

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

Date and Time of Meeting:	9.00am, 7 <sup>th</sup> May 2019
Venue:	Boardroom, Corporate Offices, Ystwyth Building, St David's Park, Carmarthen

Present:	Mr Paul Newman, Interim Vice-Chair (Committee Chair) Mr Mike Lewis, Independent Member (Committee Vice-Chair) Mr Owen Burt, Independent Member Cllr. Simon Hancock, Independent Member Mr David Powell, Independent Member
In Attendance:	Mr Jeremy Saunders, Wales Audit Office Mr James Johns, Head of Internal Audit Mrs Joanne Wilson, Board Secretary Mr Huw Thomas, Director of Finance Mrs Charlotte Beare, Head of Assurance and Risk Ms Sian Passey, Assistant Director of Nursing, Assurance & Safeguarding deputising for Mrs Mandy Rayani, Director of Nursing, Quality & Patient Experience (part) Ms Louise O'Connor, Assistant Director Legal Services & Patient Experience (part) Ms Fiona Powell, Assistant Director of Finance (part) Ms Jennifer Thomas, Senior Finance Business Partner (part) Ms Clare Moorcroft, Committee Services Officer (Minutes)

Agenda Item	Item	
AC(19)90	<b>Introductions and Apologies for Absence</b> 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"> <li>Ms Anne Beegan, Wales Audit Office</li> <li>Mr Simon Cookson, Director of Audit &amp; Assurance, NWSSP</li> <li>Mrs Mandy Rayani, Director of Nursing, Quality &amp; Patient Experience</li> </ul>	

AC(19)91	<b>Declaration of Interests</b>	
	No declarations of interest were made.	

