

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

DYDDIAD Y CYFARFOD: DATE OF MEETING:	23 June 2020
TEITL YR ADRODDIAD: TITLE OF REPORT:	Charitable Funds Committee Assurance Report
CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:	Sarah Jennings, Director of Partnerships & Corporate Services
SWYDDOG ADRODD: REPORTING OFFICER:	Sarah Jennings, Director of Partnerships & Corporate Services

Pwrpas yr Adroddiad (dewiswch fel yn addas)

Purpose of the Report (select as appropriate)

Er Sicrwydd/For Assurance

**ADRODDIAD SCAA
SBAR REPORT**

Sefyllfa / Situation

The Terms of Reference of the Audit & Risk Assurance Committee (ARAC) state that Lead Directors of Board level committees should attend ARAC at least annually to provide assurance that the committees are effectively discharging their Terms of Reference.

The purpose of this report is to provide assurance to ARAC that the Charitable Funds Committee's Terms of Reference, as set by the Board, are being adequately discharged.

Cefndir / Background

The Hywel Dda University Health Board was appointed as corporate trustee of the charitable funds by virtue of Statutory Instrument 2009 No. 778 (W.66) and that its Board serves as its agent in the administration of the charitable funds held by the University Health Board.

In accordance with Hywel Dda University Health Board's standing orders and scheme of delegation, the Board has nominated a committee to be known as the Charitable Funds Committee, established as a Committee of Hywel Dda University Health Board, which was constituted from 22nd July 2010.

The University Health Board holds charitable funds as sole corporate trustee and board members, whilst not 'trustees' in their own right, are jointly responsible for the management of those charitable funds.

The charitable funds linked to the University Health Board are independent of the 'exchequer' funds of the University Health Board and must be managed separately. The Charity Commission has regulatory responsibility for ensuring the proper management of these funds.

The purpose of the Charitable Funds Committee is to:

- Make and monitor arrangements for the control and management of the Board's Charitable Funds, within the budget, priorities and spending criteria determined by the Board and consistent with the legislative framework.

- Set the strategic direction for Hywel Dda Health Charities.
- Provide assurance to the Board in its role as corporate trustees of the charitable funds held and administered by the Health Board.
- Agree issues to be escalated to the Board with recommendations for action.

This paper outlines the governance arrangements in place to ensure that the Committee's Terms of Reference are adequately discharged and that our registered charity, Hywel Dda Health Charities, operates to a high standard with limited exposure to risk, both financial and non-financial.

Asesiad / Assessment

1. Governance

The Charitable Funds Committee (CFC) meets on a quarterly basis. Since 1st April 2019 the Committee has met on 4 occasions and was quorate at each meeting.

The CFC has clear reporting lines to the Board to ensure that it is notified of actions taken on its behalf. A formal written report is prepared for the Board following each CFC meeting to provide assurance and to advise on the business undertaken on its behalf.

An annual report detailing the work of the CFC is also presented to Board as part of the self-assessment process undertaken each year. All issues, actions and matters escalated from the Charitable Funds Operations Sub-Committee to CFC and subsequently to Board are detailed within the report.

CFC meetings ensure that charity business is not overshadowed by issues relating to the NHS business of the Board through the separation of business which ensures that the administration of the UHB's charitable funds is distinct from our exchequer funds.

1.1 Charitable Funds Operations Sub-Committee

There is currently one Sub-Committee reporting to the Charitable Funds Committee; the Charitable Funds Operations Sub-Committee which was constituted from 1st April 2017. The Sub-Committee consolidated the previous sub-committee functions held by:

- Acute Services Charitable Funds Sub-Committee
- Carmarthenshire Community Charitable Funds Sub-Committee
- Ceredigion Community Charitable Funds Sub-Committee
- Pembrokeshire Community Charitable Funds Sub-Committee
- Mental Health & LD Charitable Funds Sub-Committee

The new Sub-Committee was established following a review of charitable funds governance arrangements at a local level to provide assurance to the CFC that the University Health Board's (UHB) policies and procedures are followed in relation to the control and management of our named charitable funds. The Sub-Committee was established alongside a central business function within the operations directorate, with the intention of also providing administration support to the Sub-Committee function.

Since 1st April 2019 the Sub-Committee has met on ten occasions and was quorate at nine of the meetings.

