

Bundle Audit & Risk Assurance Committee 5 May 2020

3.2 Draft Audit & Risk Assurance Committee Annual Report 2019/20

Presenter: Chair

SBAR Draft ARAC Annual Report ARAC 5 May 2020

Draft ARAC Annual Report 2019-20



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

DYDDIAD Y CYFARFOD: DATE OF MEETING:	05 May 2020
TEITL YR ADRODDIAD: TITLE OF REPORT:	Draft Audit & Risk Assurance Committee Annual Report 2019/18
CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:	Mr Paul Newman, Chair of Audit & Risk Assurance Committee
SWYDDOG ADRODD: REPORTING OFFICER:	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 2019/20 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 2019/20 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 endorse the content of the report for onward submission to the Board.

Amcanion: (rhaid cwblhau) Objectives: (must be completed)	
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: Hyperlink to HDdUHB Well-being Statement	Not Applicable

Gwybodaeth Ychwanegol: Further Information:	
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

Effaith: (rhaid cwblhau) Impact: (must be completed)	
Ariannol / Gwerth am Arian: Financial / Service:	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.
Ansawdd / Gofal Claf: Quality / Patient Care:	A sound system of internal control ensures that any risks to the achievement of the Health Board's objectives are identified, assessed and managed.
Gweithlu: Workforce:	Not applicable
Risg: Risk:	Not applicable
Cyfreithiol: Legal:	Not applicable
Enw Da: Reputational:	Not applicable
Gyfrinachedd: Privacy:	Not applicable
Cydraddoldeb: Equality:	<ul style="list-style-type: none"> • Has EqIA screening been undertaken? No • Has a full EqIA been undertaken? No



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CYMRU
NHS
WALES

Bwrdd Iechyd Prifysgol
Hywel Dda
University Health Board

AUDIT AND RISK ASSURANCE COMMITTEE

ANNUAL REPORT

2019-20

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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 2019/20 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), known as the Wales Audit Office prior to 1 April 2020, 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 IA, 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 Continuing concern regarding non-compliance with the European Working Time Directive (EWTD) among switchboard lone-workers. Committee Members registered concern regarding a lack of clarity relating to both the short-term actions being taken to address issues (originally identified within the IM&T Directorate report) and timescales for resolution. Following the installation of the new switchboard system within the UHB, the Committee Chair sought confirmation that the introduction of the system would resolve these issues, it was noted this was now resolved.

2.5.2 Concerns were raised by the Committee regarding the outcomes from the WAO Clinical Coding Review, notably unsatisfactory findings relating to staff morale, clinical engagement and a lack of clarity around ownership. The Committee requested further updates (noting that the position would also be monitored by the Business, Planning and Performance Assurance Committee (BPPAC)), and sought assurance that the issues would be highlighted to the Executive Team. In light of concerns regarding the quality of medical records, and the resulting impact upon clinical coding, the