AC(19)92	<b>Legislative Assurance Framework</b> Mrs Charlotte Beare presented the Assurance Arrangements in relation to Health Board Statutory Obligations (Legislative Assurance Framework) report, reminding Members that this forms part of the year-end reporting. Whilst it is not possible to offer absolute assurance, as it is not feasible to incorporate every piece of legislation to which the UHB may be subject, the previous framework has been strengthened. All directorates have been asked to provide information on relevant legislation for inclusion.	
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	<p>Mr Mike Lewis, whilst recognising the challenges involved, was not necessarily comfortable with the concept that the UHB is unable to confirm that it has complied with relevant legislation. Mr Huw Thomas also recognised the challenges, and suggested that the view presented is perhaps overly negative. It may not be possible to identify every piece of legislation; however, there are a number of relevant processes in place, such as the Standing Orders, Standing Financial Instructions and those around Welsh Health Circulars. There are also processes to address any high profile legislative issues emanating from Welsh Government (WG). Mrs Joanne Wilson assured Members that the organisation has risk-assessed this area of work and ensured that key pieces of legislation are included. The experience of Betsi Cadwaladr University Health Board (BCUHB) suggests that to manage the Legislative Assurance Framework more comprehensively would require a full time member of staff. It was noted, however, that other information which will assist HDdUHB going forwards has been shared by BCUHB. Mr Thomas emphasised that Directors are part of national peer groups, work with other Health Boards, and that there are other sources of assurance. Mrs Beare reiterated that improvements are being made to the Legislative Assurance Framework, with an increased focus on this area. This topic is also due to be discussed at the meeting of Audit Chairs in July 2019. Mr Newman agreed that this is a challenging issue, with the position constantly changing. Mr Lewis stated that he was more assured following these discussions.</p> <p><i>Mr David Powell joined the Committee meeting.</i></p> <p>The Committee <b>NOTED</b> the detail contained in the framework and the assurance it provides to the Committee and Board.</p>	
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<b>AC(19)93</b>	<p><b>Compliance with Ministerial Directions</b></p> <p>Mrs Wilson introduced the NHS Non-Statutory Instruments Update (Ministerial Directions) report, advising that it is a requirement for the UHB to demonstrate to WG that it has complied with Ministerial Directions. The report details those Ministerial Directions received and confirmation of compliance.</p> <p>Mr Jeremy Saunders noted that there will be Ministerial Directions from previous years which are extant and relevant, and suggested that it might be appropriate to reflect this in the report. Mrs Wilson agreed to include a statement to this effect and to add a similar statement to the Accountability Report.</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>	<b>JW</b>
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<b>AC(19)94</b>	<p><b>Compliance with Welsh Health Circulars</b></p> <p>Mrs Wilson outlined the Welsh Health Circulars (WHCs) report, explaining that the purpose of this report is to provide assurance that there is a process in place to ensure that WHCs are being monitored via the relevant committees and Board. The report details those WHCs where implementation is behind schedule and the reasons for these delays; implementation is monitored by the relevant Committee.</p>	
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	<p>Referencing WHC 027-17, monitored by the Business Planning &amp; Performance Assurance Committee (BPPAC) Mr David Powell advised that in addition to NWIS issues, there is a long-standing issue relating to a stated requirement for a consultant in Sports Medicine. Members were informed that the clinical duties which would be undertaken by a consultant were, at HDdUHB, carried out by other members of medical staff. Cllr. Simon Hancock enquired regarding potential consequences for non-compliance with WHCs. Mrs Wilson suggested that, although the UHB is not routinely asked to provide evidence of compliance, consequences would depend on the individual WHC.</p> <p>The Committee was <b>ASSURED</b> that there is a process in place within the UHB to monitor the implementation of WHCs.</p>	
<b>AC(19)95</b>	<p><b>Draft Audit &amp; Risk Assurance Committee Annual Report 2018/19</b></p> <p>Mr Newman presented the Draft Audit &amp; Risk Assurance Committee Annual Report 2018-19, which he hoped represented an accurate summary of ARAC's work during the year. Members agreed that this was an extremely comprehensive representation of ARAC's activities. Mr Newman thanked Mrs Wilson and her team for compiling the report.</p> <p>The Committee <b>ENDORSED</b> the content of the report for onward submission to the Board.</p>	
<b>AC(19)96</b>	<p><b>Draft Governance, Leadership and Accountability Standard</b></p> <p>Mrs Wilson introduced the Draft Governance, Leadership and Accountability Standard report, reminding Members that the final version will be presented to ARAC and Board by Mr Steve Moore on 29<sup>th</sup> May 2019. Mrs Wilson outlined the background to this report, noting it is a requirement of the Board to undertake a review of this nature. The draft document has been issued to all Board Members, together with Mr James Johns, and a number of comments have been received. It is suggested that any changes are approved by Mr Newman via Chair's Action.</p> <p>Referencing the final paragraph of page 5, Mr Powell suggested that Primary Care reporting to BPPAC is still not sufficiently developed and that this should be reflected. Likewise, on page 15, the Integrated Performance Assurance Report (IPAR) only relates to performance; the Quality Dashboard remains under development. Mrs Wilson agreed to reflect these comments in the final version. Mr Newman suggested that the statement on page 22 regarding Board to Floor walkabouts being 'embedded' might be somewhat overstating the current position. It was agreed that 'initiated' would be a more appropriate description. On page 60, in relation to Question 50, Mr Newman queried whether there should be a statement around current and planned work to gain a better understanding of the reasons behind the UHB's underlying deficit. Whilst acknowledging this suggestion, Mr Thomas noted that there is a need to consider whether the focus is retrospective or prospective. There are potentially other themes which could be identified in terms of work going forwards. Widening this notion, should ARAC be looking, in its forward workplan, at assessing whether the types of serious issues which have occurred at other Health Boards and Trusts would have been identified locally, ie whether HDdUHB's systems are sufficiently robust. Mrs Wilson assured Members that there are plans to consider potential lessons from recent events within NHS Wales, and to</p>	<p><b>JW</b></p> <p><b>JW</b></p>

