



**PWYLLGOR ARCHWILIO A SICRWYDD RISG  
AUDIT AND RISK ASSURANCE COMMITTEE**

<b>DYDDIAD Y CYFARFOD: DATE OF MEETING:</b>	05 May 2021
<b>TEITL YR ADRODDIAD: TITLE OF REPORT:</b>	Draft Audit & Risk Assurance Committee Annual Report 2020/21
<b>CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:</b>	Mr Paul Newman, Chair of Audit & Risk Assurance Committee
<b>SWYDDOG ADRODD: REPORTING OFFICER:</b>	Mr Paul Newman, Chair of Audit & Risk Assurance Committee

**Pwrpas yr Adroddiad (dewiswch fel yn addas)**

**Purpose of the Report (select as appropriate)**

Ar Gyfer Penderfyniad/For Decision

**ADRODDIAD SCAA  
SBAR REPORT**

**Sefyllfa / Situation**

The purpose of the paper is to present the Audit & Risk Assurance Committee (ARAC) Annual Report to Members. The attached report provides assurances in respect of the work that has been undertaken by ARAC in the 2020/21 financial year and provides information relating to the continued development of the role of the Committee and its members.

The attached report supports the compilation of the Annual Governance Statement and sets out how ARAC has met its Terms of Reference. The report has been compiled by the Chair of ARAC, based upon the work of the Committee.

**Cefndir / Background**

The Committee, through its in-year reporting, has regularly kept the Board informed about the results of its reviews of assurances, together with any exceptional issues that arose. In accordance with the NHS Wales Audit Committee handbook and generally accepted standards of good practice, the ARAC Chair is required to issue an Annual Report of the matters that have been considered by the Committee during the financial year.

The report provides the Board and the Accountable Officer with assurance in respect of the adequacy and effectiveness of the UHB's procedures and systems in maintaining a sound system of internal control and the conclusions drawn for the 2020/21 financial year. This is to include assurance about the rigour of the processes and the quality of the data which lie behind the statements and provide its own assurance about the reliability of the disclosures when they are subsequently submitted to the Board for approval.

**Asesiad / Assessment**

Please see the attached ARAC Annual Report.

**Argymhelliad / Recommendation**

The Audit & Risk Assurance Committee is asked to feedback comments 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.

<b>Amcanion: (rhaid cwblhau)</b> <b>Objectives: (must be completed)</b>	
Committee ToR Reference Cyfeirnod Cylch Gorchwyl y Pwyllgor	10.5.1 Report formally, regularly and on a timely basis to the Board on the Committee's activities. This includes the submission of a Committee update report as well as the presentation of an annual report within six weeks of the end of the financial year and timed to support the preparation of the Annual Governance Statement. This should specifically comment on the adequacy of the assurance framework, the extent to which risk management is comprehensively embedded throughout the organisation, the integration of governance arrangements and the appropriateness of self-assessment activity against relevant standards. The report will also record the results of the Committee's self-assessment and evaluation.
Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol: Datix Risk Register Reference and Score:	Not Applicable
Safon(au) Gofal ac Iechyd: Health and Care Standard(s):	Governance, Leadership and Accountability
Amcanion Strategol y BIP: UHB Strategic Objectives:	Not Applicable
Amcanion Llesiant BIP: UHB Well-being Objectives: <a href="#">Hyperlink to HDdUHB Well-being Objectives Annual Report 2018-2019</a>	10. Not Applicable

<b>Gwybodaeth Ychwanegol:</b> <b>Further Information:</b>	
Ar sail tystiolaeth: Evidence Base:	ARAC Agenda and Papers
Rhestr Termiau: Glossary of Terms:	Not Applicable
Partïon / Pwyllgorau â ymgynhorwyd ymlaen llaw y Pwyllgor Archwilio a Sicrwydd Risg: Parties / Committees consulted prior to Audit and Risk Assurance Committee:	ARAC Chair

<b>Effaith: (rhaid cwblhau)</b> <b>Impact: (must be completed)</b>	
<b>Ariannol / Gwerth am Arian:</b> <b>Financial / Service:</b>	A sound system of financial control enacts robust financial control, safeguards public funds and the Health Board's

	assets and resources. Robust governance arrangements underpinning financial management contribute towards internal control and value for money being achieved.
<b>Ansawdd / Gofal Claf: Quality / Patient Care:</b>	A sound system of internal control ensures that any risks to the achievement of the Health Board's objectives are identified, assessed and managed.
<b>Gweithlu: Workforce:</b>	Not applicable
<b>Risg: Risk:</b>	Not applicable
<b>Cyfreithiol: Legal:</b>	Not applicable
<b>Enw Da: Reputational:</b>	Not applicable
<b>Gyfrinachedd: Privacy:</b>	Not applicable
<b>Cydraddoldeb: Equality:</b>	<ul style="list-style-type: none"> <li>• Has EqIA screening been undertaken? No</li> <li>• Has a full EqIA been undertaken? No</li> </ul>



**GIG**  
CYMRU  
**NHS**  
WALES

Bwrdd Iechyd Prifysgol  
Hywel Dda  
University Health Board

# **AUDIT AND RISK ASSURANCE COMMITTEE**

## **ANNUAL REPORT**

**2020-21**

## Table of Contents

<b>1</b>	<b>Introduction.....</b>	<b>3</b>
<b>2</b>	<b>Role and Purpose .....</b>	<b>3</b>
<b>3</b>	<b>Committee Structure and Meetings .....</b>	<b>7</b>
<b>4</b>	<b>Committee Work Programme 2020/21 .....</b>	<b>8</b>
<b>5</b>	<b>External Audit – Audit Wales .....</b>	<b>10</b>
<b>6</b>	<b>NWSSP - Internal Audit (IA) .....</b>	<b>12</b>
<b>7</b>	<b>Head of Internal Audit Opinion.....</b>	<b>14</b>
<b>8</b>	<b>Counter Fraud .....</b>	<b>17</b>
<b>9</b>	<b>Financial Reporting and Financial Position.....</b>	<b>18</b>
<b>10</b>	<b>Standing Orders (SOs), Standing Financial Instructions (SFIs) and Financial Procedures.....</b>	<b>19</b>
<b>11</b>	<b>Losses and Special Payments.....</b>	<b>19</b>
<b>12</b>	<b>Assurance on Clinical Governance.....</b>	<b>19</b>
<b>13</b>	<b>Other Committee Work.....</b>	<b>20</b>
<b>14.</b>	<b>Forward Plan .....</b>	<b>22</b>
<b>15.</b>	<b>Conclusions .....</b>	<b>22</b>

## 1 Introduction

- 1.1 The Audit and Risk Assurance Committee (ARAC) was established under Board delegation with approved Terms of Reference and Operating Arrangements that are aligned to the NHS Wales Audit Committee Handbook, published by the Welsh Government (WG). The Committee is an Independent Committee of the Board and has no Executive powers other than those specifically delegated in the Terms of Reference.
- 1.2 The Committee, through its in-year reporting, has regularly kept the Board informed regarding the results of its reviews of assurances, together with any exceptional issues that arose. In accordance with the NHS Wales Audit Committee Handbook guidance and generally accepted standards of good practice, the Committee is required to issue an Annual Report, constituting a formal report of the matters that it has considered during the year. The purpose of this report therefore is to provide the Board and the Accountable Officer with assurance in respect of the adequacy and effectiveness of the University Health Board's (UHB) procedures and systems in maintaining a sound system of internal control, and the conclusions drawn for the 2020/21 financial year. This report supports the compilation of the Accountability Report and sets out how the Committee has met its Terms of Reference.