- Committee agreed that it should continue to monitor both issues, with a further update scheduled for its meeting to be held 21st April 2020.
- 2.5.3 In considering the updated management response to the IA National Standards for Cleaning Follow-up report, the Committee noted statements regarding lack of capital and infrastructure funding. Identifying potential implications for infection control should compliance with cleaning standards be compromised by funding restrictions, the Committee recommended that this concern be escalated to Board, and agreed that the management response would be revised and re-presented.
- 2.5.4 Due to the seriousness of the audit findings detailed in the IA Water Safety report, the Committee sought assurance that management actions arising from the report had been implemented in accordance with agreed timescales, and agreed the need for follow-up audits at different sites. Following receipt of a further report – ‘Water Safety – Additional Sampling’ (Limited Assurance) – and consideration of mitigating actions to address water safety risks, the Committee agreed that it would be helpful for the Executive Team to conduct a full review of the outstanding Estates/IT/Medical Equipment backlog across the UHB.
- 2.5.5 Concerns were raised by the Committee regarding progress relating to the WAO NHS Consultant Contract Follow-up Review. Projections of job-planning processes in place up to March 2020 were requested by the Committee, with a further update scheduled for its meeting to be held in April 2020, where it was recognised that progress had been made. In addition, IA also undertook a review of Consultant and Specialty and Associate Specialist (SAS) Doctors Job Planning, and noted significant weaknesses with the completion, annual review, quality and sign off of the job plans. Acknowledging that job planning represented a long-standing challenge for the UHB, and recognising time pressures linked to achievement of compliance targets (ie. ensuring all consultants and SAS doctors have a valid job plan in place by 31 March 2020), Members sought assurance that the delivery approach taken by the UHB was appropriate, and requested that the Management Action Plan for achievement of 100% compliance for each service area be circulated. Following a further update provided to the Committee at its meeting held on 25 February, Members expressed concern regarding the number of job plans yet to be completed, particularly electronically, and requested a further update be provided to the Committee in April 2020, to include data regarding variation across sites and steps being taken to introduce consistency.
- 2.5.6 The Committee expressed concern regarding error rates in Post Payment Verification (PPV), particularly in those GP practices, which had received additional training, revisits and support. A further update report was requested and presented to the Committee, leading to a recommendation by Members that PPV issues be highlighted to Board, given the potential increase in funding allocation within Primary Care and Community sectors with the proposed ‘shift left’ of services. Members also agreed the need to consider how PPV is placed within a strategic context in order to provide assurance to ARAC and to the Board and sought further information through the Table of Actions.
- 2.5.7 Detail relating to staff numbers was requested by the Committee as a result of Members’ concerns that the assurance ratings presented in the IA

'Preparedness and Compliance with the Nurse Staffing Act' report did not reflect the position across the whole organisation (while noting substantial work being undertaken within the UHB to implement the requirements of the Act). Recognising potential risks in terms of the UHB's ability to recruit sufficient numbers of temporary staff to enable compliance with the Act, the Committee requested that this area be re-audited. The Committee therefore recognised that this area is more suited for consideration by Quality, Safety and Experience Assurance Committee (QSEAC), and it was agreed that the original and additional sampling reports would be resubmitted to QSEAC in order to provide supplementary information for their discussions on the Nurse Staffing Levels Act.

- 2.5.8 The Committee has regularly monitored progress against the WAO and IA reviews of Operating Theatres throughout the year. While noting overall progress made in the implementation of IA recommendations, the Committee expressed increasing concern regarding the length of time taken to implement two outstanding recommendations. Following a further progress update requested by the Committee, and consideration given to related issues, Members agreed that the matter had now moved beyond the Committee's remit, and, due to the length of time, this issue has been ongoing, it would be escalated to Board, with a request that resolution be expedited through Board via directed action.
- 2.5.9 A Limited Assurance IA report *'Financial Safeguarding: Maintenance Team Led Work'* was presented to the Committee. The issues identified were considered against wider challenges in terms of the UHB's outstanding estate and maintenance work, noting the need to expedite maintenance work and revise processes. It was agreed that this matter would be escalated to Board, and that the Committee would continue to monitor progress.
- 2.5.10 A Radiology Update report was presented to the Committee, together with proposals to be submitted to the Executive Team and extended timescales for implementation. Members noted the ambition to establish a common system across the UHB, and requested further updates to assess progress. Developments have been monitored by the Committee via its Table of Actions, with the latest position was provided at the meeting on 25 February 2020.
- 2.5.11 The Committee agreed the need for increased focus by the UHB upon findings and actions identified in the WAO report: *'What's the Hold Up? Discharging Patients in Wales'*, particularly in view of the significant potential of discharge processes in improving patient experience. Members recommended that the matter be brought to the attention of the Board and referred to QSEAC, and requested that an update be brought to a future Committee meeting. Given further information, Members concluded that real change required effective interaction with other bodies to support a whole system/partnership approach, and that this should be highlighted to the Board.
- 2.5.12 Committee Members scrutinised reports detailing progress against outstanding improvement plans relating to the WAO Review of Estates 2016 and the IA Health and Safety 2016. In both cases, Members expressed concern that the reports failed to provide assurance that the outstanding recommendations would be implemented as planned. The Committee

