

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

Date and Time of Meeting:	10.00am, 9 <sup>th</sup> June 2022
Venue:	Via MS Teams

Present:	Mr Paul Newman, Independent Member (Committee Chair) (VC) Mr Winston Weir, Independent Member (Committee Vice-Chair) (VC) Professor John Gammon, Independent Member (VC) Mr Maynard Davies, Independent Member (VC) Mrs Judith Hardisty, Vice-Chair, HDdUHB
In Attendance:	Ms Clare James, Audit Wales (VC) Ms Eleanor Ansell, Audit Wales (VC) Mr James Johns, Head of Internal Audit, NWSSP (VC) Ms Sophie Corbett, Deputy Head of Internal Audit, NWSSP (VC) Mr Gareth Heaven, Internal Audit, NWSSP (VC) Miss Maria Battle, Chair, HDdUHB Professor Philip Kloer, Deputy Chief Executive, HDdUHB Mrs Joanne Wilson, Board Secretary Mr Huw Thomas, Director of Finance Ms Jill Paterson, Director of Primary Care, Community & Long Term Care (VC) (part) Mr Kelvin Barlow, Head of Regional Collaboration (VC) (part) Ms Clare Moorcroft, Committee Services Officer (minutes)

Agenda Item	Item	
AC(22)103	<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>Mr Steve Moore, Chief Executive, HDdUHB</li> <li>Mrs Charlotte Beare, Assistant Director of Assurance &amp; Risk</li> <li>Ms Anna Bird, Assistant Director Strategic Partnerships, Diversity &amp; Inclusion</li> </ul>	
AC(22)104	<b>Declaration of Interests</b> Mrs Judith Hardisty declared an interest in item <b>AC(22)109</b> due to her role as Chair of the Regional Partnership Board (RPB).	
AC(22)105	<b>Minutes of the Meeting held on 19<sup>th</sup> April and 5<sup>th</sup> May 2022</b> <b>RESOLVED</b> – that the minutes of the Audit & Risk Assurance Committee meetings held on 19 <sup>th</sup> April and 5 <sup>th</sup> May 2022 be <b>APPROVED</b> as a correct record.	

AC(22)106	<b>Table of Actions</b>	
	An update was provided on the Table of Actions from the meeting held on 19 <sup>th</sup> April and 5 <sup>th</sup> May 2022 and confirmation received that outstanding actions had been progressed, with the exception of <b>AC(22)100</b> , which would be updated when the Table of Actions is next presented. There were no matters arising. Completed actions would be removed from the Table of Actions.	
AC(22)107	<b>Matters Arising not on the Agenda</b>	
	There were no other matters arising not on the agenda.	
AC(22)108	<b>Internal Audit Plan Progress Report</b>	
	Mr James Johns presented the Internal Audit (IA) Plan Progress report, highlighting the single audit on Risk Management & Board Assurance Report finalised since the previous meeting. This completes delivery of the Internal Audit Plan for 2021/22.	
	The Committee <b>TOOK ASSURANCE</b> from the progress report in terms of the full delivery of the annual plan and outcomes from the finalised audit reports.	
AC(22)109	<b>Partnership Governance Follow-up (Reasonable Assurance)</b>	
	<p><i>Ms Jill Paterson and Mr Kelvin Barlow joined the Committee meeting.</i></p> <p>Ms Sophie Corbett introduced the Partnership Governance Follow-up report, based on an audit intended to establish progress on agreed actions arising from the previous internal audit, which had considered the adequacy of the arrangements and management of allocated integrated care funds in line with national legislation. Overall, positive progress was noted in the implementation of management actions, with six of the eight recommendations fully implemented, and progress being made on the outstanding two actions. This had resulted in an overall rating of Reasonable Assurance. Ms Corbett advised that an Internal Audit on the new Regional Integration Fund (RIF) funding regime will be conducted later in the year. Introducing himself, Mr Kelvin Barlow advised that he had commenced in post in November 2021, after the original audit; however, has been and will continue to be involved in resolving the outstanding recommendations/actions. Ms Jill Paterson welcomed the opportunities the audit had offered and emphasised that lessons are already been learned which will feed into RIF governance arrangements. It was suggested that a number of Board level Committees will need to become more familiar with regional arrangements and how these operate, as they will be influential in various ways. Ms Paterson thanked Mr Barlow for his efforts in progressing the actions identified; it is likely that these will need to be taken forward into future working arrangements. Ms Paterson concluded by stating that the audit had presented a valuable learning experience and that further discussions would be welcomed.</p> <p>Noting that requirements around the RIF will be common to all RPBs and Health Boards, Mrs Judith Hardisty enquired whether NHS Wales Shared Services Partnership/ NHS Wales Audit and Assurance Services have discussed a unified approach. Within the online Chat, Mr Huw Thomas agreed that a national view comparing and contrasting</p>	