## 2 Role and Purpose

- 2.1 The Committee supports the Board by critically reviewing governance and assurance processes on which the Board places reliance. The primary role of the Committee is therefore to ensure the system of assurance is valid and suitable for the Board's requirements; as such it will review whether:
  - Processes to seek and provide assurance are robust and relevant;
  - The controls in place are sound and complete;
  - Assurances are reliable and of good quality; and
  - Assurances are based on reliable, accurate and timely information and data.

The Committee provides a key source of assurance to the Board, ensuring that the organisation has effective controls in place to manage the significant risks to achieving its objectives and that controls are operating effectively. The Committee's principal duties have consistently included *"reviewing the establishment and maintenance of an effective system of good governance, risk management and internal control across the whole of the organisation's activities, both clinical and non-clinical"*. Integral to this is the Committee's focus upon seeking assurance that the organisation has an effective framework of internal control to address principal risks and that the effectiveness of the framework is regularly reviewed.

- 2.2 During the year, the Committee has supported the Board by seeking and providing assurance that controls are in place and are working as designed, and by challenging poor sources of assurance. The Committee has a relatively broad role, encompassing scrutiny of, and comment upon, the adequacy and effectiveness of the UHB's overall governance, risk management and internal control, covering both clinical and non-clinical areas. This also includes reviewing the Accountability Report before it is submitted to the Board for approval.

2.3 The Committee discharges this duty by fulfilling its responsibilities as outlined in its Terms of Reference. In performing its duties, the Committee works to an approved work plan, based on scheduled agenda topics, together with a range of specific issues, which are subject to review. It is supported by the activities of Audit Wales (AW) as the External Auditor; NHS Wales Shared Services Partnership (NWSSP): Audit and Assurance – Internal Audit (IA) and Specialist Services Unit (SSU), and Local Counter Fraud Specialists.

2.4 In discharging these responsibilities, the Committee is required to review:

- Internal financial control matters, such as safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information;
- Adequacy of disclosure statements (Accountability Report including the Annual Governance Statement, Annual Quality Statement, Performance Report, and Annual Report), which are supported by the opinion of the Head of Internal Audit, the AW Annual Audit Report and other opinions;
- The adequacy of relevant policies, legality issues and the Codes of Conduct;
- The policies and procedures relating to fraud and corruption;
- The system for risk management, to ensure this is robust in identifying and mitigating risks, enabling the Audit and Risk Assurance Committee to provide the Board with assurance that the risks impacting on the delivery of the UHB's objectives are being appropriately managed.

2.5 As a consequence of the scrutiny described above, a number of outcomes from the work of the Committee during the year have resulted in escalation of certain matters to the Board, and in these cases, the Committee has made recommendations and undertaken further actions in order to seek and provide assurance to Board that issues of concern have been addressed where possible, thus supporting the UHB's governance and assurance systems. These have included:

2.5.1 The Head of Internal Audit Annual Report and Opinion 2019/20 provided a reasonable assurance rating. A detailed discussion was held when this report was presented on the capital and estates management domain, noting that because of the number of limited assurance audits within this domain this could have received a limited domain rating. The Committee remained concerned regarding the number of limited assurance audits within this domain, noting this would be an area of focus within the 2020/21 plan. It is therefore pleasing to note the improvement in this area with 6 reports receiving a substantial or reasonable rating, and only 1 limited assurance rated report in 2020/21.

2.5.2 The impact of COVID-19 on clinical audit and potential consequences in terms of quality and safety and patient safety. This has been monitored by the Committee throughout the year with assurances provided at the 20 April 2021 meeting that the tracking mechanism has been enhanced and developed and recognising that further focus will be on outcomes and sharing learning consistently across the Health Board.

- 2.5.3 Findings of the IA report into control of contractors resulted in limited assurance in 2019/20 and highlighted in particular an over-reliance on the knowledge and experience of individual estates officers and the lack of a single unified system across the Health Board. This IA report was followed up as part of the Estates Assurance - Follow Up reported to ARAC in February 2021 and received a substantial assurance rating.
- 2.5.4 Issues regarding the findings of the IA report into contracting led to limited assurance in 2019/20, particularly in respect of the need to strengthen various processes. The follow-up audit to ARAC in February 2021 provided an improved reasonable assurance rating, with the contract register now in place.
- 2.5.5 Concerns around the assurance offered by the review of PADR process follow-up IA report which gained reasonable assurance, in view of the limited sample size of PADRs reviewed. It was agreed that the follow-up report and the original report would be shared with the Chair of People, Planning and Performance Assurance Committee (PPPAC), and that a discussion between the Chairs of ARAC and PPPAC would be facilitated. PADR compliance is now a standard item on the Workforce & Organisational Development (OD) update report provided to every PPPAC meeting.
- 2.5.6 Concerns around the findings of the Glangwili Hospital, Women and Children's Development Phase 2 IA report despite its reasonable assurance rating, with agreement that the matter be referred to PPPAC for detailed discussion. This was followed up later in the year, however delays in the scheme and escalating costs, resulted in a limited assurance rating. A follow up IA report is scheduled to be presented to the Committee in May 2021 which will highlight any outstanding issues/concerns.
- 2.5.7 A lack of assurance/progress on radiology issues raised in a previous IA report, with actions and timescales revisited and updates provided on the impact the shift pattern had on posts for radiology students. The pace of delivery against the AW Radiology Review continued to be monitored during 2020/21, with a further update provided in February 2021 where ARAC noted that, despite extended timeframes, significant progress had been made to addressing the outstanding recommendations.
- 2.5.8 A lack of assurance was reported on variable pay in pathology. Greater clarity was provided regarding the revised management response and ARAC was advised that the Executive Team agreed to pathology being included onto the new e-roster system 'Allocate'. The overall roll-out plan for Allocate runs over a 2 year period from April 2021, with nursing services already having been prioritised. In the interim, before this future development, pathology internal manual processes related to contracted hours, pay enhancements and on-call and overtime payments have been bolstered.
- 2.5.9 The delays in the resolution of Post Payment Verification (PPV) visit issues, the scheduling of revisits and escalation processes. It was agreed that the Executive Director of Finance would enter into discussions with NWSSP, and that the Director of Primary Care, Community and Long Term Care should attend ARAC for future PPV discussions. Further reports were provided in February 2021 by NWSSP and the Director of Primary Care, Community and Long Term Care providing a detailed assurance report on the process.



