

<b>Enw'r Pwyllgor: Name of Committee:</b>	Audit and Risk Assurance Committee (ARAC)
<b>Cadeirydd y Pwyllgor: Chair of Committee:</b>	Mr Paul Newman, Independent Member
<b>Cyfnod Adrodd: Reporting Period:</b>	Meeting held on 20 <sup>th</sup> April 2021
<b>Y Penderfyniadau a'r Materion a Ystyriodd y Pwyllgor: Key Decisions and Matters Considered by the Committee:</b>	
<p>In accordance with the guidance provided in the NHS Wales Audit Committee Handbook, the Board should look to their Audit Committee to review and report on the relevance and rigour of the governance processes in place and the assurances provided to the Board. Hywel Dda University Health Board's Audit and Risk Assurance Committee's (the Committee) primary role is, as such, to ensure the system of assurance is valid and suitable for the Board's requirements and to support the Board by seeking and providing assurance that controls are in place and are working as designed, and to challenge poor sources of assurance.</p> <p>This report summarises the work of the Audit and Risk Assurance Committee at its meeting held on 20<sup>th</sup> April 2021, in monitoring, reviewing and reporting to the Board on the processes of governance, and facilitating and supporting the attainment of effective processes. At its meeting on 20<sup>th</sup> April 2021, the Committee critically reviewed governance and assurance processes for a number of service/business areas, with the following highlighted:</p> <ul style="list-style-type: none"> <li>• <b>ARAC Self-Assessment Exercise 2020/21</b> – the Committee discussed the responses from the ARAC self-assessment exercise 2020/21 and noted that a further report would be provided to the 22<sup>nd</sup> June 2021 meeting. The Committee welcomed the new approach to self-assessment.</li> <li>• <b>Financial Assurance Report</b> – the Committee received the Financial Assurance report, with a robust discussion taking place around Single Tender Actions (STAs) and STA processes. It was noted that an Internal Audit of this area is planned during 2021/22. The Committee approved the losses and debtors write offs detailed within the report.</li> <li>• <b>Clinical Audit Update</b> – an update report on Clinical Audit was received, which highlighted the clinical audit activity sustained during the COVID-19 pandemic, that Whole Hospital Audit meetings have been resumed, and the appointment of a new Clinical Director for Clinical Audit. The Clinical Audit team were congratulated on the progress outlined and assurance provided.</li> <li>• <b>Audit Wales Update Report</b> – an update was provided by Audit Wales on finance and performance audit work planned. Both the UHB and Audit Wales are currently on target to deliver audited accounts to the required timescale. In regards to performance audit work, certain audits are delayed due to priority being given to COVID-19 related output.</li> <li>• <b>Audit Wales Review: Test, Trace, Protect</b> – the Committee received a report on this topic, which is broadly positive, and recognises the ongoing challenges faced by Health Boards. The report's balanced view and its recognition of the complexities involved in establishing and maintaining the Test, Trace, Protect programme were welcomed. Those involved with delivering the Test, Trace, Protect programme were thanked for their contribution and the incredible pace at which they had responded.</li> </ul>	

- **Internal Audit (IA) Progress Report** – the IA Progress Report, which details the current position and outcomes from recent audits, was received. The draft Head of Internal Audit Annual Report and Opinion will be presented to the 5<sup>th</sup> May 2021 meeting. A provisional assurance rating of Reasonable Assurance has been awarded, which should be viewed as positive.
- **Internal Audit Plan 2021/22** – the Committee received and discussed this document and, subject to minor considerations, approved the Internal Audit Plan and Charter for 2021/22.
- **Internal Audit** – the Committee received the following Internal Audit reports:
  - COVID-19 Mass Vaccination Programme (Advisory Review)
  - Patient Experience (Reasonable Assurance)
  - Management of Fire Enforcement Notices (Substantial Assurance)
  - Bronglais General Hospital Front of House - Final Account (Non-opinion Review)

The following IA reports were deferred to the next meeting:

- Health & Safety
  - COVID-19 Governance Update
  - Data Modelling
  - Specific Brexit Risks
  - Women & Children's Phase 2
  - WGH Palliative Care, Oncology & Haematology Inpatient Facility (Wards 9 & 10)
- **COVID-19 Mass Vaccination Programme (Advisory Review)** – the Committee received this report, noting that the review had been conducted against a backdrop of an evolving position. The report comments on the evolution of the programme’s governance arrangements, which were found to be satisfactory. It also considers how the programme was developed and continues to evolve, recognising the ongoing challenges the organisation faces and the pressure the team is under. As this was an advisory review, there is no assurance rating; however, the management team has already responded to the recommendations within the report and developed an action plan. The report was commended, and the level of assurance it offered was welcomed.
  - **Management of Fire Enforcement Notices (Substantial Assurance)** – a report detailing the findings of this Internal Audit was received. The audit had identified clear and robust executive leadership, governance and scrutiny, and only minor recommendations had been made. Whilst welcoming the progress identified, it was noted that the report only focuses on two sites and that investment – and resultant compliance – is dependent on Welsh Government approval of a Business Case. It was emphasised, therefore, that the report, whilst positive, does not necessarily reflect the level of challenge still ahead. It was agreed that this matter should be highlighted to the Board.
  - **Charitable Funds Committee Report around the Discharge of their Terms of Reference** – the Committee received a report detailing Charitable Funds Committee (CFC) activities during 2020/21 and was assured that the CFC is operating in accordance with its Terms of Reference and discharging its duties effectively on behalf of the Board.

- **Finance Committee Report around the Discharge of their Terms of Reference** – the Committee received a report detailing Finance Committee activities during 2020/21 and was assured that the Finance Committee is operating in accordance with its Terms of Reference and discharging its duties effectively on behalf of the Board.
- **Audit Tracker** – the UHB Central Tracker, which tracks progress against audits and inspections undertaken within the UHB, was presented. At the time of reporting, there were 97 reports currently open, 48 of which have recommendations that have exceeded their original completion date. There was a decrease in recommendations where the original implementation date has passed from 153 to 84 and where recommendations have gone beyond six months of their original completion date from 96 to 51 as reported in February 2021.
- **Prioritised Plan for Outstanding Audit/Regulatory/Inspectorate Recommendations - Update on Progress** – the Committee received an update on this topic, which outlined the process undertaken. The Board Secretary and Head of Assurance & Risk had met with Executive Directors to review those recommendations attributed to them, which numbered 170. This had identified that a number of recommendations had already been addressed/completed. The UHB is, therefore, in a much improved position than previously. Discussions are ongoing around how this process might be managed periodically going forward, to maintain focus and monitoring. It was suggested that the medium and high risk recommendations be used as a basis for determining a programme of scrutiny for ARAC. The report and underlying work was commended and welcomed. It was agreed that completion of this task would be reported to Board.
- **Counter Fraud Annual Report 2020/21** – the Committee received and noted the Counter Fraud Annual Report for 2020/21.
- **Counter Fraud Work Plan 2021/22** – the Committee received and approved the Counter Fraud Work Plan for 2021/22.
- **Audit Committee Work Programme** – the Committee received for information the ARAC work programme for 2021/22.

**Materion y Mae Angen Ystyriaeth neu Gymeradwyaeth Lefel y Bwrdd ar eu Cyfer:  
Matters Requiring Board Level Consideration or Approval:**

- To highlight to Board the following External and Internal Audit reports, in recognition of their positive findings and the work undertaken in these areas:
  - Audit Wales Test, Trace, Protect Review
  - COVID-19 Mass Vaccination Programme (Internal Audit Advisory Review)
  - Management of Fire Enforcement Notices Internal Audit (Substantial Assurance)
- To report completion of the task whereby Board had requested assurances around outstanding audit/regulatory/inspectorate recommendations, and advise that this exercise will be undertaken on an annual basis.

**Risgiau Allweddol a Materion Pryder:  
Key Risks and Issues/Matters of Concern:**

- The work still required around the area of Fire Safety, despite the positive findings of the Internal Audit in this regard;
  - It was agreed that this issue would be highlighted to the Board.