	<p>approaches across each region would be extremely helpful. In response, Mr James Johns explained that the planned audit in relation to the RIF has been scoped in response to specific local requirements. A wider approach could, however, be considered. To provide additional assurance regarding Matter Arising 4, Mr Barlow advised that a Performance &amp; Finance Group has been established, which has already met on two occasions. This is intended to provide an additional level of scrutiny and oversight. Ms Paterson suggested that scrutiny around the role of HDdUHB as 'banker' for regional funds can sometimes be confused with the scrutiny of the partnership itself. Members were reminded that the UHB is also one of the partners responsible for commissioning services, etc. The latter may require the involvement of the wider RPB, which can be discussed further.</p> <p>Mr Newman suggested that the comments highlight the issues around a lack of independent scrutiny of partnership governance arrangements. Responding, Ms Paterson emphasised that RPBs are expected to provide regular reports to Welsh Government. Internal and external audits are also conducted. Should it be required, an intent to scrutinise arrangements further could be signalled through the RPB, to make all partners aware. Mr Newman explained that he was not suggesting that the UHB take on this scrutiny role; rather that he was highlighting the gap which exists. Mrs Joanne Wilson offered to raise this at the All Wales Board Secretaries Network meeting on 10<sup>th</sup> June 2022, as Mr Simon Cookson, NWSSP Director of Audit &amp; Assurance, would be present. Responding to a query around the position in terms of monitoring the management response and addressing the outstanding recommendations, Mr Barlow reminded Members that a Performance &amp; Finance Group had been established, which could review the recommendations and report back to ARAC if required. Mr Johns and Mrs Wilson explained that outstanding recommendations would be monitored via the Audit Tracker. They would, however, require timescales to be defined, which would be discussed with Ms Paterson and Mr Barlow. In order to reflect the fact that the Integrated Care Fund (ICF) no longer exists, Ms Paterson highlighted that any actions would need to reference 'future funding arrangements' rather than the ICF specifically. Within the online Chat, Mrs Hardisty suggested that this might be an appropriate topic for discussion at the All Wales NHS Audit Committee Chairs' meeting.</p> <p><i>Ms Paterson and Mr Barlow left the Committee meeting.</i></p> <p>The Committee <b>NOTED</b> the Partnership Governance Follow-up (Reasonable Assurance) report.</p>	<p>JJ</p> <p>JW</p> <p>CB/JP/ KB</p>
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<p>AC(22)110</p>	<p><b>Risk Management &amp; Board Assurance Framework (Substantial Assurance)</b></p> <p>Ms Corbett introduced the Risk Management &amp; Board Assurance Framework report. The purpose of this audit had been to review the organisation-wide risk management arrangements and development of the Board Assurance Framework (BAF). One medium priority Matter Arising was identified, relating to the need to review and clarify the arrangements for monitoring principal risks within the BAF. An overall rating of Substantial Assurance had been awarded.</p>	
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	<p>Mr Maynard Davies welcomed the excellent report, commending Mrs Wilson and her team. Attention was drawn, however, to an error within the table under paragraph 2.22, whereby the Safe, sustainable, accessible and kind care Strategic Objective is incorrectly attributed to the Sustainable Resources Committee rather than the Strategic Development &amp; Operational Delivery Committee. Referencing Matter Arising 1, Mr Newman enquired where the principal risks will be reported when completed; Mrs Wilson replied that these would be routed via the Board in the first instance. Consideration will need to be given to the role of ARAC in relation to risk during the planned work relating to risk appetite and tolerance.</p>	
	<p>The Committee <b>NOTED</b> the Risk Management &amp; Board Assurance Framework (Substantial Assurance) report.</p>	