The operational responsibilities of the Sub-Committee are to:

- Consider and approve all requests for expenditure over £5,000 and under £25,000 against named charitable funds, within the scheme of delegation for authorisation of charitable funds expenditure.
- Consider and recommend for approval all requests for expenditure over £25,000 against named charitable funds, within the scheme of delegation for authorisation of charitable funds expenditure.
- Provide scrutiny and onward assurance to the Charitable Funds Committee on charitable income and expenditure.
- Receive assurance from fund managers on activity relating to their designated charitable funds.
- Provide scrutiny to all unusual or novel expenditure requests of any value, and expenditure requests resulting in ongoing charitable funds commitment, prior to Charitable Funds Committee consideration.
- Develop and oversee the implementation of annual expenditure plans for the use of the named charitable funds.
- Consider and approve all requests for the establishment of new charitable funds.
- Provide quarterly written updates to the Charitable Funds Committee on the following items:
 - Notable items of expenditure
 - Key decisions
 - Progress on expenditure plans for use of named UHB charitable funds
 - Chair's actions undertaken outside of the cycle of Sub-Committee meetings
 - Key risks and issues/matters of concern
 - Matters requiring Charitable Funds Committee consideration or approval
 - Any revisions to the Sub-Committee's Terms of Reference

The Sub-Committee's Annual Report for 2019/20, submitted to the March 2020 meeting of the Charitable Funds Committee, outlines how the Sub-Committee has complied with the key responsibilities set through its terms of reference, to provide assurance that its terms of reference are being adequately discharged.

2. Risk management

The Chief Executive of the UHB, together with the other directors, is responsible for ensuring that an effective system of financial control is maintained. The Chief Executive and other directors are also responsible for reviewing the effectiveness of this system and have confirmed that the minimum control standards laid down by Welsh Government have been in existence throughout the financial year. The minimum control standards apply equally to the management of the charity by officers of the UHB as to the exchequer funds of the UHB. In this way the major risks to which the charity is exposed have been reviewed and systems have been established to mitigate those risks.

Historically the CFC's risk register has had high risk scores around a number of risks relating to public confidence and reputational damage. However, recent efforts to rebuild trust and confidence have significantly helped to reduce the risks to the charity, as mitigating actions have had a major impact.

At the CFC meeting on 17th March 2020, an update was provided on the one on-going charitable funds related risk (743) of reputational damage should the Health Board be implicated by default, in events outside of the Health Board's control, due to association, or perceived association, with any external charitable organisations. Members discussed the

tolerance level for this risk and whether the target risk score of 4 would be achievable due to the nature of the risk. It was agreed that a target risk score of 8 would be more achievable which is within the Committee's tolerance level. Members acknowledged the significant actions put in place to provide assurance that the risk is being appropriately monitored and mitigated.

3. Purpose and key responsibilities

The Committee can demonstrate that it has met its purpose and key responsibilities during 2019/20 as follows:

Key Responsibilities	Assurance to ARAC
<p>Within the budget, priorities and spending criteria determined by the UHB as trustee and consistent with the requirements of the Charities Act 2011 (or any modification of these acts) to apply the charitable funds in accordance with its respective governing documents.</p>	<p>A financial procedure which includes expenditure guidelines is in place to ensure that there are sufficient management controls to provide assurance that:</p> <ul style="list-style-type: none"> • Spending is in accordance with objects and priorities agreed by the Charitable Funds Committee. • Criteria for spending charitable monies are fully met. • Accounting records are maintained. • Devolved decision making is within specified parameters. <p>Charitable Funds are managed through the UHB's Oracle finance system in line with the UHB's financial procedures. Internal Audit and Audit Wales conduct annual audits of our financial procedures.</p> <p>Internal staff expertise ensures that all Charity Commission requirements and changes are adhered to and also advised to the CFC as they occur.</p>
<p>Devise, implement and approve appropriate procedures and policies to ensure that fundraising and accounting systems are robust, donations received and coded as instructed and that all expenditure is reasonable, clinically and ethically appropriate.</p>	<p>Staff are employed by the UHB to ensure the effective management and operations of our charitable funds. Salary costs are reclaimed from the charity's resources to support the following duties:</p> <ul style="list-style-type: none"> • Maintenance of accounting systems • Production of annual accounts • Compilation of management information • Scrutiny of expenditure proposals to ensure propriety • Preparation of committee papers • Fundraising support to internal and external stakeholders
<p>Ensure that the UHB policies and procedures for charitable funds investments are followed.</p>	<p>The charity retains the services of investment advisors to manage its investment portfolios. Policy is set by the charity trustee in its instruction to their advisor. The advisors are instructed to manage the portfolios to</p>