- 2.5.10 A limited assurance rating which was issued by IA in respect of the partnership governance arrangements and assurance framework of the Regional Partnership Board (RPB). However, addressing the findings in the report requires commitment from other partners. It was agreed that the IA report would be presented to the Integrated Governance Group (IEG) to agree how the issues in the report can be taken forward. The UHB is working jointly with the Head of Regional Collaboration, West Wales Care Partnership, to strengthen the governance arrangements, with the Head of Corporate & Partnership Governance leading on this work on behalf of the Health Board.
- 2.5.11 Delays in improving medical record keeping, and the progress to improve medical record keeping, has been affected by the pandemic. Systems and processes have been strengthened however this will require time to embed. A further report presented at the October 2020 ARAC meeting provided increased confidence that the right mechanisms, leadership and reporting arrangements were in place to continue to address the issues raised. Medical record keeping will be reviewed as part of the 2021/22 Internal Audit Plan.
- 2.5.12 The limited assurance rating issued by IA highlighted a lack of progress with respect to records management. Whilst work had commenced by the Health Records Modernisation Programme, the pandemic had impacted its implementation. This is a large scale, complex programme of work, that cuts across the Health Board, to address the current issues and modernise the processes and systems within the Health Board. Records management will be included on the 2021/22 Internal Audit Plan and will be developed into a planning objective within the Annual Recovery Plan 2021/22.
- 2.5.13 Concerns were raised during discussion of the IA review of backlog maintenance. Whilst the IA report received a reasonable assurance rating, this reflected the manner in which the UHB is managing the backlog, rather than the level or seriousness of the backlog. The report demonstrated the importance of the Major Infrastructure Programme Business Case (PBC) submitted to WG, the need for a strategic approach at scale, and emphasised the pace to address backlog maintenance issues. Ongoing scrutiny of plans will be monitored via PPPAC.
- 2.5.14 Continued concerns following consideration of the KPMG Review of Transformation Fund report regarding partnership governance arrangements. The UHB is working jointly with the Head of Regional Collaboration (West Wales Care Partnership) to strengthen the governance arrangements, with the Head of Corporate & Partnership Governance leading on this work on behalf of the Health Board.

2.6 Other items identified by the Committee as requiring Board attention included:

- Support for the establishment of the Listening and Learning from Events Sub-Committee to ensure a greater focus on learning from these events, to avoid repetition and future claims. This Sub Committee is now in place and reports to the Quality, Safety & Experience Assurance Committee (QSEAC).
- The review of the adequacy of the Declaring, Registering and Handling Interests, Gifts, Hospitality, Honoraria and Sponsorship arrangements currently in place and the proposed actions for 2020/21 to promote and improve the adequacy of these arrangements, which include follow up discussions with

targeted staff members, increased staff communications to raise awareness and exploring ESR Project Support. The next annual review will be reported to the Committee in June 2021

- The approval of all documentation relating to year end by the Board at its meeting on 23 June 2020.
- Closure of the four outstanding recommendations from the AW Structured Assessment 2018 and 2019, and closure of both reports, recognising that these areas would be looked at in future AW Structured Assessment reviews.
- The approval of the revised Health Board’s Standing Orders (SOs) and Standing Financial Instructions (SFIs) at the Board meeting on 28 January 2021.
- The ratification of the Committee’s Terms of Reference.
- The recognition of the positive findings and the work undertaken as highlighted in the following reports:
  - Governance Arrangements during the COVID-19 (advisory/no rating);
  - IA Quality and Safety Governance report (reasonable assurance)
  - Effectiveness of IT Deployment in Relation to COVID-19 report (substantial assurance).
  - Agility to Flex Workforce to COVID Planning (substantial assurance);
  - Mass Vaccination Programme (advisory/no rating); and
  - Quality and Safety Governance (reasonable assurance).

2.7 In enacting its responsibilities, the Committee is very clear on its role in seeking assurances, with the assurance function being defined as:

- Reviewing reliable sources of assurance and establishing satisfaction with courses of action;
- Forming an opinion, based upon analysis and evaluation of evidence gained from review, and supported by independent validation, both internal and external.

### 3 Committee Structure and Meetings

3.1 A key element of the Committee is that it comprises solely of Independent Members, providing a basis for it to operate independently of any decision-making process and to apply an objective approach in the conduct of its business.

3.2 Following a number of changes made in previous years, the membership of the Committee has remained largely unchanged, providing stability and expertise, and for 2020/21 was as follows:

NAME	ROLE	DATES
Paul Newman	Committee Chair	Full year
Mike Lewis	Committee Vice-Chair	Full year
Judith Hardisty	Committee Member	Full year
Owen Burt	Committee Member	Full year
Simon Hancock	Committee Member	Full year
Maynard Davies	Committee Member	Full year

3.3 During the financial year 2020/21, eight scheduled meetings of the Committee were convened, with two meetings held in May to review the draft and final Financial Statements and the Accountability Report for 2019/20. A high level of commitment from Committee Members has been demonstrated throughout the year, as recorded in the attendance of meetings held. All meetings were quorate.

3.4 Although invited to attend certain meetings to provide assurances and explanations to the Committee on specific issues, neither the Chair, Chief Executive Officer (CEO), nor any other Executive Director of the UHB, are members of the Committee. In particular, the CEO is invited annually to present the Accountability Report and to provide progress reports from the UHB's 'Targeted Intervention (TI)' meeting with WG. Due to the COVID-19 pandemic, the April and September TI meetings were cancelled, therefore the only TI report presented to Committee was following the July TI meeting as in October 2020, as the UHB received a letter from the Director General Health and Social Services/NHS Wales Chief Executive, advising that following the recent tripartite meeting (WG, AW and Healthcare Inspectorate Wales (HIW)), WG would be recommending to the Minister that the UHB's escalation status was reduced from 'Targeted Intervention' to 'Enhanced Monitoring'. Further information is included in the Targeted Intervention section of the report.

3.5 Having a key role to play in establishing and maintaining a sound system of internal financial control, the Executive Director of Finance has been in attendance at all meetings. The Committee has also been supported on key matters by means of the attendance of the Board Secretary who is the Lead Officer for the Committee and who has been present at all meetings.

3.6 A review of the Committee's terms of reference and operating arrangements, approved by the Committee 23 February 2021 and ratified by Board on 25 March 2021 included no changes of note.

3.7 The Committee also has regular attendance from representatives of:

- The Auditor General/AW;
- NWSSP Audit and Assurance Services (Internal Audit and Specialised Services Unit);
- NHS Counter Fraud Services.

#### **4 Committee Work Programme 2020/21**

4.1 The Committee reviewed and approved the audit strategies and plans for the auditors as listed below, and received audit reports produced in support of them during 2020/21:

- AW;
- NWSSP Audit and Assurance Services:
  - Internal Auditors;
  - Specialised Services Unit.

4.2 Acting upon the outcomes of effectiveness reviews is as important as undertaking them and it is essential that outcomes and associated actions are reported

appropriately. Appropriate Executive Directors and Lead Officers of audit reports were requested to attend Committee meetings to provide an opportunity to discuss the reports more fully, and for the Committee to satisfy itself that the findings raised in the reports were being addressed, with recommendations implemented to address control weaknesses or compliance issues.

