarily those who can implement the necessary actions. It is the operational staff who have this ability; however, the Director of Operations is not mentioned. In response, Mrs Wilson suggested that this is a fairly common issue and is based on the Accountable Officer within the Scheme of Delegation, who is – in this instance – Professor Kloer as Medical Director. Mrs Hardisty queried whether the stated timescales are realistic, for example the commitment for a group to undertake a review of the process surrounding job planning by the end of June 2023. Professor Kloer emphasised that the action plan is populated by the respondents rather than Internal Audit, and that there are a number of Internal Audit reports wherein Executive Directors are accountable for actions without having operational responsibility for all aspects. The specific issue highlighted by Mrs Hardisty has been discussed previously; whilst the Director of Operations and his staff may have influence, this also applies to the Director of Workforce & OD. However, the Medical Director has overall responsibility for medical professionals. Professor Kloer recognised the involvement of and reliance upon other staff in achieving timescales which were ambitious, and acknowledged Mrs Hardisty's concerns. Ms

Helen Williams emphasised that all of the teams who will be involved in delivery have had sight of the action plan.

In respect of job plan completeness, Professor Kloer advised that figures relating to this are routinely presented at the Improving Quality Together meetings with Directorates, which is intended to embed them into assessment of performance. Mr Weir was pleased to note this, highlighting its relation to Objective 6 on page 7: The completion rates of job plans are monitored and reported, with action taken for areas failing to complete, to an appropriate group or committee. Whilst recognising the need for strategic oversight, it was felt that a pragmatic approach was required. Referencing the sample size of 40 job plans, Mr Weir queried what percentage of the consultant cohort this represented and whether it had included staff based in the community or acute areas only. In response, Professor Kloer advised that there are not many consultant staff within the community; there are approximately 250 consultant staff across the Health Board. Members were advised that the sample had been representative of a range of sites and specialties, including Mental Health & Learning Disabilities.

Highlighting Objective 2 on pages 5 and 6, Mr Weir noted that the Health Board is some way off from achieving the target of 90% and, therefore, queried the finding of Reasonable Assurance for this objective. Mr Johns explained that this part of the audit had focused on engagement with development of job plans. The team had seen evidence of improved levels of engagement and improved use of the Allocate system. These had contributed to the rating of Reasonable Assurance. Professor Kloer was asked whether he was confident that he had sufficient resources to address the findings of this audit and to take forward the wider information generated by job planning processes which can contribute positively to other areas. In response, Professor Kloer indicated that – whilst not directly managerially/operationally responsible – he had sufficient resource for implementing processes, producing guidance and issuing reminders. Professor Kloer was confident around the action plan develop; the challenge lies around the Operational teams' capacity to undertake job planning. The key personnel involved in delivery – Clinical Leads, Service Delivery Managers and General Managers are subject to a number of demands/pressures. Whilst significant progress had been made prior to COVID-19, a concerted effort will be required to re-establish this position. Within the online Chat, Ms Williams clarified that 56% of all Job Plans were up to date at the time of the audit (rather than 56% of the 40 audited). The current figure is 60%.

The need for a follow-up audit was discussed and Mr Johns confirmed that this was planned, although consideration would need to be given to the timescales in the existing action plan. A follow-up would be included within the 2023/23 Internal Audit Plan.

Professor Philip Kloer and Ms Helen Williams left the Committee meeting.

The Committee **NOTED** the Job Planning (Limited Assurance) report and **REQUESTED** that a follow-up audit be conducted during 2023/24.