	<p>triangulate relevant data. Mr Newman suggested that the sources from which Independent Members seek assurance are key. Mr Newman reiterated concerns regarding current patient feedback levels; whilst the UHB has relatively sophisticated mechanisms for obtaining certain data, this is not the case for patient feedback data. Mr Thomas suggested that, if this is considered a significant 'gap', it should be referred to Executive Team for discussion. Mrs Wilson stated that ARAC has raised this concern on several occasions previously and that the Interim Chair is aware of and keen to address the situation. Mr Thomas agreed to raise this issue at a meeting of the Executive Team.</p>	HT
	<p>The Committee <b>CONSIDERED</b> the content of the Draft Governance, Leadership and Accountability Standard and <b>AGREED</b> that it reflects the current systems and processes relating to governance, leadership and accountability within the UHB. The Committee also <b>AGREED</b> to provide any comments to the Board Secretary by 15<sup>th</sup> May 2019.</p>	
AC(19)97	<p><b>Draft Accountability Report</b></p> <p>Mrs Wilson outlined the Draft Accountability Report 2018/19, advising that this has been approved by Mr Moore and has been shared with Board Members. The draft was submitted to WG, Wales Audit Office and Internal Audit on Wednesday 1<sup>st</sup> May 2019, in accordance with the manual for accounts. A limited number of comments have been received, which are not material; Mrs Wilson requested additional comments by 15<sup>th</sup> May 2019. It is suggested that any changes are approved by Mr Newman via Chair's Action.</p> <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 15<sup>th</sup> May 2019, in order to provide assurance to the Board that a robust governance process was enacted during the year.</p>	
AC(19)98	<p><b>Draft Head of Internal Audit Annual Report and Opinion 2018-19</b></p> <p>Mr James Johns introduced the Draft Head of Internal Audit Report and Opinion 2018/19, reminding Members that this is one of the key documents presented to ARAC and Board on an annual basis. Mr Johns drew Members' attention to several components of the report, including the overall opinion, which was one of Reasonable Assurance. In reaching this opinion, various underlying information had been taken into account. The report also includes a summary of audit assignments, information relating to the audit rating system and details of audit work undertaken across NHS Wales. The report is currently in draft form, with minor amendments to be made, although these will not alter the overall opinion. Mr Johns emphasised that the overall opinion is a positive one and advised that more detail regarding how this had been reached is provided in Section 2.4. One domain (Workforce Management) had been rated Limited Assurance, with an internal audit of Personal Appraisal and Development Reviews (PADRs) awarded a Limited Assurance rating, and workforce issues having been identified during other audits. Members' attention was also drawn to Section 2.6, Statement of Conformance, and Section 3, which outlines wider ranging assurance work across NHS Wales and other nationally hosted bodies, such as WHSSC and EASC. The remainder of the document provides a summary of audits undertaken by assurance rating, with Appendix B detailing audit results by assurance domain.</p>	