- 4.3 The Committee continues to receive progress updates directly as and when requested, as well referring reports to the Board and other Board Committees, such as QSEAC and PPPAC (formally known as BPPAC), to ensure the wider aspects or impacts of the report are fully understood.
- 4.4 Each of the Board level Committee Lead Executives are requested to attend the Committee on a cyclical basis to provide assurance that the Committee is fully discharging its duty and complying with the requirements of its Terms of Reference.
- 4.5 Although there was a suspension in some audit and inspection activity throughout 2020/21, the Board agreed that it still had a responsibility to provide safe and effective care to patients, provide safe environments and equipment and comply with relevant standards and legislation. Recognising that there was significant pressure on services, it was acknowledged that there needed to be a balance between managing capacity pressures and challenges from the pandemic, and managing the business as usual issues and risks. The Board agreed to adopt a nuanced approach to the management of outstanding recommendations from auditors, inspectorates and regulators, and agreed that the UHB should focus on implementing recommendations that are outstanding or due in respect of HIW immediate assurance plans, Health and Safety Executive (HSE) improvement notices/material breaches, Mid and West Wales Fire and Rescue Service (MWWFRS) enforcement notices and high priority recommendations issued by AW and IA.
- 4.6 The Committee has continued to monitor the UHB's Audit Tracker, and scrutinising management responses to external and internal audit reports throughout 2020/21. The Board agreed in April 2020 that all services must continue to implement high priority recommendations and remain accountable for implementing all recommendations as it is not in the best interests of patients and staff to suspend implementation however recognised that these would need to be balanced with other pressures during the pandemic. Whilst the UHB has been working in unprecedented times, it has still provided emergency, essential and urgent care to patients that is not related to Covid-19 and therefore has continued to have a responsibility to provide safe and effective care to patients, provide safe environments and equipment, maintain proper records, etc. The Board, whilst cognisant of the pressures on staff, requested that a plan prioritising work to address these was developed for when the Health Board moves into 'recovery phase', and assurances from Executive Directors that there were no significant issues that needed to be addressed now. This work was delayed as the second wave of the pandemic reached Hywel Dda, coinciding with normal winter pressures, however the work was completed prior to the year end and reported to Committee in April 2021. This review of 170 recommendations that had exceeded their original timescale for implementation, led to 86 recommendations being closed through discussions with Executive Directors, AW and IA, with an

assessment of risk to patients from remaining recommendations determined. The Committee will recommence inviting Executive Directors to discuss the implementation of outstanding recommendations from August 2021 onwards

4.7 The Committee is responsible for overseeing risk management processes across the organisation, with a particular focus on seeking assurance that effective systems are in place to manage risk, and that the UHB has an effective framework of internal controls that addresses principal risks. Effective risk management requires a reporting and review structure to ensure that risks are effectively identified and assessed and that appropriate controls are in place. The Committee is responsible for monitoring the assurance environment and challenging the build-up of assurance on the management of key risks across the year, ensuring that the Internal Audit Plan is reliable, and based on providing assurance that controls are in place, and reviewing the Internal Audit Plan in year in response to changes in risk profiles.

## **5 External Audit – Audit Wales**

5.1 External Audit is provided by the Audit Wales (AW), with its work falling under the two broad headings of:

- Audit of financial statements, and providing an opinion thereon;
- Forming an assessment of the UHB's use of resources and performance including COVID-19 outputs.

5.2 The Committee received the AW 2021 Annual Audit Plan at its meeting held on 23 February 2021, setting out proposed AW work to examine the UHB's financial statements, expenditure and measures to secure economy, efficiency and effectiveness in the use of resources. Areas to be tested have been selected, based upon identified financial risk specific to the UHB. In response to government advice and subsequent COVID-19 restrictions, AW continues to work remotely until such time that it is safe to resume on-site activities. Progress against the AW Audit Plan is monitored via regular update reports presented to the Committee. Given the on-going uncertainties around the impact of COVID-19 on the sector, some timings did change in-year.

5.3 This year's Structured Assessment work took place at a time when NHS bodies were responding to the unprecedented and ongoing challenges presented by the COVID-19 pandemic. It was therefore designed in the context of the ongoing response to the pandemic to ensure a suitably pragmatic approach to help the Auditor General discharge his statutory responsibilities whilst minimising the impact on NHS bodies as they continue to respond to the next phase of the COVID-19 pandemic. The overall conclusion of the Structured Assessment Report 2020 which was received at the meeting held on 20 October 2020, was that *'The Health Board has maintained good governance throughout the pandemic'*.

5.4 The Committee noted overall conclusions from AW, summarised as follows:

- Overall, the UHB had maintained good governance throughout the COVID-19 pandemic and developed its operational plans in line with the Welsh Government guidance. Innovation and learning had been embedded throughout the revised governance arrangements to enable recovery and the acceleration of its strategic

- vision, but operational and structural pressures continue to present challenges for the financial position which will only be addressed by delivery of the strategic vision.
- The UHB had worked within revised frameworks to discharge Board duties and maintain good governance throughout the COVID-19 pandemic. Adapting quickly to virtual meetings, the Board had continued to conduct its business in an open and transparent way. Revised governance arrangements had supported rapid decision making and effective scrutiny, with a focus on learning and improvement embedded. Systems of assurance had also been maintained, with a strong focus on the quality and safety of services.
  - The UHB continued to face financial challenges, exacerbated by the impact of COVID-19 but was trying to recover the financial position over the longer-term. Without additional funding, the year-end position is likely to be much greater as a result of COVID-19. During the pandemic, the Health Board had however maintained effective financial controls, and comprehensive reporting had supported timely scrutiny and assurance on the financial position.
  - The UHB had developed operational plans in line with the Welsh Government guidance, supported by a rapidly advancing approach to data modelling and guided by stakeholders. All essential services had been maintained with a cautious and flexible approach to recovering routine services. Regional solutions were being considered and arrangements in place to learn from the pandemic and to accelerate the delivery of the Health and Care Strategy. The UHB was highly committed to staff well-being although it recognises that staffing remains a significant risk in the event of a second COVID-19 peak. The UHB maintained good oversight and scrutiny of performance and delivery and was reshaping performance reporting in response to the changing requirements arising from the pandemic.

No recommendations were made, however, opportunities for improvement were noted throughout the report and AW will be reviewing progress against these and other outstanding recommendations as part their 2021 Structured Assessment report.

5.5 The Committee received the AW ISA 260 report and Letter of Representation at its meeting held on 23 June 2020, setting out the results of the audit of UHB's financial statements. Members were informed that AW had received high-quality accounts by the earlier deadline. There were no misstatements identified in the accounts, which remain uncorrected. Significant issues arising from the report included contingent liability and emphasis of matter paragraph in audit report, orthodontic accrual and contingent liability, and qualification of the regularity opinion. Management had responded to the recommendations arising in the report and AW will follow up progress against them during next year's audit.

5.6 AW reported on the following performance work during 2020/21:

- 'Raising Our Game' - Tackling Fraud in Wales National report- Findings suggested that Counter Fraud measures within NHS bodies are more developed. Specific findings included the need for resources to adequately reflect risks; the need for improved evaluation of fraud risks; a suggestion of increased/enhanced use of data analytics and the sharing of fraud information, both within and across sectors. The report included seven 'key themes' that all public bodies need to focus on in raising their game to tackle fraud more

effectively. Work was additionally conducted within each public sector body, including Hywel Dda UHB, contributing to a local report (see 'Effectives of Counter-Fraud Arrangements' below).