<p><b>AC(22)111</b></p>	<p><b>Head of Internal Audit Opinion &amp; Annual Report 2021/22</b></p> <p>Mr Johns presented the Head of Internal Audit Opinion &amp; Annual Report 2021/22, reminding Members that a draft had been presented to the previous meeting. The report's key message regarding overall opinion – one of Reasonable Assurance – which represents a positive outcome for the UHB, is outlined in paragraph 1.2. The report also discusses delivery of the Internal Audit Plan and provides, in Table 1 under paragraph 1.4, a summary of the audit assignments and their assurance ratings. The majority of these had been positive, with only six returning a Limited Assurance rating, two of which had been followed up in-year with a positive improvement evidenced. Section 2 of the report provides further narrative around the basis for the overall opinion, together with a brief summary of each audit. Section 3 outlines All Wales audit work; the tables contained therein have been updated to include detail of audit scopes, as requested at the previous meeting. Section 4 focuses on delivery of the Internal Audit Plan. The document also includes a statement around conformance with the Public Sector Internal Audit Standards.</p> <p>Mr Thomas reiterated his disappointment that the opinion does not fully reflect the improved outcomes for the two Follow-up audits undertaken in-year. Mr Johns explained that the report describes all of the Internal Audit work conducted during the year, and that there is a nationally agreed process if a Follow-up audit is undertaken. Mr James felt that the opinion took into account these audit findings. Reversing the scenario, Mr Newman enquired whether, had a Follow-up audit identified a deterioration in assurance rating, this would impact on the overall opinion, and Mr Johns indicated that it probably would. He reminded Members that the report is obliged to reflect the audit work undertaken during the year, and that the UHB has received the 'benefit' of more positive Follow-up audit findings. Noting that there appears to be a national approach, Mrs Wilson committed to raise this with Mr Simon Cookson at the next All Wales Board Secretaries Network meeting. Mr Winston Weir welcomed the report, which covers a great deal of ground, reflects the range and scope of Internal Audit work and summarises its conclusions. Assurance can be taken from the fact that the majority of audits have returned ratings of Substantial or Reasonable Assurance. Mr Weir noted that a number of audits had been deferred, and requested clarification regarding the prioritisation of these going forward, in particular the audits concerning high-profile</p>	<p><b>JW</b></p>
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	<p>areas such as Elective Recovery, IT Infrastructure and Decarbonisation. Mr Johns confirmed that these key areas feature in the Internal Audit Plan for 2022/23, and will be progressed as timetabled. The title of the Elective Recovery audit has been amended, to reflect the changed position. Members were reminded that operational pressures had been recognised in making decisions to defer audits and that, whilst the list may appear lengthy, a number of deferred audits had been replaced with new ones.</p> <p>Within the online Chat, Mr Thomas welcomed the work to update the draft report to include audit scopes for audits undertaken in national bodies, which provides additional assurance and which is a helpful development. It was assumed that any audit from a national organisation resulting in an assurance rating of limited or no assurance would be shared with the UHB, to ensure that any mitigating actions required were taken. Also within the online Chat, Ms Corbett confirmed that when this had been the case previously, the relevant report had been submitted to the All Wales Directors of Finance Group in the first instance. Referencing paragraph 2.4.3 and statements around outstanding recommendations, Mr Newman indicated that consideration should be given to how best to address the backlog and requested that potential solutions/actions be included in the next Internal Audit Plan Progress Report. Mr Johns advised that the Internal Audit team is working with the Board Secretary to identify evidence in relation to recommendations which may allow closure of some. Initial discussions have commenced around the approach which might be taken. Mr Newman concluded discussions by thanking Mr Johns, Ms Corbett and their team for their contribution during the year.</p>	JJ
	<p>The Committee <b>TOOK ASSURANCE</b> from the Head of Internal Audit Opinion and Annual Report 2021/22.</p>	

