

**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, 5 <sup>th</sup> May 2020
Venue:	Boardroom, Corporate Offices, Ystwyth Building, St David's Park, Carmarthen

Present:	Mr Paul Newman, Independent Member (Committee Chair) (VC) Mr Mike Lewis, Independent Member (Committee Vice-Chair) (VC) Mr Owen Burt, Independent Member (VC) Mr Maynard Davies, Independent Member (VC) Cllr. Simon Hancock, Independent Member (VC) Mrs Judith Hardisty, Vice-Chair, HDdUHB (VC) (part)
In Attendance:	Ms Anne Beegan, Audit Wales (VC) Mr Jeremy Saunders, Audit Wales (VC) Mr James Johns, Head of Internal Audit, NWSS (VC) Mrs Joanne Wilson, Board Secretary Mr Huw Thomas, Director of Finance Mrs Charlotte Beare, Head of Assurance and Risk Ms Rhian Davies, Assistant Director of Finance (part) Ms Jennifer Thomas, Senior Finance Business Partner (part) Ms Clare Moorcroft, Committee Services Officer (Minutes)

Agenda Item	Item	
AC(20)76	<b>Introductions and Apologies for Absence</b> Mr Paul Newman, Audit & Risk Assurance Committee (ARAC) Chair, welcomed everyone to the meeting. No apologies for absence were received. Members noted that Mrs Joanne Wilson would present the Annual Quality Statement on behalf of Mrs Mandy Rayani.	

AC(20)77	<b>Declaration of Interests</b> Mr Maynard Davies declared an interest in item AC(20)80 and specifically WHC 053-15, advising that he had previously worked with the NHS Wales Informatics Service (NWIS).	
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AC(20)78	<b>Internal Audit Plan Progress Report</b> Mr James Johns presented the Internal Audit (IA) Plan Progress report, advising that this is somewhat shorter than the usual report, however outlines key actions since the previous meeting. A number of IA reports have been finalised since the meeting on 21 <sup>st</sup> April 2020, and work has commenced on the Standards of Behaviour audit. The IA team is working through management responses, and progress in this regard is outlined within the report. During discussion of the report, the following comments were made:  <ul style="list-style-type: none"> <li>It was suggested that there should be reference to the lessons learned in terms of timing of audits/spread of audits across the year.</li> </ul>	JJ
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	<p>In response, Members were advised that this learning would be applied to the 2020/21 IA Plan;</p> <ul style="list-style-type: none"> <li>• With regard to current restrictions to working practices resulting from COVID-19, and the impact of these on IA activity; Members heard that this will be covered in the later item AC(20)84;</li> <li>• Whilst noting that the timescale for the Standards of Behaviour audit will be different as this has only just commenced, there was a query regarding the anticipated timescales for finalisation of the other outstanding draft IA reports. In response, Members were informed that the IA team are taking steps to ensure that as many of these are finalised as possible for the 27<sup>th</sup> May 2020 meeting. To this end, a number of discussions are taking place with UHB management, in order to finalise management responses;</li> <li>• It was agreed that a further update on progress, to include expected completion dates, will be provided to the Board Secretary in 7 days;</li> <li>• Members were informed that an email had been sent to all UHB Executives following the ARAC meeting on 21<sup>st</sup> April 2020, emphasising the need to work with Internal Audit to finalise reports. The Executive Team had raised concerns that draft reports had been submitted to ARAC without individual Directors having had the opportunity to review these. It was noted this would be raised at the close out meetings with the Internal Audit team.</li> </ul>	JJ
	The Committee <b>CONSIDERED</b> the Internal Audit Progress Report and the assurance provided by the overall annual opinion.	