- Effectiveness of Counter-Fraud Arrangements – In addition to the findings from the national report above, this local report identified that the UHB demonstrates a strong commitment to counter-fraud, has suitable arrangements to support the prevention and detection of fraud, and is able to respond appropriately where fraud occurs. Three areas for improvement were included in the report, to be considered alongside the themes identified in the national report, relating to counter-fraud training, intelligence sharing activities and counter-fraud staff capacity. The Committee were assured that the Executive Director of Finance did not have any concerns regarding the findings/recommendations highlighted in the local report.
- Doing it Differently, Doing it Right? - This report provided a summary of the Structured Assessment work from 2020/21, focusing on the governance in the NHS during the COVID-19 Crisis, which concluded that NHS bodies adapted well to the many challenges and pressures posed by the pandemic.
- Audit Wales Review: Test, Trace, Protect (TTP): An overview of progress to date - This report sets out the main findings from the Auditor General's review of how public services are responding to the challenges of delivering TTP services in Wales. It is a high-level overview of what has been, and continues to be, a rapidly evolving programme. The report included some key challenges and opportunities that will present themselves as part of the ongoing challenge in relation to COVID-19.

5.7 The Orthopaedics Report was delayed prior to COVID-19 and is scheduled to be reported to the Committee in June 2021. The findings from this report will help to inform the recovery planning discussions that are starting to take place locally and help identify where there are opportunities to do things differently as the service looks to tackle the significant elective backlog challenges.

5.8 In addition, the following reports are also being drafted with an aim to be reported in June 2021:

- Review of Welsh Health Specialised Services Committee (WHSSC);
- Review of the sustainable use of Referral to Treatment (RTT) monies;
- Quality Governance; and
- Vaccination rollout.

5.9 The AW Annual Plan 2021 was agreed in February 2021 by the Committee, however given the on-going uncertainties around the impact of COVID-19 on the sector, some timings may need to be revisited. In response to the government advice and subsequent restrictions, AW continue to work remotely until such time that it is safe to resume on-site activities.

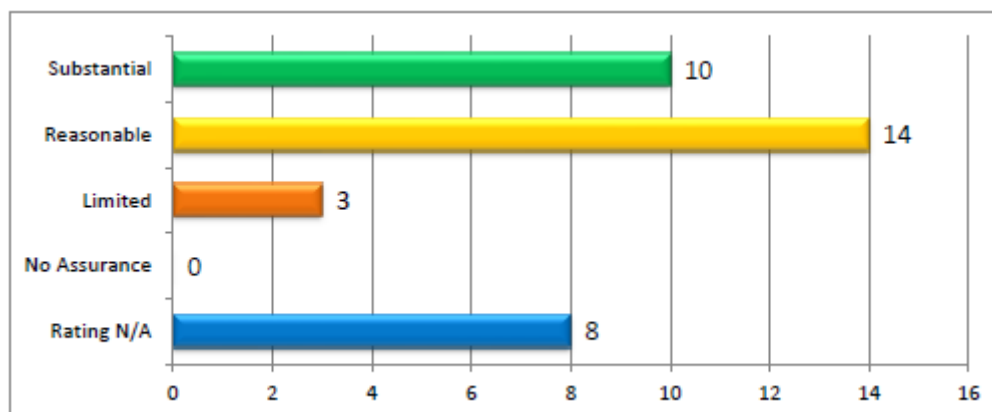
## **6 NWSSP - Internal Audit (IA)**

6.1 At the direction of the Minister for Health and Social Services, IA is provided by the NHS Wales Shared Services Partnership (NWSSP). The service provision is in accordance with a Service Level Agreement agreed by the Shared Services Partnership Committee, on which the UHB has permanent membership.

- 6.2 IA provide an independent and objective opinion to the Accountable Officer, the Board and the ARAC, on the degree to which risk management, control and governance support the achievement of the organisation's agreed objectives. Following discussion at its meeting held on 21 April 2020, the Committee approved the content of the NWSSP Internal Audit Strategy, Plan and Charter at its meeting held on 23 June 2020 following a detailed review. As part of the review process, a number of factors were taken into account including, new emerging risks as a consequence of COVID-19, the impact the response to the pandemic has had on the operations of the organisation and those audits that were still deliverable. The Committee requested the need for audits to be delivered to the agreed timescales and that it be kept informed of any slippages in the 2020/21 Internal Audit Plan.
- 6.3 The programme has been impacted by the need to respond to the COVID-19 pandemic with some audits deferred, cancelled or curtailed as the organisation responded to the pandemic.
- 6.4 Throughout 2020/21, the Head of Internal Audit has met weekly with the Board Secretary to discuss and consider any changes to the Internal Audit plan, either to accommodate fluctuations in operational demand or to support the Health Board in testing how it has responded to the pandemic, for example, the mass vaccination programme and the Information Technology Response to Covid-19.
- 6.5 The Committee has received progress reports against delivery of the IA Plan at each meeting, with individual assignment reports also being received. Executive Directors or other Officers of the Health Board have been requested to attend in order to be held to account and to provide assurance that remedial action is being taken to address the findings within the IA reports. The outcome of each audit, providing an overall conclusion on the adequacy and application of internal controls for each area under review, was considered by the Committee. The assessment of adequacy and application of internal control measures is graded in terms of 'no assurance' through to 'substantial assurance'.
- 6.6 The Capital and Private Finance Initiative (PF1) Audit Services provides an objective assessment of whether the UHB's systems and controls for Capital and Estates projects are working effectively. During 2020/21, the Committee has continued to work effectively with the Audit Team to further strengthen the UHB's internal control processes surrounding Capital projects and Estates assurance.
- 6.7 The assurance ratings for these audits are outlined below. In considering the IA reports the Committee engaged in discussion with the Head of Internal Audit where it felt it appropriate to obtain further information about the assurance rating given by IA.

The 35 audit reviews reported during the 2020/21 are outlined below:






## 7 Head of Internal Audit Opinion

7.1 Due to the considerable impact of COVID-19 on the Health Board, the internal audit plan has needed to be agile and responsive to ensure that key developing risks are covered. As a result of this approach, and with the support of officers and independent members across the Health Board, the plan has been delivered substantially in accordance with the agreed schedule and changes required during the year, as approved by the Committee. Although changes have been made to the plan during the year, IA have undertaken sufficient audit work during the year to be able to give an overall opinion in line with the requirements of the Public Sector Internal Audit Standards.

7.2 The Internal Audit Plan for 2020/21 year was initially presented to the ARAC in April 2020, however as a result of the impact of the pandemic a revised version of the plan was prepared, with this version receiving approval at the Committee in June 2020. The above opinion is primarily based on the delivery of the June 2020 IA plan, and includes subsequent changes to the plan that have been reported at every Committee meeting.

7.3 The Head of Internal Audit has concluded for 2020/21:

 <p>- + Reasonable Assurance</p>	<p>The Board can take Reasonable Assurance that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Some matters require management attention in control design or compliance with low to moderate impact on residual risk exposure until resolved.</p>
---	--

7.4 In reaching this opinion IA identified that the majority of reviews during the year concluded positively with robust control arrangements operating in some areas. From the reports issued during the year, ten were allocated Substantial Assurance, thirteen were allocated Reasonable Assurance and three were allocated Limited

Assurance. No reports were allocated no assurance. In addition, eight Advisory & Non opinion reports were also issued.