- requested that further updates be provided, outlining proposals relating to the Estates software system, and details of plans to address outstanding recommendations from the IA Health and Safety, these are scheduled during 2020/21.
- 2.5.13 In light of steps being taken by WG and NHS to strengthen Primary Care services and budget, and the expected 'shift left' in healthcare services, as described in the WAO Review of Primary Care Services in Wales and Local Update Report which was received by the Committee; Members recognised the need for increased focus upon Primary Care at both Committee and Board level, and recommended consideration of current and future reporting arrangements for this service area. Members subsequently noted the requirement for further updates to management's response to the review findings at the Committee meeting held 25th February 2020, these are scheduled during 2020/21.
- 2.5.14 The Committee received national and local WAO Integrated Care Fund (ICF) Reports. Members sought assurance that recommendations relating to governance would be implemented, and agreed that issues requiring consideration should be highlighted to the Board and included in the Committee work plan going forward.
- 2.5.15 Concern was expressed by the Committee with regard to the number of audit and regulatory reports not implemented by agreed dates, as identified in the UHB Central Audit Tracker report. It was agreed that the ARAC Chair would reiterate to the Executive Team the importance regarding late or non-delivery of recommendations from external/internal audit and regulatory reports.
- 2.5.16 Having received the Review of Personal Appraisal Development Review (PADR) Process (Limited Assurance) report, which identified issues of concern relating to training and compliance levels, and the quality of PADRs, the Committee suggested that this area be re-audited in 2020. This achieved a 'reasonable assurance' rating on its follow up review.
- 2.5.17 At its meeting held on 25 February 2020, the Committee discussed the findings from the IA Review of Research and Development (R&D) Governance, noting that a number of actions were already underway and that the department had recently been subject to an Organisational Change Process to address previous structural gaps, along with a number of identified concerns. While being assured that the R&D department is more robust in terms of structure, function and governance as a result of the change process undertaken, Members suggested that, in focusing upon the detail of the recommendations, wider consideration of how the UHB takes the R&D function forward had not been fully addressed, and it was therefore agreed that a report outlining the broader R&D position, including recent, current and planned changes was required. This report is scheduled for 2020/21.
- 2.5.18 A report detailing findings from an IA review of Bronllys General Hospital (BGH) Directorate Governance was considered by the Committee in its meeting held 25 February 2020. Members expressed concerns regarding the approach applied by BGH management to risk targets and tolerance, which does not conform to the Board-agreed framework, noting also that the IA report also identified issues which management should already have been aware of. Whilst acknowledging that BGH staff recognise that work is

required around risk management, in view of the concerns raised, it was agreed by the Committee that a follow-up audit will be conducted in the early part of 2020/21, and that the BGH management team will be required to attend ARAC irrespective of the rating.

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

- The UHB's static performance in terms of meeting WG Response to Concerns times targets, as noted by the Committee in discussion of the Concerns Update report;
- Potential cost to the UHB associated with invocation of the share agreement applying to the Welsh Risk Pool;
- Findings from the IA Estates Directorate Governance Review, identifying a number of high priority recommendations and issues relating to sickness management, the need for meaningful PADR's and recording of risks on the risk register;
- Recognition of the progress and improvements made relating to Clinical Audit;
- Committee assurance regarding the adequacy of current arrangements and proposed steps to improve arrangements relating to declaring, registering and handling interests;
- Committee recommendation to Board of the revised version of the UHB's Standing Orders (SOs) and Standing Financial Instructions, including SOs for Welsh Health Specialised Services Committee (WHSSC) and Emergency Ambulance Services Committee (EASC);
- All documentation relating to the 2018/19 financial year end was approved by the Board at its meeting held 29th May 2019;
- Committee agreement (subject to Executive Team approval) that outstanding actions highlighted in the Scrutiny of Outstanding Improvement Plans: Royal College of Paediatrics & Child Health report should be included within the UHB's overall service development, to be monitored by ARAC, rather than being progressed as a discrete workstream.
- Implementation of all recommendations from the AW Structured Assessment 2017.

