

Enw'r Pwyllgor: Name of Committee:	Audit and Risk Assurance Committee (ARAC)
Cadeirydd y Pwyllgor: Chair of Committee:	Mr Paul Newman, Independent Member
Cyfnod Adrodd: Reporting Period:	Meeting held on 19 th April 2022
Y Penderfyniadau a'r Materion a Ystyriodd y Pwyllgor/ Key Decisions and Matters Considered by the Committee:	
<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 19th April 2022, 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 19th April 2022, 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"> • Enhanced Monitoring Update – the Committee received an update on this topic, noting HDdUHB's continued status of Enhanced Monitoring, following de-escalation last year, and the issues facing the UHB, as identified by Welsh Government, Audit Wales and Healthcare Inspectorate Wales (HIW). Also, how the organisation intends to respond to these issues. Since there is no clear de-escalation criteria, the importance of a continued close working relationship with Welsh Government is reinforced. The aspiration is to achieve de-escalation to a status of Routine Monitoring. • ARAC Self-Assessment Exercise – the Committee considered the proposed self-assessment questionnaire template and supported its use. • Counter Fraud Annual Report 2021/22 – the Committee received and noted the Counter Fraud Annual Report for 2021/22. • Counter Fraud Work Plan 2022/23 – the Committee received and approved the Counter Fraud Work Plan for 2022/23. • Report on the Adequacy of Arrangements for Declaring, Registering and Handling Interests, Gifts, Hospitality, Honoraria and Sponsorship – the Committee reviewed the adequacy of the arrangements in place for declaring, registering and handling interests, gifts, hospitality, sponsorship and honoraria during 2021/22, and noted the proposed actions for 2022/23 to promote and improve the adequacy of these arrangements, for onward assurance to the Board. • Financial Assurance Report – the Committee received the Financial Assurance report, noting additions to this. Revisiting the continued increase in overpayment of salaries and steps being taken to address this, it was noted that – until the system is digitised to a 	

greater extent – the situation is unlikely to improve significantly. The Committee approved the losses and debtors write offs detailed within the report.

- **Audit Wales Update Report** – an update was provided by Audit Wales on finance and performance audit work. With regard to the planned review of Operational Governance Arrangements in Mental Health & Learning Disabilities, a project brief has been issued and a meeting with the Directorate is being scheduled. Planned patient discharge work will consider two distinct modules: patient flow and patient access to services. The patient discharge review will include Local Authorities and Regional Partnership Boards (RPBs).
- **Audit Wales Annual Plan 2022** – the Committee received and noted the Audit Wales Annual Plan 2022.
- **Radiology Directorate Internal Audit Update** – an update on this topic was presented, which illustrated that it continues to present significant challenges. Prior to COVID-19 a potential solution to issues around out of hours provision had been identified; this being the introduction of a shift system, which did bring with it additional workforce resource requirements. A new Head of Service commenced in post in November 2021 and is undertaking a review of all aspects of the service. The service provision has actively deteriorated since the previous report to ARAC, although there has recently been a degree of improvement. An underlying fragility within the Radiology service remains, however, and the national recruitment position remains challenging. The COVID-19 pandemic has resulted in an increased demand for Radiology services, and the UHB will be undertaking a capacity and demand exercise. This will, in turn, help to inform workforce requirements and planning. However, the UHB's long-term approach should also focus on 'growing our own', via a programme of training and developing new staff, to potentially include Apprenticeships. It is difficult to identify a timeframe by which a solution can be put in place, due to the number of variables involved. Radiology has been added to the agenda for discussion by A Regional Collaboration for Health (ARCH), in order to consider the potential for a regional approach/solution.

The proposed regional approach was welcomed, with it suggested that a formal proposal be made to employ staff regionally across the two UHBs – creating rotas accordingly – as currently, both UHBs are competing for the same 'pool' of candidates. There were also queries around how Health Education and Improvement Wales (HEIW) propose to manage graduate allocation to Health Boards; consideration of redesigning certain roles; whether other innovative models are being utilised elsewhere; and how the UHB is linking these challenges to its Digital Strategy and considering whether digital platforms provide any potential solutions. The Committee was assured that the UHB will be as proactive as possible in regard to all of these issue. The Committee agreed that this topic is probably more appropriately scrutinised/monitored by one of the other Board level Committees. It was agreed that this matter would be highlighted to the Board, and guidance sought on where it is best placed.