7.5 In addition to the above, there were several audits which did not proceed following preliminary planning and agreement with management, as it was recognised that there was action required to address issues / risks already known to management and an audit review at that time would not add additional value. Such audits were replaced.

7.6 Whilst there were no audited areas that resulted in 'no assurance', the following audit reports were issued with a conclusion of limited assurance. These areas have been included on Internal Audit Plan for 2021/22:

Report Title	Objectives	Issues leading conclusion	Actions
Partnership Governance	To confirm that the appropriate arrangements and management of allocated integrated care funds in line with national legislation.	Four high priority findings were identified in regard of lack of clear approval of proposed projects, breaches of WG submissions deadlines (including the lack of an audit trail), lack of regular detailed impact outcome updates from project owners and whether the level of information and scrutiny discussed at the RPB provides sufficient assurance that projects are on target in terms of delivery and financially. Four medium priority findings with regards to missing project information on the RIP and proposal forms, no formal approval of the rolled over Written Agreement for 2019/20 and the continued lack of a finance representative at the local Integrated Care Fund Panel meetings.	A management response was developed and this was presented to the IEG of the RPB. The Integrated Executive Group will further strengthen governance arrangements in 2021/22.
Records Management Follow up	To establish progress made by management to implement actions agreed to address key issues identified during the	Out of the 10 recommendations from the previous report, 4 recommendations had been fully implemented. However, due to the impact of Covid-19 the progress on 5 management actions have only been partially addressed, with 1 management actions not addressed to date.	The Health Board acknowledges that this area requires an in-depth and detailed review of the organisational strategic approach for records management including plans for improvement and modernisation.

	2018/19 review.		This has been included in the 2021/22 IA Plan.
Women and Children's Capital Scheme	To determine the adequacy of, and operational compliance with, the systems and procedures of the Health Board, taking account of relevant NHS and other supporting regulatory and procedural requirements, as appropriate.	Whilst recommendations have been made to improve systems of control and/or compliance, generally this was positively assessed. However, the project has suffered from poor delivery performance, notably time delays and is significantly outside its key delivery parameters, as reflected in the UHB's own 'Red' assessment of project risk/ performance.	A management response has been developed in response to the 13 new recommendations within the report. The Health Board is currently reviewing its capital governance arrangements.

7.7 Management responses that detail the actions to address gaps in control were included in all final IA reports presented to the Committee. The delivery of these actions is tracked via the UHB's audit tracker which is overseen by the Committee. The minutes and all final IA reports can be found within the ARAC section of our website <https://hduhb.nhs.wales/about-us/governance-arrangements/statutory-committees/audit-and-risk-assurance-committee-arac/>.

7.8 Where audit assignments planned this year did not proceed to full audits following preliminary planning work, these were either: removed from the plan, removed from the plan and replaced with another audit, or deferred until a future audit year. Subsequent to the approval of the updated plan in June 2020, the following audits were deferred.

Review Title	Reason
IT Infrastructure	Replaced by an audit of Data Modelling.
Job plan following up	Deferred due to the impact of the pandemic on the job planning process.
Transformation steering group	Deferred due to operational pressure as a result of the pandemic.

Operational response to COVID-19	Deferred due operational pressure as a result of the pandemic.
Field hospitals	An external review was commissioned by Welsh Government.
Outpatients	Deferred due operational pressure as a result of the pandemic.
Annual Quality Statement	Requirements changed for 2020/21.

7.9 IA is aware of the plans and actions put in place by the UHB in response to their recommendations, and will follow these up in 2021/22 to ensure they have been enacted.

7.10 The work of the IA service is informed by an analysis of the risks to which the UHB is exposed, with an Annual Plan based on this analysis. It should be recognised that many of the reviews were directed at high risk areas, and the overarching opinion therefore needs to be read within this context.

7.11 The Committee is of the opinion that selecting IA reviews based on risk as opposed to selecting areas that may consistently have had a higher internal audit rating provides a far more rigorous process of assurance. On that basis, the Committee believes that the overall Head of Internal Audit (HoIA) Opinion of 'reasonable assurance' for the year is a positive outcome and reflects the Internal Audit risk-based programme.

7.12 This Opinion contributed to the Board's assessment of the effectiveness of the organisation's system of internal control and to the completion of the Annual Governance Statement. The basis for forming the opinion can therefore be summarised as follows:

- An assessment of the range of individual opinions arising from risk-based audit assignments contained within both the IA and SSU risk-based plans that have been reported to the Committee throughout the year. This assessment has taken account of the relative materiality of these areas and management's progress in respect of addressing control weaknesses;
- The review of the process for self-assessment of Health and Care Standards for Health Services in Wales. Evidence is available in support of the Board's declaration in respect of the assessment for the Governance, Leadership and Accountability Standard;
- Other assurance reviews, including audit work performed in relation to systems operated by the NWSSP.

## 8 Counter Fraud

8.1 The UHB must effectively seek to promote the Counter Fraud agenda and ensure that appropriate action is taken when an allegation of fraud is received. The role of the Committee is to ensure the promotion and implementation of the Counter Fraud policy, with compliance monitored by the Committee through the reports of Counter

Fraud activity received and the Annual Counter Fraud Work Plan. The Committee received and approved the 2020/21 Annual Work Plan of the Local Counter Fraud Officer at its meeting held 21 April 2020.

- 8.2 The Committee received the Counter Fraud Annual Report 2020/21, ensuring that it had an appropriate level of coverage, and received regular reports to monitor progress against the plan. These reports provided an overview of current cases, details of concluded fraud investigations, policy and procedure reviews, actions being taken to deter and prevent fraud and to raise fraud awareness throughout the UHB. Despite the COVID-19 pandemic and a 50% reduction in resources in Quarter 2, the UHB's counter fraud provision has demonstrated compliance with the requirements of the WG Directions to NHS Bodies on Counter Fraud Measures. The overall 'green' rating from the Quality Assurance assessment ("Self-Review Tool" (SRT)), demonstrates the continued efforts from the Local Counter Fraud Service (LCFS) in working in an innovative way to achieve a balance of both reactive and proactive work to meet the NHS Counter Authority's Standards. A key strategy from previous years has been to change the view amongst the wider organisation of the Counter Fraud Team from being a reactive unit for referral and investigation, to a proactive unit purposed to prevent fraud and reduce fraud risk. This is showing signs of taking effect, with increased contact seeking advice and assessment. This strategy will continue, whilst being mindful that the message around the importance of investigation should not be lost.
- 8.3 The Local Counter Fraud Officer has been in regular attendance at Committee meetings during 2020/21, and issues have been discussed in detail, as appropriate, with Committee members. Progress details for cases highlighted as part of the Counter Fraud Update Report have regularly been provided at ARAC In-Committee meetings. On 15 December 2020 the Committee received a report outlining the findings of an exercise to explore how collaborative working processes could be developed around core functions. Following this exercise, it is the Counter Fraud team's ambition to develop Information Sharing Protocols (ISPs) with various parties. This will lead to improved collaboration, identification of potential system weaknesses and sharing of good practice.