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 2019/20 was as follows:

NAME	ROLE	DATES
Paul Newman	Committee Chair	Full year
Mike Lewis	Committee Vice-Chair	Full year
Judith Hardisty	Committee Member	From 19 August 2019 (Resumed position as Health Board Vice-Chair)
Owen Burt	Committee Member	Full year
Simon Hancock	Committee Member	Full year
David Powell	Committee Member	To 30 November 2019
Maynard Davies	Committee Member	From 2 December 2019

- 3.3 During the financial year 2019/20, 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 2018/19. 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, during the year, to provide reports from the UHB's bi-monthly 'Targeted Intervention' meetings with WG as part of its escalation arrangements.
- 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 25th February 2020 for onward ratification by Board on 26th March 2020 included the following amendment:

- Removal of Assistant Director of Financial Planning from the list of regular attendees.

3.7 The Committee also has regular attendance from representatives of:

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

4 Committee Work Programme 2019/20

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 2019/20:

- Audit Wales;
- 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. Where reports received a less than 'Reasonable Assurance' audit rating, or where specific areas of concern were identified, the appropriate Executive Directors and Lead Officers were requested to attend Committee meetings. This process provided opportunities 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 other Board Committees, such as QSEAC and 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, at least annually, to provide assurance that the Committee is fully discharging its duty and complying with the requirements of its Terms of Reference.

4.5 The Committee has continued to monitor the UHB's Audit Tracker, and scrutinising management responses to external and internal audit reports throughout 2019/20. As in previous years, following the introduction of the escalation process, Executive Directors and Lead Officers have been held to account for the pace of delivery, with detailed progress updates having been received at regular intervals.

4.6 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), formally known as the Wales Audit Office, 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.

5.2 The Committee received the AW 2020 Annual Audit Plan at its meeting held on 25 February 2020, setting out proposed WAO 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. Progress against the WAO Audit Plan is monitored via regular update reports presented to the Committee.

5.3 As presented in the Structured Assessment Report 2019 which was received at the meeting held on 25 February 2020, the overall conclusion from AW was that *'the UHB continues to strengthen governance and management arrangements. It has clear strategic direction and is developing the infrastructure to support delivery of strategic plans. There are improvements in performance but challenges in relation to finance and unscheduled care remain. Finally, oversight and scrutiny panels needs clarifying'*.

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

- The Health Board had set a clear strategic direction and was on track to develop its first three-year plan. Arrangements for monitoring delivery of the strategic plan have improved but reporting lines to the Board posed a risk of duplication.
- The Health Board had established robust arrangements to deliver its strategy, and recent changes were helping to simplify the operational structure. More needs to be done to engage staff in the change agenda and capacity in some corporate functions remains a challenge.
- The Health Board had strengthened financial management arrangements and improved performance overall, however a number of financial, service and quality challenges remained, and opportunities to extend performance management exist.
- Governance arrangements were generally sound with further improvements underway.

- The Health Board compared well against a number of workforce metrics, was putting new initiatives in place to develop the workforce and support staff well-being, and was increasing the focus at Board and Committee level.

Progress on implementation of the three recommendations issued will be monitored by the Committee throughout 2020/21, although pace of delivery may be affected by COVID-19 pandemic.