**Busnes Cynlluniedig y Pwyllgor ar Gyfer y Cyfnod Adrodd Nesaf:  
Planned Committee Business for the Next Reporting Period:**

**Adrodd yn y Dyfodol:  
Future Reporting:**

In addition to the items scheduled to be reviewed as part of the Committee's work programme, following up progress of the various actions identified above will be undertaken.

**Dyddiad y Cyfarfod Nesaf:  
Date of Next Meeting:**

5<sup>th</sup> May 2021



<b>Enw'r Pwyllgor: Name of Committee:</b>	Audit and Risk Assurance Committee (ARAC)
<b>Cadeirydd y Pwyllgor: Chair of Committee:</b>	Mr Paul Newman, Independent Member
<b>Cyfnod Adrodd: Reporting Period:</b>	Meeting held on 5 <sup>th</sup> May 2021
<b>Y Penderfyniadau a'r Materion a Ystyriodd y Pwyllgor: Key Decisions and Matters Considered by the Committee:</b>	
<p>In accordance with the guidance provided in the NHS Wales Audit Committee Handbook, the Board should look to their Audit Committee to review and report on the relevance and rigour of the governance processes in place and the assurances provided to the Board. Hywel Dda University Health Board's Audit and Risk Assurance Committee's (the Committee) primary role is, as such, to ensure the system of assurance is valid and suitable for the Board's requirements and to support the Board by seeking and providing assurance that controls are in place and are working as designed, and to challenge poor sources of assurance.</p> <p>This report summarises the work of the Audit and Risk Assurance Committee at its meeting held on 5<sup>th</sup> May 2021, in monitoring, reviewing and reporting to the Board on the processes of governance, and facilitating and supporting the attainment of effective processes. At its meeting on 5<sup>th</sup> May 2021, the Committee critically reviewed governance and assurance processes for a number of service/business areas, with the following highlighted:</p> <ul style="list-style-type: none"> <li>• <b>IA Progress Report</b> – the Committee reviewed the IA Progress Report, noting developments since the previous meeting.</li> <li>• <b>Internal Audit</b> – the Committee received the following Internal Audit reports: <ul style="list-style-type: none"> <li>○ Women &amp; Children's Phase 2 (Limited Assurance)</li> <li>○ Health &amp; Safety (Reasonable Assurance)</li> <li>○ Digital Modelling (Substantial Assurance)</li> </ul> </li> </ul> <p>The following IA reports were deferred to the next meeting:</p> <ul style="list-style-type: none"> <li>○ WGH Palliative Care, Oncology &amp; Haematology Inpatient Facility (Wards 9 &amp; 10)</li> <li>○ COVID-19 Governance Update (Advisory Review)</li> <li>○ Specific Brexit Risks</li> </ul> <ul style="list-style-type: none"> <li>• <b>Women &amp; Children's Phase 2 (Limited Assurance)</b> – a report detailing the findings of this Internal Audit was received. The audit had been centred on examining the adequacy of systems and controls, and evidence of compliance with these. It had also examined project performance against key objectives, being time, cost and quality. The audit had identified issues resulting from a poorly-performing contractor and from the impact of COVID-19. Key findings had focused in particular on reporting to Welsh Government, enhanced committee reporting, the need to agree an approach to managing COVID-19 related costs, and formal reporting of delays. Delays have impacted on general conditions and provision of overnight accommodation, both of which were highlighted in the 2015 Royal College of Paediatrics and Child Health report. The contractor will experience loss as a result of delays, as they currently anticipate that their additional costs will exceed the contract amount by between £1-2m. Members were advised that the audit had identified management efforts to mitigate these delays, by the use of various clauses and raising concerns at an early stage. There is also evidence of</li> </ul>	

independent expertise being sought, together with legal advice. Finally, a report had been made to NHS Wales Shared Services Partnership (NWSSP) and concerns escalated to Specialist Estates Services (SES). Further work is required with regard to the delays, along with advice/support from SES. Support may also be required from the All Wales Framework to improve the performance of the contractor.