## **9 Financial Reporting and Financial Position**

- 9.1 Detailed monitoring of the UHB's financial performance falls within the remit of the Finance Committee, with ARAC being responsible for issues of financial governance. The Committee considered the Annual Accounts for 2020/21 in May 2021, including the organisation's Accountability Report, with a subsequent recommendation made to the Board for approval. In making its recommendation, the Committee confirmed that the draft Accountability Report was consistent with the Committee's view on the UHB's system of internal control.
- 9.2 The Executive Director of Finance has provided regular Financial Assurance Reports to each meeting of the Committee throughout 2020/21. This is consistent with the Committee's role of maintaining an appropriate financial focus by demonstrating robust financial reporting and ensuring that the maintenance of sound systems of financial control are enacted. The content of the report was reviewed with the Chair and Executive Director of Finance, which resulted in some elements of the report being reported to the Finance Committee, however the

matters pertaining to the compliance with Standing Financial Instructions (SFIs) remained with the Committee. Matters discussed by the Committee during the year and on which assurances were provided included:

- Scheme of delegation changes;
- Compliance with Purchase to Pay requirements (PSPP);
- Compliance with Income to Cash requirements;
- Losses & Special payments and Write offs;
- Compliance with Capital requirements;
- Compliance with Tax requirements; and
- Compliance with Reporting requirements.

9.3 The Committee will continue to seek assurance on the UHB's financial position, underlying deficit and savings plans, through the increased scrutiny provided by the Finance Committee.

9.4 The Committee received the Annual Statement of Financial Procedures at its meeting held 23 February 2021, detailing planned reviews of the financial systems operated by the UHB planned to be undertaken during 2021/22.

## **10 Standing Orders (SOs), Standing Financial Instructions (SFIs) and Financial Procedures**

10.1 The Committee received the SOs and SFIs at its meeting held 15 December 2020. WG has made no recent amendments to its Model SOs and SFIs however paragraph 11.0.2 of the Model Standing Orders states that these should be reviewed annually by Health Boards and Trusts Audit Committees, and any proposed amendments reported to the Board for consideration. The Committee considered the amendments made to UHB's SOs since those approved by the Board in November 2019, agreed that no further revisions were required, and recommended the final version of the SOs and SFIs to the Board for approval at its meeting held 28 January 2021. WG have issued revised Model SOs which will be presented to the Committee for approval in May 2021.

## **11 Losses and Special Payments**

11.1 In order to comply with SOs and SFIs, the Committee must review losses and special payments reports and where appropriate, recommend them to the Board for approval. This element of the Committee's work is discharged through consideration and approval of the losses and debtors write-offs provided in the Financial Assurance Report, which was received by Members at the Committee meeting held 23 February 2021. The report highlighted an increase in the trend of balance outstanding in overpayments against recoveries. Members heard that the Overpayments Task and Finish Group was due to present the Recovery of Overpayments and Management of Underpayments Policy, which proposes the introduction of electronic forms/processes in payroll and workforce, to PPPAC in March 2021.

## **12 Assurance on Clinical Governance**

12.1 It is a requirement of the NHS Wales Audit Committee Handbook that the Committee reviews the Clinical Audit Programme at the beginning of each year. The role of the Committee is to seek assurance on the overall plan and to consider the following:

- Does the UHB have a plan which is fit for purpose and is completed on time?
- Does it cover all relevant issues?
- Is it making a difference and leading to demonstrable change?
- Is change supported by recognised improvement methodologies?
- Does the organisation support clinical audit effectively?

12.2 The Committee was presented with an update on the status of the Clinical Audit Annual Report 2019/20, the current state of the UHB's Clinical Audit Function, and indication of plans for 2020/21 at its meeting held 25 August 2020. The Committee noted the reduction in clinical audit activity during the COVID-19 outbreak and the impacts, and the decision from WG to suspend all audit data collection and the continuing suspension. The focus of resources was now on the National COVID-19 Audit and the 2019/20 and 2020/21 clinical audit programmes had been combined into one report for 2021.

12.3 The Committee received a Clinical Audit Update at its meeting on 20 April 2021 confirming the continued decision from WG to suspend audit data collection and a continued reduction in clinical audit activity during the Covid-19 outbreak. The UHB, with the support of the Clinical Audit Department (CAD), will continue to finalise the outcomes of the 2020/21 programme ready for reporting in August 2021. The 2021/22 programme will be shared with this Committee, Clinical Audit Scrutiny Panel (CASP) and Operational Quality and Safety Forums.

### **13. Other Committee Work**

#### **13.1 Escalation Arrangements**

The tri-partite arrangements involve information sharing and dialogue between the WG, the Auditor General for Wales and HIW. Under these arrangements, bi-annual meetings are held to discuss the overall position of the UHB (as with all other Health Boards and Trusts in Wales), and to agree the best way to respond to any issues affecting service delivery, quality and safety of care and/or organisational effectiveness.

During 2020/21, in recognition of the continued good performance prior to the pandemic and the professional and considered way in which the UHB responded to the extraordinary circumstances of the pandemic, WG reduced the Health Board's escalation status from 'targeted intervention' to 'enhanced monitoring'. In order for the Health Board to move into 'routine monitoring', the UHB need to focus on future financial plans, which will be dependent on delivering of the Health and Care Strategy and the capability and capacity of the organisation in terms of planning. The Health Board welcomed the reduction in escalation status which recognised the developing maturity of the organisation and reflected the efforts of the whole organisation.

WG will continue to provide the necessary specialised support and advice to address these issues raised, and will continue to hold Joint Executive Team (JET) and Quality and Delivery (Q&D) meetings when considered necessary.

The Committee welcomed the report and recognised this was an exceptional achievement, especially having been achieved during the pandemic.

### **13.2 Reports of Other Committees**

Lead Executive Directors of the Board level Committees attend the Committee on an annual basis to allow the Committee opportunity to scrutinise the controls and assurances on which they rely, agreeing actions where appropriate and including proposals for future internal audits.

Assurance reports from the following Committees were received, which provided assurances that the Committees' Terms of Reference, as set by the Board, are being adequately discharged:

- Quality, Safety & Experience Assurance Committee (QSEAC);
  - Mental Health Legislation Assurance Committee (MHLAC);
  - Finance Committee (FC);
  - Charitable Funds Committee (CFC); and
- The Terms of Reference for the PPPAC and Health and Safety Assurance Committee (HSAC) established in 2020/21 will be reviewed by the Committee in 2021/22, however it is recognised that the governance arrangements for the UHB will be reviewed in May 2021 which will impact on the whole UHB committee structure.

### **13.3 Adequacy of Arrangements for Declaring, Registering and Handling Interests Gifts, Hospitality, Honoraria and Sponsorship**

In accordance with the Audit Committee Handbook, the Committee reviewed ongoing and planned work relating to arrangements for declaring, registering and handling interests, gifts, hospitality, honoraria and sponsorship at its meeting held 23 June 2020. The Committee was assured by the adequacy of arrangements currently in place and noted proposed steps for improvement during 2020/21.