AC(23)89	<p>Service Reset and Recovery (Reasonable Assurance)</p> <p><i>Mr Andrew Carruthers and Ms Stephanie Hire joined the Committee meeting.</i></p> <p>Mr Johns introduced the Service Reset and Recovery report, which had been based upon an audit to assess the arrangements for the reset and recovery of Planned Care services within the Health Board in line with the NHS Planning Framework and other statutory requirements. This was recognised as a complex area, and one medium priority matter arising had been identified in relation to the delivery ambitions and targets set out in the Annual Plan that require amending and/or updating to reflect the changes operational activity, and ensuring the Health Board are informed of these changes. The audit had returned an overall rating of Reasonable Assurance.</p> <p>Mr Andrew Carruthers agreed that this represented a complex area of activity, which has been and remains a particular focus for the Health Board. The rating received reflects the significant efforts made by the Planned Care team and the improved performance achieved as a result. The team has already begun to implement responses to the recommendations made, including a Deep Dive report to the most recent Strategic Development & Operational Delivery Committee (SDODC) meeting.</p> <p>Referencing paragraph 2.19 around virtual appointments, Mr Maynard Davies queried whether the target relates to 2022/23 or 2021/22, highlighting the statement regarding achievement, despite the data showing otherwise. Mr Johns confirmed that the relevant date period was 2022/23. Providing additional context, Mr Carruthers explained that during this time, some COVID-19 restrictions had been lifted, which had impacted upon the progress made. Patients had started to return to attending clinics in person rather than via virtual means. Ms Stephanie Hire added that there is a limited 'appetite' for virtual appointments, although they are being used to a greater extent for follow-up appointments and an increase will be seen going forward. Whilst every opportunity is provided to use virtual appointments, both clinicians and patients show a strong desire to return to face-to-face consultations. Health Boards are in discussion with Welsh Government regarding its ambition for virtual appointments, as the associated requirements/ targets are not necessarily helpful. Mrs Hardisty suggested that the presentation of Table C was not particularly clear, with the potential for confusion around the date period covered.</p> <p><i>Ms Stephanie Hire left the Committee meeting.</i></p> <p>The Committee NOTED the Service Reset and Recovery (Reasonable Assurance) report.</p>	
----------	--	--

AC(23)90	<p>Withybush General Hospital Fire Precautions Phase 1 (Reasonable Assurance)</p> <p><i>Mr Jason Wood joined the Committee meeting.</i></p> <p>Mr Eifion Jones introduced the Withybush General Hospital (WGH) Fire Precautions Phase 1 report, stating that this is the second audit around Fire Precautions work. The WGH Fire Precautions project had been</p>	
----------	--	--

complex and there had been no interest from contractors when it had first been put to market. As a result, an alternative form of contract had been adopted for the project; even so, only one contractor had responded to the tendering process. Key drivers for the audit had been compliance with the fire safety notices issued by the Mid & West Wales Fire Rescue Services (MWWFRS). The project has exceeded the original Business Justification Case (BJC) parameters and budget, partly due to the inability to undertake extensive intrusive surveys pre-approval. Welsh Government has encouraged the Health Board to submit a request for additional funding in this regard. Members were assured that lessons have been learned and are already being applied to other capital projects; however, it has been recommended that a formal Lessons Learned exercise be undertaken. The audit had returned a rating of Reasonable Assurance.

Mr Jason Wood advised that a meeting with Welsh Government regarding the additional funding mentioned above is scheduled for 16 May 2023. In response to a query around whether the outcome is likely to be positive, Mr Wood was hopeful, since the Health Board had been encouraged to apply. Cllr. Evans expressed concern regarding the significant overspend, highlighted in paragraph 2.12, and the statement in the management response around the need to source additional funding, should this not be forthcoming from Welsh Government. It was acknowledged that this would substantially impact on the Health Board's capital funding allocation. Mrs Hardisty advised that a detailed report on all Fire Safety issues is a standing item on the Health & Safety Committee (HSC) agenda and confirmed that a number of the issues identified in this report have progressed. Referencing the management response to Recommendation 1, and 1.1 specifically, Mrs Hardisty suggested that this does not fully address the requirement for an option appraisal. Mr Wood agreed to revisit this response. Mrs Hardisty also queried the allocation of a medium priority to Matter Arising 2. Members were advised that a response had now been received from HMRC, who have agreed to align the VAT reclaim requested. This was at the 'best case' scenario rate of 29.18%. Mrs Hardisty was still not convinced that this matter should have been rated medium priority, although Mr Wood explained that the financial implications were also considered part of Matter Arising 1, which was rated as high priority.