It was noted that the Women & Children's Phase 2 project had been discussed at the People, Planning & Performance Assurance Committee (PPPAC) meeting on 27<sup>th</sup> April 2021, with an update having been requested regarding management of the project. The report had noted that the Director of Estates is now meeting regularly with representatives from Tilbury Douglas, who have taken over the project; and PPPAC had been informed that a Project Manager had been appointed, together with a Construction Planner, which had provided PPPAC with some assurance. With regard to the additional costs which will be incurred by the contractor, and the associated risks, there was concern regarding whether these are likely to reach a point at which the contractor decides to withdraw from the project. Members were advised that the costs incurred for delays, which currently sit at 37 weeks, will be wholly incumbent upon the contractor, and will not be reimbursed. It was not considered likely that the contractor would withdraw, as there are numerous contractual mechanisms which apply and they are contracted to complete the work. It was noted that this is an extremely unusual project, in that payments to the contractor will be stopped several months before they finish work. It is currently estimated that payments will cease in September 2021, with work due to continue until approximately June 2022. The contract ties in both the UHB and the contractor, and it was considered unlikely that the latter will seek to end the arrangement. If they did so, they would probably have to withdraw from the All Wales Framework. The financial stability of the company is, potentially, an issue. They have experienced financial difficulties in the past; however, there is no suggestion that this is the case currently. Whilst the change of name from Interserve to Tilbury Douglas may have been primarily to distance themselves from that company, they have also made various organisational changes, including the introduction of a new structure and Board.

Details of the stakeholder engagement undertaken with staff and service users was discussed, with the Committee noting that this had been deemed one of the key priorities for this project, given its background. Whilst there are concerns and anxieties, it should be noted that the facilities for certain services have already been improved by the work completed to date. The impact of COVID-19 has, however, potentially tempered concerns and the organisation needs to be cognisant of this. Recognising the complexities involved in retro-fitting a new facility within existing estate, there were concerns regarding whether the UHB is providing sufficient management input/resource to ensure this project is concluded satisfactorily. It was emphasised that there is a large team supporting the Project Director and a significant resource behind the project. Managing this project is, however, incurring significant time on the part of the Estates team. The Committee agreed that there are clearly lessons to be learned from this project, and noted that these would be considered in detail at PPPAC. It was, however, also agreed that this matter should be highlighted to the Board.

- **Review of HDdUHB Standing Orders and Standing Financial Instructions** – the Committee was advised that Welsh Government has made various amendments to these documents, which were being presented for consideration by ARAC prior to their submission for ratification to Public Board in May 2021.