	<p>Mr Newman requested confirmation that the report is positive overall, and Mr Johns advised that findings place the opinion comfortably within the Reasonable Assurance bracket. In response to a further query from Mr Newman, Members heard that the two outstanding IA reports are both rated Reasonable Assurance or above. Referencing hosted organisations and assurance relating to these, Mr Thomas emphasised that the UHB is hugely reliant on the services provided by NHS Wales Shared Services Partnership (NWSSP), NHS Wales Informatics Service (NWIS) and the Welsh Health Specialised Services Committee (WHSSC), for example. Mr Thomas suggested that it would be appropriate for ARAC to receive copies of the annual audit opinion for these organisations. Mr Johns advised that the equivalent of an annual audit opinion is available for NWSSP. However, WHSSC and the Emergency Ambulance Services Committee (EASC) are hosted by Cwm Taf Morgannwg University Health Board, and there is no annual audit opinion for these services, only outcomes for individual audits. A limited programme of work with NWIS has commenced, and the outcome of these individual audits will be available. It will not be possible, however, to provide an overall opinion for NWIS at year end. Mrs Wilson further explained that although NWIS is hosted by Velindre NHS Trust, it reports to the Director General of NHS Wales. Whilst Mr Newman acknowledged the suggestion that ARAC should receive these reports, it was emphasised that there is a limit to the UHB's influence and control over these organisations. Mr Thomas accepted this comment, whilst reiterating that the UHB is reliant on the organisations in question to provide services to it, and should be able to source relevant assurance. Mr Powell agreed that it would be useful for ARAC to be provided with a sense of assurance regarding these organisations and the services they supply. It was suggested that relevant reports, particularly those rated Limited Assurance, should be included in the 'For Information' section of the agenda. Mr Newman concurred that relevant reports should be considered by ARAC and issues addressed where possible. Mr Johns agreed to this action, once reports have been finalised and have been subject to all of the relevant reporting structures. Mr Newman thanked Mr Johns for his work.</p> <p>The Committee <b>NOTED</b> the Draft Head of Internal Audit Report and Opinion 2018/19.</p>	<p><b>JJ</b></p>
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<p><b>AC(19)99</b></p>	<p><b>Annual Quality Statement</b></p> <p><i>Ms Sian Passey and Ms Louise O'Connor joined the Committee meeting.</i></p> <p>Ms Sian Passey and Ms Louise O'Connor presented the Annual Quality Statement (AQS) to the Committee, with Members noting that the date by which this needs to be published has been brought forward by WG. The version presented is the final draft as it stands; the document has been considered by the Quality, Safety &amp; Experience Assurance Committee (QSEAC), and it has been agreed that approval will be via Chair's action. Referencing 2019/20 priorities on page 49, Ms Passey advised that potential additions have been identified, which would be incorporated.</p> <p>Mr Newman suggested that, on page 31 (Timely Care), an opportunity</p>	
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	<p>to highlight the work and successes around Referral to Treatment (RTT) has been missed. In contrast, statements around Dental Services on page 34 could be regarded as unduly positive, particularly in view of recent discussions at Board. Mr Newman recommended that improvement work around Dental Services be added to the 2019/20 priorities. It was agreed that the relevant Board minutes would be sent to Ms Passey and Ms O'Connor. Referencing page 38, Mr Newman suggested that the paragraph on Veterans should be moved higher up the page. Finally, there are a number of acronyms throughout the document, including the priorities section, which need to be detailed in full. Mr Owen Burt noted that on page 6, there are a number of statements with supporting statistics; however there is no statistic for the statement relating to deprivation and poverty. Ms Passey committed to approach Mrs Ros Jervis for figures. Concluding discussions, Mr Newman commended the draft AQS, stating that it captures well in a relatively concise document work undertaken during the year. Ms Passey and Ms O'Connor agreed to make the amendments suggested.</p>	<p><b>CM</b></p>
	<p>The Committee <b>NOTED</b> the process followed by the University Health Board in order to compile the 2018/19 AQS and was <b>ASSURED</b> that the AQS complies with requirements of the Welsh Health Circular.</p>	<p><b>SP/ LO'C</b></p>
<b>AC(19)100</b>	<p><b>Audit Enquiries to those Charged with Governance and Management – Draft Response</b></p> <p><i>Ms Fiona Powell and Ms Jennifer Thomas joined the Committee meeting.</i></p> <p>Mr Thomas introduced the Audit Enquiries to those charged with Governance and Management Draft Response, advising that this forms part of the standard year-end processes. Wales Audit Office requests responses to a number of questions; both this year's and last year's responses are provided for comparison.</p> <p>Noting questions on pages 9 and 10 regarding compliance with laws and regulations, Mr Powell queried why the non-compliance with the European Working Time Directive (EWTD) previously discussed by the Committee is not mentioned. Likewise, why this is not mentioned in the Legislative Assurance Framework. Mr Powell highlighted that this is now a matter of public record. Mr Thomas agreed to add a statement around this matter, which recognises that non-compliance has no material impact on the financial statements. It will make reference to the Legislative Assurance Framework. Referencing page 9, Mr Lewis suggested that earlier discussions regarding work with other Health Boards and peer groups should be reflected in the UHB's response.</p>	<p><b>HT</b></p> <p><b>HT</b></p>
	<p>The Committee <b>DISCUSSED</b> the proposed response and, subject to the above amendments, <b>APPROVED</b> its submission via the Annual Accounts process to the Auditor General for Wales.</p>	
<b>AC(19)101</b>	<p><b>Draft Annual Accounts 2018/19</b></p> <p>Mr Thomas advised that the draft Statutory Annual Accounts 2018/19 have been prepared in accordance with the WG timetable and guidelines. The accounts are in a nationally prescribed format, which cannot be altered/tailored to suit local purposes. Members received a presentation summarising the key elements of the 2018/19 Annual Accounts, with the following highlighted:</p>	

Statement of Comprehensive Net Expenditure – Mr Thomas stated that the most significant change is the increase in Expenditure on Hospital and Community Health Services. Whilst this seems contrary to the expected ‘forward path’ of the UHB towards more Primary Care based services, the reason for this increased cost is explained. Noting that £27m recurrent funding has been awarded by WG, Mr Powell enquired whether the figure of £62.7m for Revenue Resource Allocation was also recurrent. Mr Thomas advised that this is a mixture of recurrent and non-recurrent, and that further clarification can be provided if required.