JWo

Referencing Matter Arising 4, Mr Davies expressed concern that various different figures were being reported and that this matter was only rated as medium priority. Mr Jones explained that Welsh Government had placed a NWSSP Specialist Estates Services representative on the Project Group. The concern identified during the audit was that the dashboard report did not necessarily reflect the scenarios reported at the Project Group. This resulted in different figures being reported to Welsh Government. There has been ongoing dialogue and Welsh Government is fully informed. The matter has also been discussed at Capital Review Meetings. Mrs Wilson noted the following statement on page 24 and requested further clarification:

From the total sample of changes, the UHB and its advisers had determined that none required UHB formal approval. Generally, this assessment was accepted, except the requirement for a general

	<p>programme update, with an associated cost of £561,410, which noting its value, in our opinion should have been formally approved by the UHB.</p> <p>Mr Jones advised that this issue had also been identified during the Glangwili General Hospital Fire Precautions Phase 1 project audit. Due to the type of contract used (as mentioned earlier) change management processes had been enacted. The Director of Finance had agreed to specific delegated approval limits. None of the changes required formal sign-off, however, should have been formally approved by the Project Group. Ms Rhian Davies clarified that Mr Huw Thomas had approved the delegated limit changes in principle; they were then submitted for formal approval to ARAC in August 2022 and to the Public Board in September 2022.</p> <p>Mrs Hardisty noted that, since commencement of this audit, issues have been identified in relation to Reinforced Autoclaved Aerated Concrete (RAAC) at the WGH site which have been discussed extensively at the HSC. Mrs Hardisty was somewhat surprised that this had not been mentioned, particularly as – if major works are required – there will be a further significant logistical and financial impact. Mr Carruthers acknowledged that there will need to be consideration of this matter and its potential implications, and discussion of such with Welsh Government. If works to address this issue are required, they can be undertaken in conjunction with those relating to fire safety, which would potentially reduce the capital impact. This matter will require monitoring on an ongoing basis. Mr Jones advised that, whilst this specific audit had focused only on Fire Precautions, the RAAC issues have definitely been considered as part of the Phase 2 audit.</p> <p>Cllr. Evans concluded discussions by emphasising that this report includes certain findings of concern and requested an update following the meeting with Welsh Government around funding.</p> <p><i>Mr Jason Wood, Mr Anthony Veale and Mr Eifion Jones left the Committee meeting.</i></p>	<p>JWo</p>
	<p>The Committee NOTED the WGH Fire Precautions Phase 1 (Reasonable Assurance) report.</p>	
<p>AC(23)91</p>	<p>Theatre Loan Trays & High Cost Consumables DEFERRED to 20 June 2023.</p>	
<p>AC(23)92</p>	<p>Regional Integrated Fund (Reasonable Assurance) Mr Johns introduced the Regional Integrated Fund report, stating that the overall objective of this review was to evaluate and determine the adequacy of systems and controls in place for the administration of the Regional Integration Fund (RIF) and the roles therein of the Health Board. An overall audit rating of Reasonable Assurance had been awarded, with two Matters Arising identified. The high priority Matter Arising related to the lack of an agreed Memorandum of Understanding (MOU). The medium priority finding was in relation to the reporting of financial risk to the Health Board.</p>	

	<p>Mr Andrew Spratt thanked the audit team for their comprehensive review and clear recommendations. Actions in relation to both recommendations are being discussed, with a plan developed to take these forward. The MOU is close to being finalised; a joint session with RPB representatives is scheduled and it is anticipated that the MOU will be finalised by the end of June 2023. In terms of financial reporting, it is proposed that information be included within the regular financial report to the Sustainable Resources Committee (SRC). This will comprise information on the partnership funds which are being managed from a Health Board perspective, and the associated potential financial risk. It is also intended that clearer principles be established and stated, with a clear directive to the Integrated Executive Group (IEG) that the Health Board is not able to condone any overspend.</p> <p>Referencing the MOU timescale, Cllr. Evans enquired whether the end of June 2023 was achievable. In response, Mrs Wilson advised that the MOU had been developed and shared with members of the IEG. It will need to be considered by each Local Authority and will then be presented for consideration at the Health Board Public Board meeting in July 2023. The deadline for this action should, therefore, be amended to July 2023. Conscious that there is currently no Independent Member (Legal), Mr Davies enquired whether the MOU requires Board level committee scrutiny. Mrs Wilson responded that, whilst some discussion around roles and responsibilities had been required, MOUs do not tend to undergo committee scrutiny. Members were assured that it had been examined by the Health Board's Legal Services team and that Mr Paul Newman had seen a previous draft during his tenure.</p> <p>The Committee NOTED the Regional Integrated Fund (Reasonable Assurance) report.</p>	HT/JJ
AC(23)93	<p>Lessons Learned DEFERRED to 20 June 2023.</p>	
AC(23)94	<p>Agency Nursing & Rostering DEFERRED to 20 June 2023.</p>	
AC(23)95	<p>Strategic Transformation Programme Governance DEFERRED to 20 June 2023.</p>	
AC(23)96	<p>Financial Management DEFERRED to 20 June 2023.</p>	
AC(23)97	<p>Compliance with Ministerial Directions Mrs Wilson introduced the Compliance with Ministerial Directions report, which is intended to provide assurance around the process in place. All had been complied with, with the exception of those outlined in the report.</p> <p>The Committee NOTED the Ministerial Directions which have been issued and ENDORSED the confirmation that the UHB is compliant with these.</p>	