- **NHS Non-Statutory Instruments Update (Ministerial Directions)** – the Committee noted the Non-Statutory Instruments which have been issued, and endorsed the confirmation that the UHB is compliant with these.
- **Welsh Health Circulars (WHCs)** – the Committee discussed the report and was assured that there is a process in place within the UHB to monitor the implementation of WHCs.
- **Draft Audit and Risk Assurance Committee Annual Report** – the Committee agreed to feedback comments on the ARAC Annual Report and to approve content via Chair’s action, prior to onward submission to the Board.
- **Draft Head of Internal Audit Opinion & Annual Report 2020/21** – the Committee received the Draft Head of Internal Audit Opinion & Annual Report 2020/21, and was informed that the UHB has achieved an overall Reasonable Assurance rating. The Committee reiterated the view that information regarding the findings of audits conducted on national bodies such as NHS Wales Shared Services Partnership (NWSSP), NHS Wales Informatics Service (NWIS)/Digital Health & Care Wales (DHCW), Welsh Health Specialised Services (WHSSC) and Emergency Ambulance Services Committee (EASC) should be shared with Health Boards on a routine basis.
- **Assurance Report on Board Effectiveness** – Board self-assessment is an essential requirement of the annual Accountability Report. The Committee received the assurance report on Board effectiveness. Having considered the evidence, the UHB Chair and Chief Executive have proposed that the overall level of maturity for the UHB in respect of governance and Board effectiveness for 2020/21 be increased from Level 3 to Level 4, recognising that the organisation has only just moved into Level 4 and therefore work is needed to maintain this level. Whilst noting that the process has not been as inclusive as it could be due to COVID-19, the Committee took assurance from the process that has been undertaken this year to review the Board’s effectiveness.
- **Audit Enquiries to Those Charged with Governance and Management** – the Committee reviewed the response prepared and ratified it for onward submission to Audit Wales.
- **Draft Accountability Report** – the Committee discussed and supported the content of the Draft Accountability Report, and agreed to provide any feedback relevant to its objective, in order to provide assurance to the Board that a robust governance process was enacted during the year.
- **Draft Performance Overview** – the Committee approved the Performance Report chapter of the 2020/21 Annual Report for onward ratification by Board, recognising this has been approved by the current Chair of the Quality, Safety & Experience Assurance Committee (QSEAC).
- **Draft Annual Accounts 2020/21** – the Committee received the draft Annual Accounts 2020/21, which have been prepared in accordance with the Welsh Government timetable and guidelines. The draft accounts were reviewed in detail, with it noted that the final annual accounts will be presented to both ARAC and Public Board for ratification on 10<sup>th</sup> June 2021. During presentation of the accounts, the Committee heard that unsurprisingly, expenditure had significantly increased as a result of COVID-19, with a wide range of

actions supported financially across the organisation. Annual Leave accrual, due to staff not taking their full entitlement of leave this year, has had a significant financial impact of £12m. Whilst this demonstrates the commitment and dedication of UHB staff, the wellbeing impact is unquantifiable and will continue into the future. There has also been a financial impact incurred as a result of increased staff numbers and fixed term contracts, comprising 702 WTE. The appointments had been predominantly temporary, in catering and Health Care Support Worker roles. There have been, however, new roles developed in response to the pandemic, such as the Family Liaison Officers, which the organisation should consider mainstreaming as part of a more general staffing review.

**Materion y Mae Angen Ystyriaeth neu Gymeradwyaeth Lefel y Bwrdd ar eu Cyfer:  
Matters Requiring Board Level Consideration or Approval:**

- **Women & Children’s Phase 2** – the need to conduct a lessons learned exercise in relation to this project and to highlight to the Board the risk, potentially substantial, of issues arising in September 2021 when the Women & Children’s Phase 2 Project reaches a point where the contractor is expected to complete approximately 37 weeks’ work, with no further payment to be made.
- **HDdUHB’s Standing Orders and Standing Financial Instructions** – the Committee recommends to Board for approval the revised versions presented at Item 2.7.1 (Appendices 1 – 4);
- **Year-end Processes** – the Committee reviewed year-end documentation, including the NHS Non-Statutory Instruments (Ministerial Directions) compliance report, Welsh Health Circulars compliance report, Draft ARAC Annual Report, Draft Head of Internal Audit Opinion and Annual Report, Assurance Report on Board Effectiveness, Draft Response to Audit Enquiries to those Charged with Governance and Management, Draft Accountability Report, Draft Performance Overview and Draft Annual Accounts;
- **Draft Head of Internal Audit Opinion and Annual Report** – the Committee received the Draft Head of Internal Audit Opinion and Annual Report 2020/21, and was informed that the UHB had achieved a Reasonable Assurance rating.

**Risgiau Allweddol a Materion Pryder:  
Key Risks and Issues/Matters of Concern:**

Not applicable

**Busnes Cynlluniedig y Pwyllgor ar Gyfer y Cyfnod Adrodd Nesaf:  
Planned Committee Business for the Next Reporting Period:**

**Adrodd yn y Dyfodol:  
Future Reporting:**

In addition to the items scheduled to be reviewed as part of the Committee’s work programme, following up progress of the various actions identified above will be undertaken.

**Dyddiad y Cyfarfod Nesaf:  
Date of Next Meeting:**

10<sup>th</sup> June 2021