5.5 The Committee received the AW ISA 260 report and Letter of Representation at its meeting held 29 May 2019, setting out the results of the audit of UHB's financial statements. Members were informed that AW had received the required documents to the specified timescales, and had identified no uncorrected misstatements, and very few corrected misstatements, which, in the view of AW, reflected the quality of the UHB's data and processes and represented a significant achievement. The Committee was further informed that it was the Auditor General's intention to issue a qualified audit opinion on the financial statements. There were no significant issues arising from the audit and AW expressed no concerns about the qualitative aspects of the UHB's accounting practices and financial reporting. In conclusion, no significant difficulties had been encountered and there was nothing which needed to be reported or brought to the attention of the Board.

5.6 AW reported on the following performance work during 2019/20:

- Clinical Coding Follow Up Review 2019: this was a follow up to the April 2014 review, and AW concluded that coding continues to be a low priority for the Health Board and non-compliance with the completeness target is impacting on overall improvement in accuracy and staff morale. The use of coding data as business intelligence remains underdeveloped and there is still considerable room for progress against our previous recommendations. The Committee were concerned that only 4 of the original 15 recommendations had been implemented and escalated this to the Board (See 2.5.2. for further detail).
- ICF National Report – AW concluded that the fund has had a positive impact, supporting improved partnership working and better integrated health and social care services. However, aspects of the way the fund has been managed at national, regional and project levels have limited its potential to date. There is little evidence of successful projects yet being mainstreamed and funded as part of public bodies' core service delivery. Six recommendations were made to the WG and the Regional Partnership Boards.
- ICF West Wales Regional Partnership Board (RPB) – AW identified weaknesses in governance arrangements in the West Wales RPB. The Committee received an update report in February 2020. Members were informed that the need to develop ICF funding exit strategies represented a significant challenge across Wales, as a number of current services are funded through ICF monies, albeit WG is aware of the need to identify successor funding streams. Whilst acknowledging the potential issues caused by timing of WG funding allocations, details of ICF expenditure across

the year were requested by Committee Members, and it was further agreed that the ICF review should be added to the UHB Audit Tracker, together with timescales/ dates for completion of recommendations. It was also agreed that future updates should be provided in the standard format of progress against recommendations in the form of a management response. Five of the nine areas of improvement have been addressed. (See 2.5.15 above)

- Review of operational quality and safety arrangements – AW concluded that the UHB now has some good quality and safety arrangements at a directorate level, supported by developing corporate arrangements but these are not yet consistent, and the flow of assurance from directorates to the Board is not as effective as it could be. Four out of the eight recommendations were made which the UHB are currently progressing, however pace of progress has been affected by the COVID-19 pandemic.
- Implementing the Well-Being of Future Generations Act – Hywel Dda – AW found that the UHB has continued to embed the sustainable development principle and is working with partners on Education Programme for Patients, although it will need to plan more effectively to achieve the full potential benefits in the long term. There were 7 opportunities for improvement

5.7 The Orthopaedics Report was delayed prior to COVID-19 and will not be concluded until when audit activity resumes.

5.8 Whilst the AW Audit Plan 2020 was agreed in February 2020 by the Committee, delivery against the performance audit work will not progress as planned due to the cessation of on-site work during the COVID-19 pandemic restrictions.