AC(22)112	<p><b>Overview and Performance Report (Section of HDdUHB Annual Report 2021-22)</b></p> <p>Mr Thomas presented the Overview and Performance Report, reminding Members that this had been considered in draft form at the previous meeting. A few minor amendments had been made as a result of feedback from colleagues, both internal and external; however, no significant changes had been made. The report is presented for approval prior to onward ratification by the Board. Mrs Wilson thanked Ms Fiona Hancock and Ms Tracy Price for their significant contribution towards preparing the Overview and Performance report.</p> <p>Referencing page 8 of the report, Mr Maynard Davies highlighted that 61% equates to more than three in five. It was agreed that the statement ‘...almost three in five people (61%) are overweight or obese’ should be amended to read ‘...over three in five people (61%) are overweight or obese’.</p> <p>Subject to the above amendment, the Committee <b>APPROVED</b> the Performance Report chapter of the 2021/22 Annual Report for onward ratification by the Board.</p>	JW
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AC(22)113	<p><b>Accountability Report</b></p> <p>Presenting the Accountability Report on Mr Steve Moore’s behalf, Professor Philip Kloer reminded Members that Mr Moore is the UHB’s</p>	
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	<p>Accountable Officer and would be signing the document in that capacity. Professor Kloer thanked those involved in preparing the Accountability Report. Mrs Wilson advised that the report had been seen previously by ARAC in draft form and had been further reviewed more widely. The feedback received from colleagues internally and Welsh Government, Audit Wales and Internal Audit is captured in Appendix 1. Members were assured that the Accountability Report had also been reviewed by the Chair and Chief Executive. Mrs Wilson thanked Mr Newman for approving the amended report via Chair's Action, and thanked Mrs Charlotte Beare for her extensive work in compiling the report.</p>	
	<p>The Committee <b>SUPPORTED</b> the content of the Accountability Report, in order to provide assurance to the Board that a robust governance process was enacted during the year, and <b>RECOMMENDED</b> its subsequent approval to the Board.</p>	