AC(23)98	<p>Compliance with Welsh Health Circulars</p> <p>Mrs Wilson presented the Compliance with Welsh Health Circulars (WHC) report, advising that each WHC is aligned to a Board level Committee. Whilst assurance can be provided that a process is in place, there are a few areas requiring additional focus. Members were assured that the process will be strengthened.</p> <p>Noting that sanctions can be applied to the Health Board for non-compliance, and that a number of WHCs have an 'external element', Mr Davies enquired regarding any consequence for external bodies upon whom the organisation relies. Mrs Wilson emphasised that it is the Health Board which is responsible for compliance. A number of WHCs where there is non-compliance date back to 2016; it will be necessary for these to be risk-assessed and discussed by the Board. Referencing page 8 in Appendix 1, Mrs Hardisty noted mention of a meeting in March 2023; Mrs Wilson confirmed that this had taken place and would obtain an update. With regard to page 9 and the WHC relating to persistent pain, Mrs Hardisty advised that there are Value Based Health Care projects in this area around use of alternative clinical pathways, which may enable improved compliance. Mrs Wilson committed to follow-up on this matter.</p> <p>The Committee TOOK ASSURANCE that there is a process in place within the University Health Board to monitor the implementation of Welsh Health Circulars</p>	<p>JW</p> <p>JW</p>
AC(23)99	<p>Draft Audit and Risk Assurance Committee Annual Report 2022-23</p> <p>Mr Evans introduced the ARAC Annual Report 2022-23, with Members requested to feed back comments or concerns. Mr Davies noted that a number of topics discussed at the April 2023 meeting were included and was advised that the report covers the period April to April due to reporting requirements. Any Internal Audit reports which are part of the 2022/23 Plan will be included.</p> <p>The Committee is asked TO COMMENT on the ARAC Annual Report within one week and request Chair's action TO APPROVE the content of the report prior to onward submission to the Board.</p>	
AC(23)100	<p>Draft Head of Internal Audit Opinion and Annual Report</p> <p>Mr Johns presented the Draft Head of Internal Audit Opinion and Annual Report, which is intended to provide Members with an early sight of this document, while the remaining audit work is finalised. The Opinion, one of Reasonable Assurance, is detailed in Section 1.2, and is subject to completion of the audit programme. Also included is a summary of audit findings, including those currently in draft, which have – as mentioned earlier – been taken into account in establishing the Head of Internal Audit Opinion. Details of the approach to this/how the Opinion is formed are provided. Also contained within the report are outcomes of audit work, information on delivery of the Internal Audit Plan and compliance with Public Sector Audit Standards.</p> <p>Thanking Mr Johns for his report, Cllr. Evans requested assurance that audit findings/recommendations will be incorporated onto the Health Board Audit Tracker. Mrs Wilson confirmed that this would be the case, once the relevant Internal Audit report had been presented to ARAC.</p>	

	Mrs Wilson thanked Mr Johns and his team for their contribution, welcoming the overall Opinion of Reasonable Assurance.	
	The Committee CONSIDERED and TOOK ASSURANCE from the Draft Head of Internal Audit Opinion and Annual Report.	