AC(20)79	<p><b>Compliance with Ministerial Directions</b></p> <p>Mrs Joanne Wilson presented the NHS Non-Statutory Instruments Update (Ministerial Directions) report, advising that it is intended to provide assurance that the UHB has a process in place to comply with Ministerial Directions and provide an update on progress. The report details those Ministerial Directions received and information regarding compliance. Of the 13 issued, 3 were not applicable to the UHB, 9 have been implemented and 1 remains in progress due to the fact it has only recently been received.</p> <p>In response to a query regarding the Ministerial Direction in progress, Members were informed that the Mental Health Act team are reviewing this directive, and will refer any requirements directly to Board should this be necessary. Mr Newman noted that the Committee is not provided with evidence of implementation for Ministerial Directions, and was advised that the process is different to that used for Welsh Health Circulars. Currently, the Governance team work with service leads to monitor/ensure compliance. Mrs Wilson suggested that Ministerial Directions could be aligned to Board committees or the Executive Performance reviews for monitoring (once committees are back in operation), if it was felt that this would provide greater assurance.</p> <p>The Committee <b>NOTED</b> the Non-Statutory Instruments (Ministerial Directions) which have been issued and <b>ENDORSED</b> the confirmation that the UHB is compliant with these.</p>	JW
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AC(20)80	<p><b>Compliance with Welsh Health Circulars</b></p> <p>Mrs Wilson introduced the Welsh Health Circulars (WHCs) report, reminding Members that Executive Team Performance Reviews have</p>	
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	<p>been stood down for the time being. The report, however, is more to do with providing assurance regarding the process for management of WHCs, which is via Board committees, specifically the Quality, Safety &amp; Experience Assurance Committee (QSEAC) and the former Business Planning &amp; Performance Assurance Committee (BPPAC). During discussion of the report, the following comments were made:</p> <ul style="list-style-type: none"> <li>• WHC 018-17 – whilst there is a detailed explanation, there is no sense of when compliance might be achieved. An update/further detail would be obtained;</li> <li>• WHC 034-17 – there is a statement that ‘after full consultation this will be reported to the Written Control Group meeting for ratification (hopefully November 2019 meeting)’. An update was requested. Members were advised that this policy does not yet appear as approved on the UHB’s policy webpage. Progress will be monitored by means of the relevant risk review; however, an update regarding this delay would be obtained;</li> <li>• WHC 053-15 – although attempts have been made, no update has been received from NWIS. However, checks will be made within the UHB to establish whether there is any further progress.</li> </ul> <p>Mrs Wilson assured Members that the Governance team is working with Executives and their teams to obtain updates on operational matters, as discussed at the previous meeting.</p> <p>The Committee was <b>ASSURED</b> that there is a process in place within the UHB to monitor the implementation of WHCs and that outstanding WHCs will be reviewed with Services to ascertain the impact of COVID-19 on delivery.</p>	<p>CB</p> <p>CB</p> <p>CB</p>
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AC(20)81	<p><b>Draft Audit &amp; Risk Assurance Committee Annual Report 2019/20</b></p> <p>Mr Newman presented the Draft Audit &amp; Risk Assurance Committee Annual Report 2019/20, and requested feedback from Members, with the following comments made:</p> <ul style="list-style-type: none"> <li>• In respect of the Private Meeting with Auditors detailed on page 20, it was suggested that the meeting with one body had not been as useful as it might have been. Members were assured that all participants had been fully informed with regards to the purpose of the meeting;</li> <li>• In response to a query regarding the notes from this meeting, Members were reminded that with this being a private meeting, no UHB officers are permitted to be present and no notes are, therefore, produced;</li> <li>• It was agreed that those Independent Members present at the Private Meeting should be recorded, together with the fact that this meeting is not minuted.</li> </ul> <p>Subject to the above amendments, the Committee <b>ENDORSED</b> the content of the ARAC Annual Report for onward submission to the Board.</p>	<p>JW</p>