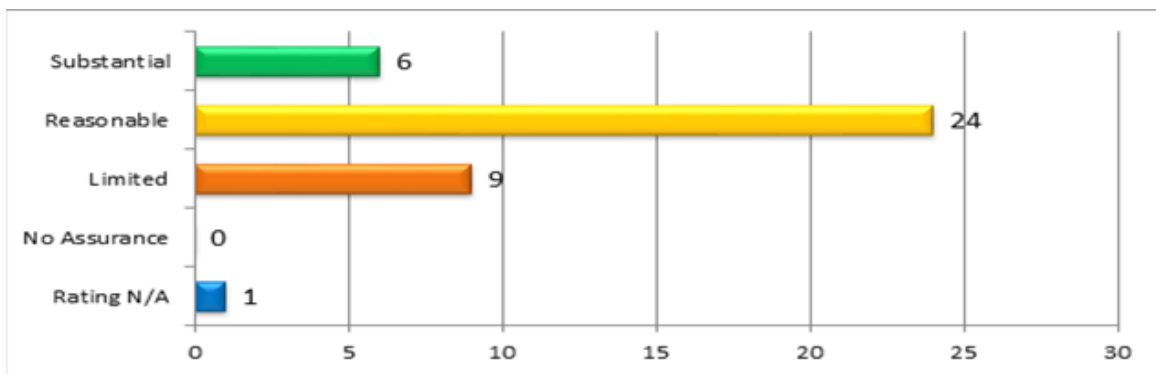
6 NWSSP - Internal Audit

6.1 At the direction of the Minister for Health and Social Services, Internal Audit 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 Internal Audit provides 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. At its meeting held 23 April 2019, the Committee reviewed and approved the content of the NWSSP Internal Audit Strategy, Plan and Charter, noting associated internal audit services required and key performance indicators. The IA Plan is based upon the UHB's risk profile and its detailed programme of work for 2019/20. In the meeting held 25 February 2020, Committee members expressed concern regarding the number of outstanding Internal Audit Reports requiring completion and requested that the NWSSP Internal Audit Plan commences earlier in the new financial year, with audits delivered to the agreed timescale.


6.3 During the year, this plan was flexed and adapted as necessary in order to respond to key risks. The programme has also been impacted by the need to respond to the COVID-19 pandemic. The Head of Internal Audit has considered this when arriving at their Internal Audit opinion.

- 6.4 The Committee has received progress reports against delivery of the Internal Audit Plan at each meeting, with individual assignment reports also being received. 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”.
- 6.5 The Capital and PFI Audit Services provides an objective assessment of whether the UHB’s systems and controls for Capital and Estates projects are working effectively. During 2019/20, 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.
- 6.6 IA and SSU issued 40 audit reports were reported during the 2019/20. The assurance ratings for these audits are outlined below. (numbers to be finalised). 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.



7 Head of Internal Audit Opinion

7.1 The Head of Internal Audit has concluded for 2019/20:

 <p style="text-align: center;">- + 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. Several significant matters require management attention with low to moderate impact on residual risk exposure until resolved.</p>
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The revised All Wales Framework for expressing the overall audit opinion identifies that there are eight assurance domains, all of equal standing. The rating of each assurance domain is based on the audit work performed in that area and takes account of the relative significance of the issues identified.

7.2 In reaching this opinion the Head of Internal Audit has considered all the domains, with these being rated for assurance as follows:

Domain	Assurance
Corporate Governance, Risk and Regulatory Compliance	Reasonable
Strategic Planning, Performance Management and Reporting	Reasonable
Financial Governance and Management	Reasonable
Clinical Governance, Quality and Safety	Reasonable
Information Governance and IT Security	Reasonable
Operational Service and Functional Management	Limited
Workforce Management	Reasonable
Capital and Estates Management	Reasonable

7.3 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 2020/21 to ensure they have been enacted.

7.4 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.

7.5 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.

7.6 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 NHS Wales Shared Services Partnership.

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 2019/20 Annual Work Plan of the Local Counter Fraud Officer at its meeting held 23 April 2019. In its meeting held 25 February 2020, the Committee was advised that despite the probability that the Counter Fraud Team will exceed the resource (days) allocated to Hold to Account work, it is anticipated that all the Counter Fraud standards and Work Plan contents will be delivered.
- 8.2 The Committee received the Counter Fraud Annual Report 2019/20, 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. The Counter Fraud Service is taking various approaches to achieve this, including the use of tools such as the new Twitter account.
- 8.3 The Local Counter Fraud Officer has been in regular attendance at Audit and Risk Assurance Committee meetings during 2019/20, 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. The Committee has also asked the Local Counter Fraud Officer to consider issues where it has raised concerns about issues which have been highlighted in reports.