Statement of the Financial Position – Mr Thomas highlighted changes and increases, drawing Members’ attention to the explanatory notes included. Members heard that the UHB’s balance sheet is significantly impacted by the Welsh Risk Pool (WRP), which is one of the reasons why Mr Thomas has suggested that consideration be given to improved reporting at a local level (to ARAC and QSEAC). Mr Newman enquired, given that a number of WRP claims are time-lagged, whether there are reliable expenditure projections for the future year. Mr Thomas confirmed that, once claims have been classed as ‘probable’, this is reflected in financial cost projections. Members were reminded that, as survivorship increases, the cost of claims increases. The UHB is seeing individual cases which involve significant costs, for example £16m for one case. There are projections which show the increase in liability; however, these are based on the number of cases remaining static. Mr Newman enquired whether any routine retrospective analysis is undertaken to assess whether previous years’ projections were realistic. Mr Thomas agreed that it would be appropriate to test the quality of forecasting in this way. It was noted, however, that WRP have not yet had to invoke the system whereby Health Boards pay an additional amount if the WRP budget is exceeded. This suggests that projections are probably realistic.

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Statement of Cash Flows – Mr Thomas highlighted changes, drawing Members’ attention to the explanatory notes included.

Key Judgemental Areas – Provisions – the main issues relate to WRP and Continuing Health Care (CHC) claims, although these are both funded in the main.

Key Judgemental Areas – CHC – the closing balance for CHC claims demonstrates a shortfall in provision and projections have been adjusted to reflect this. CHC claims are managed by Powys Teaching Health Board. Mr Thomas suggested that more complex, longer-term cases will be seen this year, with higher costs.

In response to a query from Mr Lewis, it was suggested that £1.6m is probably a more realistic reflection of the UHB’s liability, although there is potential for it to be higher or lower. Mr Newman noted that these are all historic claims, and requested clarification with regard to the number remaining and likely timescale for resolving the outstanding caseload. Mr Thomas offered to check the number remaining, which he believed to be approximately 12. It was hoped that these would be resolved within the current financial year; however, this is reliant on Powys

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	<p>processing them. A number are estate claims for deceased persons, with several involving closed probate. A significant proportion of the cost involved is interest, with fairly punitive interest rates being applied.</p> <p>Key Judgemental Areas – Fixed Assets – it is inevitable that the UHB will spend more than the asset is worth. Revaluations processes and depreciation both have an impact. Whilst none have an impact on the organisation's 'bottom line', they represent a significant value on the balance sheet.</p> <p>Mr Thomas concluded by stating that, whilst these were items he wished to bring to ARAC's attention, there is nothing within the Annual Accounts about which he has significant concerns. Referencing page 3 of the Annual Accounts, Mr Newman noted the difference in total comprehensive net expenditure between this year and last. Mr Thomas indicated that this is not significant and is influenced by various factors, including property values, etc. Cllr. Hancock requested further clarification regarding miscellaneous income on page 2 and was directed to page 26, where additional information is provided. The bulk of this income is from WHSSC and other contracts for provision of services to other populations. This figure also includes income from Health Education and Improvement Wales (HEIW) placement fees, dental fees, private patients and accommodation charges. Mr Thomas drew Members' attention to the figure for Injury Costs Recovery (ICR) Scheme, stating that this relates to payments from the Department of Work &amp; Pensions following car accidents, for example, where personal injury compensation is paid. These are often significant amounts, however payment tends to be extremely slow and there is little the UHB can do to alter this situation. Mr Powell noted that, on page 29, employee costs charged to capital show a 20% increase from last year. Mr Thomas advised that various members of staff in the Planning and IT departments undertake work on capital schemes, which results in these costs. Mr Newman enquired whether Wales Audit Office has any observations or concerns regarding the Annual Accounts. Mr Saunders stated that this appears to be an 'uneventful' set of accounts, with the caveat that WAO have not yet completed their work. No issues are envisaged. Mr Thomas advised that HDdUHB and WAO are piloting a new way of working on the accounts, which is 'offsite'. Members of both organisations will, however, continue to meet when necessary. Members were informed that Mr Thomas was happy to undertake individual conversations if there are specific queries regarding the Annual Accounts. The accounts will also be considered by the Finance Committee at its next meeting.</p> <p>The Committee <b>DISCUSSED</b> the draft annual accounts.</p>	
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<b>AC(19)102</b>	<b>Any Other Business</b>	
	There was no other business reported.	

<b>AC(19)103</b>	<b>Date and Time of Next Meeting</b>	
	9.30am, 29th May 2019, Boardroom, Corporate Offices, Ystwyth Building, St David's Park, Carmarthen (Sign-off Annual Accounts); 9.30am, 25 <sup>th</sup> June 2019, Boardroom, Corporate Offices, Ystwyth Building, St David's Park, Carmarthen (standard business)	