<p><b>AC(22)114</b></p>	<p><b>Audit Wales ISA 260 and Letter of Representation</b></p> <p>Ms Clare James introduced the Audit of Accounts Report, advising that this details the proposed audit opinion on the UHB's annual accounts. Audit Wales intend to issue an unqualified true and fair audit opinion and a qualified regularity audit opinion on HDdUHB's accounts. The latter for two reasons:</p> <ul style="list-style-type: none"> <li>• The UHB did not meet its revenue resource allocation over the three-year period ending 2021-22 and did not meet its financial duty to have an approved three year integrated medium-term plan;</li> <li>• The UHB's accounts include £0.9 million of expenditure and funding in respect of clinicians' pension tax liabilities. This follows a Ministerial Direction issued in December 2019 and represents a new regularity opinion qualification; however, is an issue common to all Health Boards.</li> </ul> <p>Members' attention was drawn to the key areas highlighted on page 7 of the report:</p> <ul style="list-style-type: none"> <li>• One uncorrected misstatement remains uncorrected in line with Welsh Government guidance;</li> <li>• Various misstatements are associated with the impact of increases in the value of land and buildings; another issue common to all Health Boards. A change in the buildings indexation rate in-year was not applied, in line with Welsh Government guidance and has resulted in a number of under- and overstatements. All values will be fully reviewed next year.</li> </ul> <p>These do not represent material misstatements.</p> <p>Exhibit 2 on page 8 details a concern in relation to annual leave accrual, which is similar to last year and reflects a system issue. It had been possible to establish a position regarding calculations with which Audit Wales are content, and assurances have been provided that system improvements will be made. Corrected misstatements are detailed in Appendix 3, which comprise disclosures in the main. Those relating to the remuneration report are common across other Health Boards. The</p>	
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	<p>Letter of Representation appears at Appendix 1 and the Proposed Audit Report at Appendix 2.</p> <p>Mr Winston Weir thanked Ms James and her colleagues for the report. Noting that the issue regarding clinicians’ pension tax liabilities is common to all Health Boards, Mr Weir enquired whether there had been any consideration of an agreement between the NHS Director General and Auditor General to avoid the application of a qualified regularity audit opinion in regard to this matter. Ms James responded that the Auditor General will consider whether this will require qualification again next year, noting that this will be an ongoing issue. Members were assured that the matter will be reviewed. With regard to the annual leave accrual issue, Mr Weir enquired whether this is common across other Health Boards or specific to HDdUHB. Mr Weir emphasised that the UHB is a complex organisation and reminded Members that Welsh Government had requested Health Boards to set aside funding for this area. Ms James suggested that there was a ‘mixed picture’ across Wales and offered to clarify further. Returning to the pension tax liabilities issue, Mrs Hardisty noted that – whilst this resulted from a Welsh Government directive – it is the UHB which is the employer, and queried whether there is a risk of challenge and where any such challenge might emanate from. In response, Ms James agreed that the UHB is the employer, whilst recognising that the decision regarding pension tax liabilities had not been taken by the organisation. However, Audit Wales can only consider this in terms of its audit opinion and use of taxpayers’ money. Mrs Hardisty suggested that the UHB may need to take legal advice around the potential implications. Mr Thomas acknowledged that it is right and reasonable for Audit Wales to highlight that the UHB is not empowered to make this expenditure. There is a broader and particularly challenging issue which employers will need to consider. Whilst the logic may be understood, the implications are not yet fully defined.</p> <p>Mr Thomas thanked Ms James and the Audit Wales team for their work with the UHB, particularly the employment of remote techniques, with which the organisation is becoming more familiar. This has been another unprecedented year, which has resulted in significant risks in various aspects of the UHB’s finances. The areas highlighted during the audit are largely common across Wales and Mr Thomas was pleased that no significant issues had arisen, whilst welcoming the opportunities for improvement identified. Mr Newman echoed thanks to the Audit Wales team for their work with the organisation, both on financial audit and throughout the year.</p> <p>The Committee <b>NOTED</b> the Audit Wales ISA 260 and Letter of Representation.</p>	<p style="text-align: center;"><b>CJ</b></p>
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<p><b>AC(22)115</b></p>	<p><b>Final Annual Accounts 2021/22</b></p> <p>Mr Thomas introduced the Final Annual Accounts for 2021/22, stating that Ms James has summarised most of the issues faced this year. It has been a significant undertaking to reach this point, having been a challenging year once again. There has been uncertainty around resource allocation, with the UHB managing a significant degree of risk as a result. Key targets are as previously described, with no changes affecting the organisation’s performance/position against these. The</p>	
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	reasons for Audit Wales' qualified regularity audit opinion have been outlined in the previous item.	
	The Committee <b>APPROVED</b> the audited annual accounts for 2021/22, for onward ratification by the Board.	
<b>AC(22)116</b>	<b>Any Other Business</b>	
	There was no other business reported.	
<b>AC(22)117</b>	<b>Date and Time of Next Meeting</b>	
	9.30am, 21 <sup>st</sup> June 2022	