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 2019/20 in May 2020, 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 the Committee throughout 2019/20. 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. Matters discussed by the Committee during the year and on which assurances were provided included:
- The numbers and levels of medical negligence claims
 - The implications of IR35 GP Out of Hours tax issues
 - Concerns around the timescale for recovery of overpayment of salaries
 - The use of Single Tender Actions (STAs)
 - Performance in relation to Public Sector Payment Policy compliance
 - Maintenance Team Led Work (procurement processes for Capital projects)

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 25 February 2020, detailing planned reviews of the financial systems operated by the UHB planned to be undertaken during 2020/21.

10 Standing Orders, Standing Financial Instructions and Financial Procedures

10.1 The Committee received the Standing Orders (SOs) and Standing Financial Instructions (SFIs) at its meeting held 22 October 2019. The report was produced following a review of the relevant SOs by WG. No changes had been made to the SFIs. The Committee considered the amendments made to UHB's SOs since those approved by the Board in May 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 November 2019.

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 25 February 2020. Members were pleased to note the UHB's improved relationship with HMRC, and were assured that systems and mechanisms have been put in place to mitigate financial losses and improve future financial planning. The Committee approved the losses and debtors write-offs noted within the report.

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?

In considering the above, the Committee continues to recognise the need for wider discussion around reviewing its role relating to clinical audit against the requirements of the Audit Committee Handbook.

12.2 The Clinical Audit Department has been seeking to improve the robustness of audit processes with the aim of increasing both the quality of action plans and the level of assurance that they can provide. The QSEAC continues to seek more detail of clinical outcomes and improvements made as a result of clinical audit, in line with its remit.

12.3 The Committee was presented with the 2019/20 Forward Clinical Audit Programme at its meeting held 23 April 2019, and was provided with details of its development, using the existing governance framework and monitoring and review of the programme and reports of the Effective Clinical Practice Sub-Committee (ECPSC). The Committee was informed of a 'step change' in terms of addressing outstanding recommendations relating to clinical audit, noting that a further update would be provided covering closure of outstanding actions. Members welcomed a reported improvement in participation in clinical audits since 2018/19, together with a reduction in partial participation rates. Members were further advised that the Clinical Audit Group would be modified, with membership reduced and its remit redefined as a Scrutiny Panel in order to ensure a more structured approach, whereby actions arising from clinical audits were tracked and those responsible held to account. Members welcomed the progress made, noting the improvement in mandatory national clinical audit compliance and uptake within the UHB, and plans for 2019/20 to increase the monitoring of the effectiveness of clinical audit within the organisation.

12.4 The Committee had previously requested that a formal clinical audit report be produced, showing overall compliance levels and reporting on the progress of both the mandatory national audits and the UHB's newly instated Forward Clinical Audit Programme. The Committee had also requested that a sample of outcomes and improved clinical practice resulting from national clinical audits be compiled, with particular reference to the impact upon culture, lessons learnt and benchmarking information. Accordingly, the Committee received the UHB's first Annual Clinical Audit Report at its meeting held 27 August 2019, and was informed that an annual audit plan at service level was anticipated for May 2020, with consideration being given to mapping the plan against UHB Risk registers. However this work will be impacted by the COVID-19 pandemic.

13. Other Committee Work

13.1 Targeted Intervention Arrangements

The tri-partite arrangements involve information sharing and dialogue between the WG, the Auditor General for Wales and Healthcare Inspectorate Wales (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.

The UHB's position has remained at 'Targeted Intervention' status during 2019/20, primarily as a result of its underlying financial position. The Committee has closely monitored the enhanced escalation status of the UHB during the year, with the targeted intervention arrangements included as a standing agenda item in its meetings, and the Chief Executive providing regular updates on the position. However, these meetings were suspended in early 2020 as a result of the COVID-19 pandemic.