AC(23)101	<p>Records Digitalisation (Limited Assurance)</p> <p>Mrs Wilson advised that there was a degree of context that had been omitted from this audit report; this lay with the Health Board’s accountability and not with the Internal Audit team. As a result, the report does not provide a complete ‘picture’ of what is occurring operationally. There are also a number of errors. Neither of these issues had come to light until very recently.</p> <p><i>Mr Martyn Lewis and Mr Anthony Tracey joined the Committee meeting.</i></p> <p>Mr Martyn Lewis introduced the Records Digitalisation report, which was to consider the progress made and governance arrangements in place for the Records Digitisation Project. An assurance rating of Limited Assurance had been issued, with it noted that the Health Board does not currently have in place an overarching programme for records digitalisation. There are two separate projects operating, in relation to scanning and the document management system. Whilst there has been appropriate scrutiny of these projects, there is no overarching programme or plan to consider independencies, for example. Project reports do not include information on costs or delivery schedules; there is no fully-detailed cost benefit analysis and no benefit tracker in place.</p> <p>Mr Anthony Tracey was in agreement with the audit findings. Whilst emphasising that the scanning and document management system projects were two distinct projects with different aims, the need for an overarching programme was recognised. With regard to the finding around there being no project for development of e-forms, this had been considered; however, it had been decided that there should be a focus on development of the Electronic Record Document Management System (ERDMS). A case study on e-forms had been included as part of this work, which was now being piloted in Therapies. Mr Tracey assured Members that work is being taken forward and that a progress report can be provided as required. The Committee was reminded, however, that records digitalisation represents a ‘long journey’, with the Health Board being responsible for approximately 2 million medical records/ files each containing 150-200 sheets. To date, 390,000 pieces of paper have been scanned. Mr Tracey also emphasised the need for a move to a ‘digital culture’.</p> <p>Welcoming the report and additional context, Mr Weir stated that this audit was timely and appropriate. In terms of scrutiny, Members were informed that SRC receives regular update reports from the Information Governance Sub-Committee (IGSC), which include updates from each of the projects in this area. The audit was correct, however, to highlight the need for an overarching strategy and cost benefit analysis. Mr Weir queried the deadline of July 2023 for putting in place governance arrangements, suggesting that these are probably already in place. In</p>	
------------------	--	--

response, Mr Tracy advised that partial governance is in place; whilst IGSC covers the specific projects mentioned, there is still a need for an overarching group to consider 'records' in the more general sense. In addition to health/medical records, there are also corporate records within the Health Board, for example workforce and financial records. Digitalisation of these would lead to a potential cost benefit also. It is likely that SRC will be responsible for overall assurance. In response to a query around whether there were separate business cases for each aspect and what assumptions were made in these, Mr Tracey committed to explore this matter further.

AT

Mrs Hardisty expressed concern regarding the audit findings. For example in paragraphs 2.8 and 2.9, the discrepancies between estimated and actual cost for the ERDMS, and the lack of a project to progress e-forms. Referencing page 11 and the management response to Recommendation 1, Mrs Hardisty was concerned by use of the words 'aim to' and requested clarification and assurance in this regard. With the lack of a cost benefit analysis, the Health Board's ability to judge whether it can afford the project was queried, and Mrs Hardisty enquired whether this will be the remit of the overarching group. In terms of Recommendation 4 and the requirement for wider stakeholder involvement, it was queried whether the timescale indicated was sufficient. In response to the matter of costs, Mr Tracey explained that there had been a communication issue; the estimated cost presented to the Executive Team had been for 1 year, whereas a 3 year plan had been able to be delivered. Further clarification could be provided. It is anticipated that the annual cost to run the system would be in the region of £250k. This was comparable to the cost of physical records storage. Whilst the Health Board is looking to digitalise records going forward, there is a cost involved in scanning 'legacy documents'. The monies being spent on storage currently can be utilised for scanning. With regard to Recommendation 1, Mr Tracey confirmed that a programme would be established. In terms of the query around Recommendation 4, stakeholder engagement is already underway, with clinical/service teams and workforce, etc. There will be an extensive engagement plan around the overarching programme.