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AC(20)82	<p><b>Assurance Report on Board Effectiveness</b></p> <p>Mrs Wilson presented the Assurance Report on Board Effectiveness, explaining that Board self-assessment is a requirement of the annual</p>	
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	<p>Accountability Report. Members heard that the UHB had intended to pilot a new approach to self-assessment, and as part of this, it had been envisaged that there would be discussion at the April 2020 Board Seminar. However, as a result of COVID-19, the Board Seminar was cancelled and replaced with a formal Board meeting. The report before the Committee represents the view of the Chair and Chief Executive in terms of their assessment of the organisation's position. Members were asked to recognise that, whilst this process has not been as inclusive as intended or desired, current circumstances have precluded full Board involvement. During further discussion, the following points were raised:</p> <ul style="list-style-type: none"> <li>• The process applied is reasonable under the circumstances and the assessment level is appropriate;</li> <li>• In response to a query with regard to whether there will be any reflection on the Board's effectiveness in responding to COVID-19, Members were informed that this will probably form part of next year's self-assessment, together with the Audit Wales Structured Assessment;</li> <li>• Audit Wales will be providing an independent assessment of the UHB's emergency governance arrangements. To this end, Ms Anne Beegan will be observing at a number of UHB meetings, including the Recovery, Learning &amp; Innovation Group and will be liaising regularly with the Board Secretary;</li> <li>• Whilst agreeing that Assessment Matrix Level 3 is appropriate for the organisation, it was suggested that the UHB is a 'strong 3';</li> <li>• There was uncertainty around how the organisation would demonstrate adequate evidence for Matrix Level 4;</li> <li>• The Chief Executive shares the view that HDdUHB is a 'strong 3' and had suggested that more stability in services would be required before Level 4 could be evidenced.</li> </ul> <p>Whilst the process has not been as inclusive as planned due to COVID-19, the Committee was <b>ASSURED</b> by the process that has been undertaken this year to review the Board's effectiveness.</p>	
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<b>AC(20)83</b>	<p><b>Draft Accountability Report</b></p> <p>Mrs Wilson thanked Mrs Charlotte Beare for her work preparing the Accountability Report, together with other year-end documentation. Whilst WG have extended deadlines for submission of year-end documentation, HDdUHB would prefer to adhere to the original timescales, to allow a greater focus on COVID-19. Mrs Wilson advised that WG had requested that Health Boards include reference to COVID-19 in their Accountability Report; checks have been conducted and Members were assured that HDdUHB has exceeded WG requirements in terms of detail around COVID-19. Members were informed that the draft Accountability Report will be circulated to all Board Members for comment, following review by the Chief Executive Officer. Following today's meeting, the report would be submitted to Audit Wales and Welsh Government. During subsequent discussion, the following feedback was received:</p> <ul style="list-style-type: none"> <li>• Page 34 – should 'Hywel Dda Regional Partnership Board' read 'West Wales Regional Partnership Board';</li> </ul>	
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	<ul style="list-style-type: none"> <li>Page 77/78 – lines in column ‘Attendance at Meetings’ for Simon Hancock’s entry need realigning with previous column;</li> <li>The ‘Risk Heat Map’ on page 39 is an extremely useful summary of the UHB’s key risks, and consideration should be given to publishing this more widely.</li> <li>The report was an accurate reflection of the Health Board</li> </ul>	JW
	Members were requested to forward any further feedback/comments to Mrs Wilson, who would produce a summary of these for Mr Newman to approve.	ALL
	<p>The Committee <b>DISCUSSED</b> and <b>SUPPORTED</b> the content of the Accountability Report, and <b>AGREED</b> to provide any feedback that is relevant to its objective, to the Board Secretary by 13<sup>th</sup> May 2020, in order to provide assurance to the Board that a robust governance process was enacted during the year.</p> <p>The Committee <b>AGREED</b> that the final version of the report be approved via ARAC Chair’s action, prior to onward submission to the Board for final ratification.</p>	