### **13.4 Single Tender Action (STA) and Quotation Reports**

In line with SOs, and in the interest of probity and transparency, the Committee received reports relating to all STAs during the course of the year via the Financial Assurance reports. This will be supported by the summary of STAs 2020/21 which will be reported to the Committee in June 2021. This summary will include a schedule of all such transactions during the course of the year being presented to the Committee in order to obtain assurance that there were no consistent or recurring themes which might indicate any attempt to circumvent due process, thereby enabling any trends or other issues of concern to be monitored and acted upon.

### **13.5 Audit and Risk Assurance Committee Development and Self-Assessment of Effectiveness**

Members participated in a self-assessment and evaluation exercise of the Committee's performance and operation in March and April 2020, with outcomes from self-assessment surveys presented to the Committee at its meeting held 21 April 2020. The findings of the 2020/21 Self-Assessment exercise will be



discussed by the Committee Chair and the Board Secretary, with a proposed improvement plan to be presented to the Committee in June 2021.

### 13.6 Private Meeting of Audit and Risk Assurance Committee Members with the Auditors

In line with the Audit Committee Handbook and the Committee Terms of Reference, Committee Members met privately at individual meetings with IA Service, the SSU, AW and Counter Fraud on 23 February 2021. These meetings were attended by:

Independent Members	Attended by
<ul style="list-style-type: none"> <li>• Mr Paul Newman, Committee Chair</li> <li>• Mr Mike Lewis, Committee Vice-Chair</li> <li>• Mrs Judith Hardisty, Committee Member</li> <li>• Mr Owen Burt, Committee Member</li> <li>• Cllr. Simon Hancock, Committee Member</li> <li>• Mr Maynard Davies, Committee member</li> </ul>	<p>Meeting 1</p> <ul style="list-style-type: none"> <li>• Mr Benjamin Rees, Head of Local Counter Fraud Services</li> </ul> <p>Meeting 2</p> <ul style="list-style-type: none"> <li>• Ms Ann-Marie Harkin, Audit Wales</li> <li>• Ms Anne Beegan, Audit Wales</li> <li>• Ms Lucy Evans, Audit Wales</li> </ul> <p>Meeting 3</p> <ul style="list-style-type: none"> <li>• Mr Simon Cookson, Director of Audit &amp; Assurance, NWSSP</li> <li>• Mr James Johns, Head of Internal Audit</li> </ul> <p>Meeting 4</p> <ul style="list-style-type: none"> <li>• Ms Rebecca Jewell, Senior Methodology Manager, HIW</li> </ul>

The purpose of holding a private session between Members and auditors, without management present, is to build a relationship of trust and to support the independence of the audit functions. It also provides an opportunity for the auditors to provide feedback to the Committee on its own performance. The discussion is not minuted, although the Chair provides appropriate feedback to the Lead of the Committee where there are areas of improvement.

## 14. Forward Plan

14.1 The Committee, in addressing issues identified in previous years, has continued to provide additional assurance that the Board is functioning effectively. This is even more important whilst the UHB manages the COVID-19 pandemic.

- 14.2 The Committee will continue to focus on those areas which will be subject to increased scrutiny, and ensuring those areas which received limited assurance in 2021/22 improve.
- 14.3 The Committee will continue to closely oversee the implementation of audit, inspectorate and regulatory recommendations to ensure the pace of delivery is improved as the UHB moves into recovery.
- 14.4 Any areas of Committee concern raised during 2020/21, including scrutiny of outstanding improvement plans, will be followed up in 2021/22. Any learning taken from the 2020/21 Self- Assessment of Committee Effectiveness exercise will be acted upon as appropriate.
- 14.5 In order to continue the triangulation of assurance for the Board and provide the required degree of scrutiny, it is the Committee's intention to further build relationships with the QSEAC, PPPAC, FC and HSAC.

## **15. Conclusions**

- 15.1 It is acknowledged that the Committee is a well-established Committee of the Board with a detailed annual work plan in place.
- 15.2 Whilst the Committee believes it has met the duties of its Terms of Reference and has provided assurance to the Board on a significant number of matters, during the course of the year there were several areas where the Committee itself expressed concern that it was not being provided with the required degree of assurance to enable it to discharge its duties in informing the Board appropriately.
- 15.3 The IA work programme was aligned to the UHB's risk profile, including emerging risks as a consequence of the COVID-19 pandemic, to provide assurance to the Committee that the identified mitigation is reducing or maintaining the level of identified risk. The Committee will also ensure that IA reviews are undertaken of those areas which received limited assurance during 2020/21, and the implementation of the agreed management action plans will be a focus for the Committee's attention. The IA plan for 2021/22 will need to be flexible and respond to the UHB's requirements while it is still managing the COVID-19 pandemic.
- 15.4 The Committee will request the attendance of the CEO on a bi-annual basis to provide assurance that the UHB's improved position from Targeted Intervention to Enhanced Monitoring status is being carefully managed and that no escalation would be forthcoming.
- 15.5 Finally, focus will continue to be placed on work that is undertaken in collaboration and partnership, with the Committee seeking assurance that robust processes and reporting arrangements are in place where significant activity is shared with another organisation, e.g. NWSSP, Emergency Ambulance Services Committee (EASC) and WHSSC.
- 15.6 The Committee therefore provides a key source of assurance to the Board that the organisation has effective controls in place to manage the significant risks to

achieving its objectives and that controls are operating effectively. In a period of rapid change where far-reaching decisions need to be made, it is vital that risk management is at the heart of this process. The Committee has continued to make progress in moving to a position where it can be used effectively to help achieve the UHB's objectives and improve decision making. Work will take place during 2021/22 to enable the Committee to receive assurance on the effectiveness of the risk management framework, particularly in respect of the impact of the COVID-19 pandemic. By monitoring the performance of risk management and any obstacles to improvement, the Committee has helped to ensure the adoption of good practice across the organisation.

15.7 This report demonstrates that the Committee has fulfilled its responsibilities as detailed in its Terms of Reference, through the completion of a comprehensive work plan, and from the reports it has received throughout the course of the year from a range of support services and sources. The Committee has successfully overseen a programme of work to provide the Board with assurance in respect of the adequacy and effectiveness of the organisation's functions and systems to maintain a sound system of governance and internal control.

15.8 It is the opinion of the Committee that the Accountability Report, incorporating the Annual Governance Statement, which was received at the Committee meeting held 27 May 2020, is consistent with the view of the Committee on the UHB's system of internal control. In forming this opinion the following factors have been considered:

- The system of risk management is adequate in identifying risks and allowing the Board to understand the appropriate management of those risks, whilst noting work is continuing in refining risks to be undertaken at an operational level to enable the UHB to become a risk mature organisation;
- The reliability and integrity of its sources of assurance encompassing the work of both IA and AW together with the assurances forthcoming from the Committees of the Board;
- The Committee, in reviewing the system of assurance, whilst acknowledging the potential for improvement, believes the UHB had the necessary controls in place during the reporting period.

The Board is therefore asked to endorse the contents of this report as a summary of the work and findings of the Audit and Risk Assurance Committee for the financial year 2020/21.