AT

Mr Carruthers stated that it was difficult for him to comment on this report, as he did not feel that it adequately reflected why the Health Board was undertaking the records scanning process. The management response had been submitted without reference to the Deputy Director of Operations, who is the SRO for a number of these aspects. Mr Carruthers was concerned that there was not sufficient clarity around whether the focus was digital or operational health records. This, along with concerns around executive sign-off and points of accuracy, all need to be addressed in a final draft of the report. Mr Lewis explained that the audit was to examine the overall digitisation of records. It was acknowledged, however, that the Operational team is undertaking the scanning of records and that more content with regard to this aspect could have been included. Issues around the management response sign-off were probably related to trying to ensure submission of the report to this ARAC meeting. Mr Johns offered to address any omissions or errors. In view of the above, there was some concern that the report could not be viewed as finalised, and

	<p>that its presentation had placed the Committee in a difficult position. It was agreed that a meeting between the relevant parties (Executive Directors, Lead Officers, Internal Audit, with the Director of Corporate Governance) should take place to agree amendments to the report and management response and that a revised version would be presented to the June 2023 meeting.</p> <p><i>Mr Martyn Lewis and Mr Anthony Tracey left the Committee meeting.</i></p>	JJ
	<p>The Committee NOTED the Records Digitalisation (Limited Assurance) report and REQUESTED that a revised version of the report and management response be presented to the next meeting.</p>	

AC(23)102	<p>Assurance Report on Board Effectiveness</p> <p>Mrs Wilson presented the Assurance Report on Board Effectiveness, which forms one of the mandatory requirements of the Annual Governance Statement. Members heard that the content of this report had been discussed in detail at the Board Seminar on 20 April 2023.</p> <p>Cllr. Evans indicated that the Board Seminar discussions had been extremely beneficial. Members were advised that the Audit Wales report into issues at Betsi Cadwaladr UHB has been examined and that feedback and learning from this is being collated. Health Boards had been encouraged to do so at recent All Wales Audit Chairs' meetings. Ms Beegan reported that a joint session with Health Board Chairs and Board Secretaries is being scheduled, with consideration being given to a similar session for Health Board Vice-Chairs.</p> <p>The Committee TOOK ASSURANCE from the process that has been undertaken this year to review the Board's effectiveness, RECOGNISING that this has been discussed by the Board at the Board Seminar meeting held on 20 April 2023.</p>	
------------------	--	--

AC(23)103	<p>Audit Enquiries to those charged with Governance and Management</p> <p>Ms Davies introduced the Audit Enquiries to those charged with Governance and Management report. This forms part of the year-end assurance processes, with a letter from the Auditor General requiring a Health Board response. Members will be familiar with the requirement; however this year's document is in a slightly different format. On the first page of the response template, Health Boards are asked to identify any 'significant matters and/or events that have occurred since April 2022'. Hywel Dda UHB's response has highlighted the organisation's deficit, its inability to prepare a three year Integrated Medium Term Plan and the requirements associated with IFRS 16. In response to general enquiries around risk, etc, the Health Board has referenced the draft Head of Internal Audit Opinion. The response also mentions the RAAC issue mentioned earlier, although the financial implications are not yet known. Members were advised that the response requires ratification in order for submission by 31 May 2023.</p> <p>Cllr. Evans welcomed the detailed response. Mrs Hardisty highlighted an error in the text of Question 4, which was noted by Audit Wales representatives.</p> <p>The Committee REVIEWED and RATIFIED the response prepared for onward submission to Audit Wales.</p>	
------------------	--	--