AC(20)84	<p><b>Draft Head of Internal Audit Annual Report &amp; Opinion 2019/20</b></p> <p>Mr Johns presented the Draft Head of Internal Audit Annual Report &amp; Opinion 2019/20, outlining the purpose, structure and content of the report. Various individual sections of the report were highlighted, including:</p> <p>Section 1.2 – details the overall audit opinion for 2019/20 (Reasonable Assurance), representing a positive outcome for the UHB.</p> <p>Section 1.3 – includes additional narrative around the impact of COVID-19. It was noted that Internal Audit had still been able to provide an overall audit opinion in line with the requirements of the Public Sector Internal Audit Standards, although in determining the overall audit opinion, it had been necessary to take into account certain reports which are/were in draft form.</p> <p>Section 1.4 – provides a summary of audit assignments.</p> <p>Section 2.1 – outlines roles and responsibilities.</p> <p>Section 2.4.2 – supplies further narrative on the rationale behind the overall audit opinion, including key considerations. The Capital and Estates Management domain had presented a challenge in terms of determining the overall assurance rating. Internal Audit had taken into consideration the balance of audits undertaken and their outcomes, together with improvements delivered in-year, for example in Water Safety Management.</p> <p>Section 3 – details other audit work undertaken across NHS Wales.</p> <p>Section 4 – outlines delivery of the Internal Audit Plan during the year.</p> <p>Section 5 – provides a summary of audit results.</p>	
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	<p>Appendices – supply further detail/information for the Committee.</p> <p>Noting reference to Capital and Estates Management, Mr Newman suggested that the final outcome for this domain must have been finely balanced. Mr Johns accepted that this was the case, whilst explaining that more recent Internal Audit work, particularly follow-up audits, improvements made and discussions with management had resulted in the Reasonable Assurance rating for this domain. In response to a query regarding the impact on the overall audit opinion should this domain have been rated Limited Assurance, Members heard that the overall opinion would still have been Reasonable Assurance. This is because, to qualify for a rating of Reasonable Assurance, 5 out of the 8 domains must be rated Reasonable Assurance or more. Even if the Capital and Estates Management domain had been rated Limited Assurance, 6 out of 8 domains would have been rated Reasonable Assurance. Mr Newman highlighted that, whilst the Capital and Estates Management domain had occupied almost a third of the IA work programme (12 out of 40 audits), no weighting had been applied to reflect this. Mr Johns reiterated that the Internal Audit team had determined that a Reasonable Assurance rating was, on balance, appropriate for this domain.</p> <p>Referencing Section 3 and audit work undertaken with other NHS organisations, Mr Thomas enquired why Health Education &amp; Improvement Wales (HEIW) is not included. It was also suggested that it would be reasonable for HDdUHB to have sight of issues which might impact upon the organisation. For example, the two NWIS Limited Assurance reports in Supplier Management and GDPR were highlighted as potentially serious risks for the UHB, with a potential material impact on its position. In response to the first query, Mr Johns acknowledged that HEIW has not yet been included among the NHS organisations covered by Internal Audit work. However, he committed to discuss this with the Director of Audit and Assurance. With regard to the second query, Members were informed that IA reports on other NHS organisations are issued to Health Board management for information, and that consideration is given to the material impact of findings on Health Boards, when reports are finalised. However, as it was unclear to whom in the UHB these reports are sent, it was agreed that this would be discussed further by Mr Johns, Mrs Wilson and Mr Thomas. Mr Newman agreed that it was important to be aware of Limited Assurance reports issued to other NHS organisations which might impact upon the UHB. It was requested that such detail be included in the Internal Audit Plan Progress Report, with the relevant reports to be provided should ARAC deem this necessary.</p> <p>Concluding discussions, Mr Newman looked forward to receiving the finalised report, and requested that this include anticipated completion dates for any IA reports which remain in draft at that point. ARAC also requested that the aforementioned reference to the impact of back-loading the IA plan and the issues this had caused be included.</p> <p>The Committee <b>NOTED</b> the Draft Head of Internal Audit Report and Opinion 2019/20.</p>	<p>JJ</p> <p>JJ/JW/ HT</p> <p>JJ</p>
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AC(20)85	<p data-bbox="308 143 703 181"><b>Annual Quality Statement</b></p> <p data-bbox="308 181 1350 622">Mrs Wilson introduced the Annual Quality Statement (AQS), explaining that this is presented to the Committee to provide assurance that it has been prepared in compliance with the relevant WHC. Members noted that the AQS has been considered in detail by QSEAC, and by a ‘virtual’ Stakeholder Reference Group. Due to COVID-19 pressures, it had not been possible to utilise a Readers’ Panel and translation time restraints and concerns were highlighted. Although WG has extended the deadline for submission, HDdUHB is planning to comply with the original deadline. Mr Owen Burt confirmed that the AQS had been circulated to the Stakeholder Reference Group, and hoped that Members had provided feedback/comments. During further discussion, the following comments were made:</p> <ul data-bbox="308 663 1350 887" style="list-style-type: none"> <li>• It was suggested that the tables such as that on page 10 are not especially clear in terms of evidencing that the UHB achieved what it set out to;</li> <li>• On page 22, it should be clarified that the Learning Disabilities Charter was signed by those Executives and IMs in post at that point in time, and that others have joined the organisation since.</li> </ul> <p data-bbox="308 920 1350 958">Mrs Wilson would feed back these comments to the report’s authors.</p> <p data-bbox="308 958 1350 1106">The Committee was <b>ASSURED</b> that, in the drafting of the Annual Quality Statement for 2019/20, the University Health Board has complied with the requirements of Welsh Health Circular (WHC) Annual Quality Statement 2019/2020 Guidance.</p>	<p data-bbox="1390 920 1445 958">JW</p>
AC(20)86	<p data-bbox="308 1142 1155 1218"><b>Audit Enquiries to those Charged with Governance and Management</b></p> <p data-bbox="308 1218 1350 1301"><i>Ms Rhian Davies and Ms Jennifer Thomas joined the Committee meeting.</i></p> <p data-bbox="308 1335 1350 1518">Mr Thomas presented the standard annual letter from Audit Wales Audit Enquiries to those Charged with Governance and Management, advising that it had not been possible to prepare a response yet, as this had not been received until 1<sup>st</sup> May 2020. The Finance team will draft a response for consideration at the ARAC meeting on 27<sup>th</sup> May 2020.</p> <p data-bbox="308 1552 1350 2096">Noting the requirement to state whether the UHB is compliant with relevant laws and regulations; Mr Newman enquired whether there is a central list of these, and whether the UHB has ensured its compliance against every one. Members were advised that, whilst there is a central list, compliance has not been checked against every entry. Mrs Wilson reminded Members that a similar query was raised last year in relation to the Legislative Assurance Framework, and suggested that the wording utilised in this respect be reviewed, as it may be applicable. Mr Thomas explained that the question is more concerned with whether the UHB has a route/process in place to ensure compliance with relevant legislation and regulations, which was confirmed by Mr Jeremy Saunders on behalf of Audit Wales. Whilst acknowledging this, Members were reminded that there have been recent issues around UHB compliance with legislation, the European Working Time Directive and Health &amp; Safety Act being just two examples. Mrs Beare assured</p>	

