

<b>Enw'r Pwyllgor: Name of Committee:</b>	Audit and Risk Assurance Committee
<b>Cadeirydd y Pwyllgor: Chair of Committee:</b>	Mr Paul Newman, Independent Member
<b>Cyfnod Adrodd: Reporting Period:</b>	Meeting held on 15 <sup>th</sup> December 2020
<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 15<sup>th</sup> December 2020, 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 15<sup>th</sup> December 2020, 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>All Wales NHS Audit Committee Chairs' Meeting</b> – the Committee received a report summarising topics discussed at the All Wales NHS Audit Committee Chairs' meeting held on 3<sup>rd</sup> November 2020.</li> <li>• <b>Annual Review of Standing Orders/Standing Financial Instructions</b> – the Committee was advised that there are no material changes to these documents, which were being presented for consideration by ARAC prior to their submission for ratification to Public Board in January 2021.</li> <li>• <b>Financial Assurance Report</b> – the Committee received the Financial Assurance report, noting in particular a significant tax issue, around staff being provided with free accommodation during the COVID-19 pandemic. Members supported the approach being taken by the UHB, in ensuring that no member of staff was concerned about potential personal tax implications as a result of UHB decisions. The Committee approved the losses and debtors write offs detailed within the report.</li> <li>• <b>Audit Wales (AW) Update Report</b> – an update was provided by Audit Wales on the finance and performance audit work planned for 2020.</li> <li>• <b>Audit Wales Annual Audit Report 2020</b> – the Committee received this report, which would be presented to the January 2021 Public Board. Members noted that the Annual Report has been discussed in detail by the Chair, Chief Executive, Director of Finance and Board Secretary and that the majority of the findings derive from the 2020 Structured Assessment, which has previously been presented to the Board.</li> </ul>	

- **Audit Wales Structured Assessment 2018 and 2019** – the Committee heard that all recommendations had been revisited and, as part of this, there had been a review with the relevant Executive Lead. It was agreed that the four outstanding recommendations and both reports should be closed, recognising that these areas will be reviewed by Audit Wales in future Structured Assessments.
- **Audit Wales: Refurbishment of Ysbyty Glan Clwyd (Glan Clwyd Hospital)** – the Committee received a report on this topic, noting that following discussion of the Audit Wales review findings at the Capital, Estates and IM&T (CEIM&T) Sub-Committee, an Internal Audit was commissioned to establish whether any learning could be gained for HDdUHB. This was regarded as particularly important in view of upcoming capital projects including the new Urgent and Planned Care hospital and with ongoing Fire Safety reviews. In terms of governance arrangements for major capital investments, it was suggested that there is insufficient scrutiny at Committee level and that a focus should be maintained throughout the project, from business case, through execution, to sign-off. Whilst acknowledging that this would represent a significant commitment for Executives, it was felt that this level of oversight is required. In conclusion, it was suggested that the Audit Wales report highlights the challenge of ‘getting a project back on track if it starts out wrong’. This emphasises the importance of investing time to ensure that the ‘foundations’ and governance arrangements for capital projects are robust and fit for purpose.
- **Internal Audit (IA) Progress Report** – the IA Progress Report, which details the current position, proposed changes to the IA Plan and outcomes from recent audits, was received.
- **Internal Audit (IA)** – the Committee reviewed the following final IA reports:
  - IM&T Control and Risk Assessment (No Assurance Rating)
  - Implications of COVID-19 on Information Governance (Substantial Assurance)
  - Welsh Community Care Information System (WCCIS) (Reasonable Assurance)
  - Agility to Flex Workforce to COVID-19 Planning (Substantial Assurance)
  - Welsh Risk Pool Claims (Substantial Assurance)
  - Finance Team Transformation (Substantial Assurance)
  - Backlog Maintenance (Reasonable Assurance)

Two IA reports were deferred to the next meeting:

  - Information Technology in Response to COVID-19
  - Quality & Safety Governance
- **Backlog Maintenance (Reasonable Assurance) IA Report** – the Committee was reminded that the Major Infrastructure Programme Business Case had been considered and approved at the November 2020 Public Board meeting, and heard that this had since been submitted to Welsh Government. Regardless of how Discretionary Capital is allocated, it is insufficient to meet requirements in terms of the maintenance backlog. Hence the need to take a strategic approach, at scale and at pace. The Major Infrastructure Programme Business Case has been under development for some time, and represents the culmination of the ‘at scale/strategic’ approach. With this issue representing a major risk, it was suggested that a five year (or more) strategy needs to be developed. Given these statements and concerns, it was agreed that the issue of backlog maintenance should be highlighted to 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 131 reports open, 70 of which have recommendations that have exceeded their original completion date. The number of recommendations where the original implementation date has passed has increased from 149 to 156 and there has been a decrease in recommendations that have gone beyond six months of their original completion date from 123 to 92 as reported in October 2020.
- **Counter Fraud Update** – an update on counter fraud activity to date was received. The recent International Fraud Awareness Week had resulted in a number of referrals, which the team is examining.
- **Counter Fraud Update - Collaborative Working** – the Committee received a report outlining the findings of an exercise to explore how collaborative working processes could be developed around core functions. Following this exercise, it is now the Counter Fraud team’s ambition to develop Information Sharing Protocols (ISPs) with various parties. This will lead to improved collaboration, identification of potential system weaknesses and sharing of good practice.
- **KPMG Review of Transformation Fund** – a report outlining the findings of this independent evaluation of the work and benefits of Transformation Fund projects was presented. Members noted that the report was intended for the Regional Partnership Board (RPB), rather than its constituent organisations. Four key areas for improvement are highlighted, with the report containing 13 recommendations. A management response is being drafted and will be presented to the RPB; the UHB does contribute to this process via Executive dialogue, however it is managed by the RPB. Various concerns were expressed regarding governance and financial accountability arrangements in relation to both the Transformation Fund and Integrated Care Fund. From an assurance perspective, the Committee noted the need to recognise that the report has been accepted, together with the recommendations therein. Recognising that the management response will be presented to the RPB, it is necessary to ensure updates against the management response through the Statutory Partnerships Update report to Board. ARAC members will then be able to assess progress. It was agreed that the governance arrangements should be reviewed outside the meeting.
- **Audit Committee Work Programme** – the Committee received for information the ARAC work programme for 2020/21.

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

- **HDdUHB’s Standing Orders (SOs) and Standing Financial Instructions** – the Committee recommends for approval the revised version to Board presented at Item 2.6.1.
- **Audit Wales Structured Assessment 2018 and 2019** – the Committee’s support for closure of the four outstanding recommendations from the Structured Assessment 2018 and 2019, and closure of both reports, recognising that these areas will be reviewed by Audit Wales in future Structured Assessment reviews.

**Risgiau Allweddol a Materion Pryder:**

**Key Risks and Issues/Matters of Concern:**

- Concerns raised during discussion of the **Backlog Maintenance (Reasonable Assurance) Internal Audit report** around the need for a strategic approach, at scale and at pace;
  - It was agreed that the Committee's concerns would be highlighted to Board.
- Continued concerns, following consideration of the **KPMG Review of Transformation Fund report** regarding partnership governance arrangements;
  - It was agreed that there should be further discussions outwith ARAC to discuss this matter, and that the Committee's concerns would be highlighted to 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:**

23<sup>rd</sup> February 2021