AC(23)104	Draft Performance Overview	
	<p><i>Mrs Tracy Price and Mr James Field joined the meeting.</i></p> <p>Mrs Wilson presented the Draft Performance Overview report, which represents the ‘front end’ of the Health Board’s Annual Report. Members heard that this had been prepared in line with the NHS Wales Manual for Accounts 2022/23 and had been subject to all of the relevant governance processes. Mr James Field advised that this year’s Welsh Government guidance regarding the format of Annual Reports is less prescriptive than previous years. As a result, and following on from discussions at the equivalent meeting last year, the format more closely aligns with the Board Assurance Framework (BAF). The Performance Overview was, it was felt, a fair and balanced reflection of the year, outlining progress against Strategic Objectives, Planning Objectives and Welsh Government Ministerial Priorities. Mr Field thanked colleagues in the Communications and Performance teams for their contribution in preparing the report, together with those in the Planning and Operational teams who had provided input. Members’ attention was drawn to the comment on page 139 regarding the Health Board’s financial deficit, which is subject to audit by Audit Wales.</p> <p>Mr Davies, who had been offered the opportunity to comment on the report as Chair of SDODC, commended the document for its clarity and narrative. Concern was expressed, however, regarding the ‘value’ to members of the public of the Statistical Process Control (SPC) charts, which could, perhaps, be replaced by simpler graphs with planned trajectories. Mrs Tracy Price explained that the Performance team had been requested by the Board to use SPC charts, whilst acknowledging that these are somewhat complex and could be replaced if it is felt necessary. It was agreed that this could be considered; however, Mrs Wilson highlighted that inclusion of the SPC charts would ensure consistency with Committee and Board reports, and this could be explained within the accompanying SBAR. Mr Davies was content to abide by the majority decision. Members were reminded by Mrs Hardisty that this report is accompanied at the Annual General Meeting by a presentation, which provides more of an ‘executive summary’. It was suggested, however, that consideration be given to creating an ‘easy read’ version. Mrs Wilson confirmed that there will be a video and presentation summarising the key messages. Commenting on the presentation/artwork of the report, Mrs Hardisty was not keen on the blue and gold ‘slashes’ at the top and bottom of each page. Cllr. Evans stated that he had enjoyed reading the document and did not have a particular issue with inclusion of the SPC charts. He congratulated the teams involved on their work. Mrs Wilson echoed this, thanking the Communications and Performance teams in particular for their efforts.</p> <p><i>Mrs Tracy Price and Mr James Field left the meeting.</i></p>	HT
	The Committee APPROVED the Performance Report chapter of the 2022/23 Annual Report for onward ratification by the Board.	

AC(23)105	Draft Accountability Report	
	Mrs Wilson introduced the Draft Accountability Report which also forms part of the Health Board’s Annual Report, noting that this has been	

	<p>shared with the Health Board Chair and Chief Executive and has been prepared in accordance with the NHS Wales Manual for Accounts 2022/23. It includes information on arrangements around Targeted Intervention. The final version of the Annual Report and Accounts will be presented at the ARAC meeting on 26 July 2023, followed by the Public Board meeting on 27 July 2023. Mrs Wilson thanked Miss Charlotte Wilmshurst for her significant contribution in preparing the year-end documentation.</p>	
	<p>Mr Davies enquired whether the date on page 11 should be July 2022 rather than July 2023. In response, Mrs Wilson explained that this date referred to the variation order in relation to Annual General Meetings, which it is not possible to hold by the end of July 2023. It was agreed that the tense and date would be considered further. Mr Davies also highlighted statements around pensions arrangements on page 52, noting that due to changes to the rules in relation to pensions, Audit Wales had indicated that they will not qualify accounts on this basis, which was confirmed by Ms Lucy Evans. Other comments were received regarding Mr Weir not being a member of the Quality, Safety & Experience Committee (QSEC) as indicated on page 17 and regarding Mrs Hardisty being the Carers' Champion. These amendments would be made, together with any others notified, and recorded via 'tracked changes' for enacting via Chair's Action.</p>	<p>CW</p> <p>CW</p>
	<p>The Committee DISCUSSED and SUPPORTED the content of the Draft Accountability Report, providing any feedback that is relevant to its objective to the Director of Corporate Governance/Board Secretary by 25 May 2023, in order to PROVIDE ASSURANCE to the Board that a robust governance process was enacted during the year.</p>	

<p>AC(23)106</p>	<p>Draft Annual Accounts 2022/23</p> <p>Ms Davies introduced the Draft Annual Accounts 2022/23 report, advising that these had been prepared and submitted in accordance with the deadline. Introducing the presentation, Ms Davies highlighted the key areas in terms of content. With regard to Revenue Resource Performance, the Health Board had not achieved the Welsh Government target. Members' attention was drawn to the £52.3m strategic non-repayable cash only support received in 2022/23. The Capital Resource Performance target had been achieved. The Duty to prepare a Three Year Plan had not been achieved; this was cited by Welsh Government as a reason for placing the Health Board into Targeted Intervention for planning and finance. The Health Board had achieved the target for Prompt Payment, and the organisation's performance in this regard during the past two years was detailed. Slide 7 provides information relating to IFRS 16, the new accounting standard effective from 1 April 2022. A great deal of work has been undertaken on this challenging area, in anticipation of potential queries from Audit Wales. IFRS 16 impacts on almost every part of the Health Board's accounts. Mr Timothy John advised that leases are now required to be reflected as assets on the balance sheet. For Hywel Dda UHB, this involves 175 leases, with a value of over £9m. Whilst not material in monetary terms, this is material by nature. Slide 8 details information on balance sheet and statement of comprehensive net expenditure, together with risks and mitigations.</p>	
-------------------------	--	--