	Members that both of these issues are included in the Legislative Assurance Framework and are ranked as Limited Assurance.	
	Mr Thomas assured Members that the UHB has a process in place to provide reasonable assurance that it is compliant with laws and regulations.	
	The Committee <b>NOTED</b> the evidence requested by Audit Wales and that a response would be drafted for consideration at the next meeting.	

<b>AC(20)87</b>	<b>Draft Annual Accounts 2019/20</b>	
	<p>Mr Thomas outlined the Draft Annual Accounts 2019/20, explaining that the preparation of these had been challenging for a variety of reasons.</p> <p>Members received a presentation summarising the key elements of the 2019/20 Annual Accounts, with the following highlighted:</p> <p>Slide 3 (Performance against Financial Targets; Revenue Resource Performance) – target not achieved. The year-end deficit for 2019/20 was £34.9m, contributing to a cumulative 3 year deficit of £139.8m.</p> <p>Slide 4 (Performance against Financial Targets; Capital Resource Performance) – target achieved. Expenditure had not exceeded the funding allocation. £400k had been spent on COVID-19 preparations, however this is being reimbursed by WG.</p> <p>Slide 5 (Performance against Financial Targets; Duty to prepare a 3 Year Plan) – target not achieved.</p> <p>Slide 6 (Performance against Financial Targets; Prompt Payment Code) – target achieved, with 96.2% of invoices paid within 30 days.</p> <p>Slide 7 (Key Issues; Impact of COVID-19) – there was an increased revenue spend at the end of the year of £1.6m, which it has been confirmed will be funded by WG. Returns regarding Annual Leave accrual have had to be estimated, based on an extrapolation of last year's data. Certain stocktaking levels have had to be estimated, although others had already been completed or are automated. The impact of COVID-19 on Primary Care prescribing is not currently known, and there are national discussions on the likely impact of this.</p> <p>Slide 8 (Key Movement) – this summarises the areas which have seen key change from last year.</p> <p>Slide 9 (Expenditure on Healthcare from Other Providers) – the increase in costs resulting from the WHSCC Integrated Commissioning Plan was highlighted.</p> <p>Slide 10 (Expenditure on Hospital and Community Health Services) – the increase in pay costs and in employer's pension contributions (£17m) were highlighted. It was noted that the number of UHB staff has increased by more than 400 since last year. Increased capital schemes have also led to increases in costs.</p>	



Slide 11 (Provisions) – Clinical Negligence claims have increased significantly, although this is an increase in value of claims rather than an increase in number of claims, as evidenced by the cases summary.