	produce both income and capital returns, and manage those funds within the value they retain on the accounts. The charity also holds funds in short term investments that are not managed by the investment advisor. The Committee monitors the performance of the Investment Advisor through the quarterly Integrated Performance Report.
In addition, make decisions involving the sound investment of charitable funds in a way that both preserves their value and produces a proper return consistent with prudent investment and ensuring compliance with: <ul style="list-style-type: none"> • Trustee Act 2000 • The Charities Act 2011 • Terms of the fund's governing documents 	As above.
Receive at least twice a year reports for ratification from the Director of Finance and investment decisions and action taken through delegated powers upon the advice of the UHB's investment adviser.	The Investment Advisor has been given authority to invest the UHB's portfolio within the Sarasin Endowment Fund. The Investment Advisor has delegated authority to buy and sell investments within the Fund. The Investment Advisor is invited twice yearly to present to the Charitable Funds Committee its investment activities including contract implementation, investment strategy and report on performance of the portfolio.
To oversee and monitor the functions performed by the Director of Finance as defined in the UHB's Standing Financial Instructions.	An internal audit is undertaken every year by the Internal Audit department on financial processes and performance against policies with a report including audit findings, management recommendations together with management responses. This report is presented for discussion to the Charitable Funds Committee and to ARAC.
To monitor the progress of Charitable Appeal Funds where these are in place and considered to be material.	The Committee received quarterly updates and monitors the performance of any appeals through the quarterly Integrated Performance Report.
To monitor and review the UHB's scheme of delegation for Charitable Funds expenditure and to set and reflect in Financial Procedures the approved delegated limits for expenditure from Charitable Funds.	The scheme of delegation is stated in the Charitable Funds Financial Administration and Governance Policy. Processes are in place to ensure authorisation works within limits set and are subject to audit. When a need to review these limits is identified it is brought to the Charitable Funds Committee for discussion and approval.

4. Any potential future changes

4.1 Charitable Funds Committee Scheme of Delegation

At the Charitable Funds Committee meeting held on 17th March 2020, members agreed an amendment to the Committee's scheme of delegation. Charitable funds expenditure over £100,000 will now require the approval of the Corporate Trustee (the University Health Board).

4.2 Hywel Dda Health Charities Three-Year Plan 2020/23

At the Charitable Funds Committee meeting held on 17th March 2020, members recommended the Hywel Dda Charities three-year plan for consideration by the Corporate Trustee, which was approved on 26th March 2020.

The charity's three-year plan is focused in three key objectives which will include the establishment of a staff lottery scheme to generate unrestricted funds to invest in staff health and wellbeing initiatives:

1. Income: Increase our income levels by 10% on an annual basis from April 2020 to March 2023.
2. Expenditure: Increase our charitable expenditure by 15% on an annual basis from April 2020 to March 2023.
3. Communications: Increase our charity's profile and raise awareness of the positive difference we make.

Argymhelliad / Recommendation

The Audit & Risk Assurance Committee is asked to note the content of this report and take assurance that the Charitable Funds Committee has operated effectively during 2019/20.

Amcanion: (rhaid cwblhau) Objectives: (must be completed)	
Committee ToR Reference Cyfeirnod Cylch Gorchwyl y Pwyllgor	5.8 Invite Lead Directors of Board level Committees to attend the Audit & Risk Assurance Committee at least annually to receive assurance that they are effectively discharging their Terms of Reference.
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: Hyperlink to HDdUHB Well-being Statement	Not Applicable
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Gwybodaeth Ychwanegol: Further Information:	
Ar sail tystiolaeth: Evidence Base:	Standing orders Standing financial instructions Charity legislation and guidance Minutes of CFC meetings
Rhestr Termau: Glossary of Terms:	Included in report
Partion / Pwyllgorau â ymgynhorwyd ymlaen llaw y Pwyllgor Archwilio a Sicrwydd Risg: Parties / Committees consulted prior to Audit and Risk Assurance Committee:	Director of Partnerships & Corporate Services Head of Corporate Governance

Effaith: (rhaid cwblhau) Impact: (must be completed)	
Ariannol / Gwerth am Arian: Financial / Service:	No direct impact
Ansawdd / Gofal Claf: Quality / Patient Care:	No direct impact
Gweithlu: Workforce:	No direct impact
Risg: Risk:	No direct impact
Cyfreithiol: Legal:	No direct impact
Enw Da: Reputational:	No direct impact
Gyfrinachedd: Privacy:	No direct impact
Cydraddoldeb: Equality:	No direct impact