Referencing the last of these, Mr Davies noted that the Health Board has a number of managed service contracts within IT for software, and queried whether these might be indicated. Mr John confirmed that this was potentially the case for some IT contracts (software does not fall under IFRS16). In response to a further query around whether this involved systems operated by Digital Health & Care Wales (DHCW), Ms Davies explained that those concerned were generally more local, such as Pathology systems. Mrs Hardisty highlighted that the Health Board has a number of Managed General Practices, some of which involve leases on premises. Referencing the statement on Slide 7 'with exception of leases with length less than a year...', Members were advised that when the Health Board takes on a Managed Practice, the situation is always reviewed annually. Mrs Hardisty was concerned, however, with regard to the implications of potentially excluding Managed Practices leases on the basis of them being less than a year, should the arrangement (and by virtue of this, the lease) then be extended beyond a year. In response, Ms Davies explained that this type of detail would need to be worked through with Audit Wales. The Health Board works on the assumption of an implied lease for Managed Practice premises. Other queries discussed included the issue of depreciation with lease vehicles. Mr John moved on to Slide 10, which details expenditure on healthcare from other providers, with three matters highlighted in particular. With regard to Slide 11, Members were informed that the pay awards noted therein only refers to those currently agreed. The increased gas and electricity costs are as to be expected. Expenditure on depreciation is due to various impacts. Slide 12 includes an entry for Right of Use Assets; this is a new value resulting from IFRS 16. Slide 13 details a significant increase in Clinical Negligence costs in Secondary Care, although there has been a reduction in the number of cases. Next steps include possible adjustments to the accounts relating to pay awards; Audit Wales is currently conducting their audit. The final accounts will be presented to ARAC on 26 July 2023, with the aim of Audit Wales signing these off on 31 July 2023.

Cllr. Evans thanked Ms Davies and Mr John for the report, presentation and additional information. With regard to the pay award, Mrs Hardisty referenced suggestions that this may not be fully funded in England and enquired whether there is any indication of the same in Wales. Mr Spratt advised that there is nothing definitive, as this topic remains very much within the political arena at present. Mr Weir noted that the use of consultancy services appears to have decreased. It was suggested that inclusion of a comparison of COVID-19 expenditure in the presentation would be useful. In respect of the latter, Ms Davies advised that the comparison between 2022/23 and 2021/22 is included under note 34 of the accounts, on page 73. The amounts were £112m last year and £22m this year. Mr Spratt wished to record his thanks to members of the Finance team, who had worked extremely hard to submit the draft accounts to the required deadline. Also, to the Audit Wales team, for their contribution to constructive discussions at a local level.

Referencing issues in relation to financial practices at Betsi Cadwaladr UHB, Cllr. Evans requested assurance that there were no such issues at Hywel Dda UHB, particularly in respect of accruals. Mr Spratt stated

	<p>that he was confident these matters have been examined. Mr Spratt noted that he could provide full assurance in this respect as the Health Board has a new financial management system, Blackline, and has undertaken a great deal of training and focus on professional financial practice during the past 12-18 months. Nothing of concern has been identified to date; however, this will continue to be an area of focus to ensure that good practice is embedded. Cllr. Evans enquired whether Audit Wales is strengthening its approach to financial audit as a result of the issues identified at Betsi Cadwaladr UHB. Ms Evans confirmed that Audit Wales is considering all of the findings, whilst assuring Members that a focus is always placed on this area and the approach employed would identify such issues. The Committee thanked the Finance team for their work.</p>	
	<p>The Committee DISCUSSED the draft annual accounts for 2022/23.</p>	

AC(23)107	Any Other Business	
	There was no other business reported.	

AC(23)108	Date and Times of Next Meetings	
	9.30am, 20 June 2023 (Routine Meeting)	
	9.30am, 26 July 2023 (Final Accounts)	

APPROVED