Slide 12 (Next Steps) – Audit Wales is currently conducting a ‘virtual’ audit of the UHB’s accounts; HDdUHB is further ahead in this respect than other Health Boards, as a similar process was used last year.

Conscious that there had been a delay in sending annual accounts papers, Mr Thomas stated that he would be happy to have separate discussions with individual Members if they wished to clarify specific queries. If required, a summary of questions and answers could be prepared.

In conclusion, Mr Thomas wished to highlight in particular the reduction in year-end deficit, whilst acknowledging that there had been a £27m WG allocation following the Zero Based Review. Members’ attention was also drawn to the significant increase in Capital Resource Limit, IT and Estates in particular, which reflects in particular the efforts of Mrs Karen Miles’ team. In terms of COVID-19, whilst it would be desirable to distinguish COVID-19 stock impact, it is not currently possible to separate this out. During subsequent discussion of the report, the following points were raised:

- With regards to the almost £140m cumulative 3 year deficit, is there any expectation from WG that the UHB will repay any of this? In response, Members were advised that the more significant deficit is the cash deficit, which WG has been supporting;
- Whilst this is regarded as repayable, WG has not to date broached enforcing this. To do so would make achieving any medium-term plan extremely difficult;
- It was noted that an announcement had been made in one of the UK Government daily COVID-19 briefings that historical NHS debt was to be written off. However, Members were reminded that in England, historic deficits resulted in loans from the Department of Health, which have now been written off. In Wales, the cash impact of deficits have always been funded and, therefore, there is nothing to write off;
- Members noted that the Chair of the Finance Committee has not yet seen the draft annual accounts. It is not intended to present them to the Finance Committee;
- With regard to Provisions, and Clinical Negligence claims specifically, it was suggested that there needs to be a greater focus on learning from these events, to avoid repetition and future claims;
- It was noted that the Clinical Negligence caseload includes a considerable number of aged cases; this suggests a need to learn lessons more quickly;
- Whilst it was recognised that Clinical Negligence represents a significant opportunity for preventing future costs, this topic needs to be discussed with the Director of Nursing, Quality & Patient Experience and the Medical Director, to ensure that work is not duplicated;

**ALL**

	<ul style="list-style-type: none"> <li>The UHB Chair is keen to focus on this area, and has raised it with the Director of Nursing, Quality &amp; Patient Experience and Assistant Director of Nursing (Legal and Patient Support). It is intended to establish a Listening and Learning Sub-Committee, which will report via the formal governance structure;</li> <li>In terms of timescales, the final accounts were due to be submitted to ARAC on 27<sup>th</sup> May 2020. The presentation suggests 23<sup>rd</sup> June 2020. The actual timing will depend on Audit Wales' ability to meet the deadline for submission to the May meeting;</li> <li>If it is not possible to present the accounts to ARAC on 27<sup>th</sup> May 2020, an update on progress will be provided at that meeting.</li> </ul>	<b>HT/JS</b>
	The Committee <b>DISCUSSED</b> the draft annual accounts.	

<b>AC(20)88</b>	<b>Any Other Business</b>	
	There was no other business reported.	

<b>AC(20)89</b>	<b>Date and Time of Next Meetings</b>	
	9.30am, 27 <sup>th</sup> May 2020, Boardroom, Corporate Offices, Ystwyth Building, St David's Park, Carmarthen (Sign-off Annual Accounts)	
	9.30am, 23 <sup>rd</sup> June 2020, Boardroom, Corporate Offices, Ystwyth Building, St David's Park, Carmarthen (standard business)	