Although the organisation remains at this targeted intervention level there is positive recognition of the UHB's improved performance, notwithstanding WG concerns that the UHB does not fully understand the reasons behind the underlying financial deficit. Whilst WG has remained generally positive regarding performance and the

organisation's commitment to progressing its Health and Care Strategy, it is less assured around the UHB's financial position and ability to deliver the revised Control total of £15m. Members were advised that WG has not yet indicated whether it will remove the additional £10m, as this was predicated on the UHB achieving the £15m Control Total, and that the organisation is, therefore, preparing forecasts based on two outcomes; a £25m deficit and a £35m deficit.

The Committee has welcomed the strong engagement with WG, recognising the incremental gains and challenges ahead.

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:

- University Partnership Board (UPB);
- Primary Care Applications Committee (PCAC);
- Business Planning & Performance Assurance Committee (BPPAC);
- Quality, Safety & Experience Assurance Committee (QSEAC);
- Mental Health Legislation Assurance Committee (MHLAC);
- Finance Committee (FC);
- Charitable Funds Committee (CFC)

Whilst it is recognised that Committees are discharging their Terms of Reference adequately, there are still improvements to be made to strengthen the assurance and risk focus of the Sub-Committees. It was highlighted in particular that QSEAC has been working to develop the focus of its sub-committees.

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 gifts, hospitality, honoraria and sponsorship at its meeting held 23 April 2019. The Committee was assured by the adequacy of arrangements currently in place and noted proposed steps for improvement during 2019/20.

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. This was supported at year end by 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 April 2019, with outcomes from self-assessment surveys presented to the Committee at its meeting held 25 June 2019. Overall, the survey results were relatively positive, suggesting that the Committee is well chaired and operating effectively. Areas for potential improvement identified from responses included:

- Quality of management responses to internal and external audits;
- Senior managers/clinicians from relevant departments attending to present audit responses;
- Better understanding of the risk register.

Members were assured that steps would be taken to address areas for potential improvement identified in the survey.

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 with IA Service, the SSU, AW and Counter Fraud during the year, as shown in the table below.

ARAC Meeting Date	Topic/Subject Covered	Attended by
25 February 2020	Independent Members met Counter Fraud, HIW, IA and AW representatives, without UHB officers present	Mr Matthew Evans, Local Counter Fraud Specialist Benjamin Rees, Local Counter Fraud Specialist Ms Anne Beegan, Wales Audit Office Mr Jeremy Saunders, Wales Audit Office Mr Simon Cookson, Director of Audit & Assurance, NWSSP Mr James Johns, Head of Internal Audit Mr Gerallt Jones, Senior Healthcare Inspector

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, not least the organisation's financial challenge, which remains a serious concern, and which will be scrutinised through the UHB's Finance Committee. It is clear that the financial position will remain a significant challenge

in 2020/21 and work will therefore continue through the Finance Committee to ensure the UHB is in a position to fully understand the underlying deficit and to provide an assurance on this to the Committee.

- 14.3 Assurances will also be sought by the Committee that the recommendations from the 2019 WAO Structured Assessment Report have been implemented. The UHB's process for tracking recommendations by all regulators has been particularly recognised by WAO as good practice and a welcome addition to the process of holding to account those charged with addressing these recommendations.
- 14.4 Any areas of Committee concern raised during 2019/20, including scrutiny of outstanding improvement plans, will be followed up in 2020/21. Any learning taken from the 2019/20 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, BPPAC and the FC.

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 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 2019/20, and the implementation of the agreed management action plans will be a focus for the Committee's attention. The IA plan for 2020/21 will need to be flexible and respond to the UHB's requirements while it is managing the COVID-19 pandemic.
- 15.4 The Committee will also, when WG escalation arrangements resume, continue to request the attendance of the CEO on a regular basis to provide assurance that the position relating to the UHB's Targeted Intervention status is being carefully managed and that no further 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, 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 2020/21 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 2019, 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 2019/20.