- **Response to Internal Audit Records Management Review** – the Committee received a report outlining the significant amount of work undertaken in this area. Revenue allocated in November 2021 had allowed an acceleration in Records Management work, which had resulted in a 20-25% reduction in records held at the Llangennech store and created an opportunity to 'repatriate' records from third party storage. The second phase will further accelerate and absorb new records into the scanning process. It was noted that the records for the Public Inquiry had also been included in the scanning process,

which was welcomed. The team were commended for their efforts and achievements to date in addressing these challenging issues. It was agreed that this topic would be referred to the Sustainable Resources Committee (SRC) for ongoing scrutiny/monitoring.

- **Internal Audit Plan Progress Report** – the Committee received an update on the Internal Audit Plan and noted progress towards completion of the Internal Audit programme of work.
- **Internal Audit Plan and Charter 2022/23** – the Committee received and discussed this document and, subject to one amendment, approved the Internal Audit Plan and Charter for 2022/23.
- **Internal Audit** – the Committee received the following Internal Audit reports:
 - TriTech Institute Governance Review (Limited Assurance)
 - Non-clinical Temporary Staffing (Limited Assurance)
 - Primary Care Clusters (Reasonable Assurance)
 - Workforce Planning (Substantial Assurance)
 - Organisational Values & Staff Wellbeing (Substantial Assurance)
 - Performance Monitoring & Reporting (Substantial Assurance)
 - Network & Information Systems (NIS) Directive (Substantial Assurance)

The following IA reports were deferred to a future meeting:

- Nurse Staffing Act

It was agreed to highlight to the Board the positive findings of the Workforce Planning and Organisational Values & Staff Wellbeing Internal Audits.

- **TriTech Institute Governance Review (Limited Assurance)** – during discussion of this Internal Audit report, the Committee heard that the TriTech Institute had evolved from a collaborative initiative. The audit had evaluated the adequacy of the systems and controls in place within the governance arrangements, and an assurance rating of Limited Assurance had been awarded, based on the lack of a Board approved business case and a clear financial structure. The Deputy Director for Research & Innovation provided additional context and assurance regarding the establishment and operation of the Institute, its current work and processes, and positive impacts.

The Committee heard that the TriTech Institute represents an interesting development for the UHB, which has created a number of useful opportunities, particularly in relation to Value Based Health Care. A number of roles have been created in forming the Institute, which have impacted positively in terms of the foundational economy/social value. It was emphasised that ARAC's first consideration must be good governance; failure to do so exposes the organisation to risk. There is a need to be cognisant of the fact that the very nature of innovation brings with it a strong likelihood of failure; the organisation has a different risk appetite for research and innovation, which reflects this exact position. Whilst it was highlighted during further discussion that a business plan, together with an aligned financial plan, was in place, the audit had not been able to identify evidence of where this was formally discussed or agreed via the Committee structure. In hindsight, and given how the Institute has developed, it was acknowledged that the business plan should have been considered at Executive Team and referred on to the relevant Committee as appropriate; this has been recorded as learning. The issue of Intellectual Property was discussed, with assurance provided that, for every project delivered by the

TriTech Institute, there is a clear contract in place which includes Intellectual Property provision. The opinion of Legal & Risk is sought routinely, as part of the process. Contracts detail the ownership of projects and how any benefits will be shared. A separate piece of work is underway around the organisation's current Intellectual Property guidelines, which will put in place a formal policy. It was suggested that the successes of the TriTech Institute to date should be recognised and lauded, and be made more visible to the Board. The honesty and recognition of areas for improvement which has been demonstrated was welcomed. The Committee noted that there is provision in the 2022/23 Internal Audit Plan for a follow-up audit.

- **Non-clinical Temporary Staffing (Limited Assurance)** – during discussion of this Internal Audit report, the Committee heard that the audit had been undertaken to establish whether appropriate arrangements are in place for the appointment and monitoring of temporary staffing solutions. High priority matters relating to the procurement, identification and monitoring of non-clinical temporary staff had been identified, resulting in an overall rating of Limited Assurance. Until recently, the UHB had no non-clinical agency staff and therefore required no policy in relation to their appointment/management. This position has changed, however. The Committee was advised that an Action Plan has been developed, with a number of actions already completed.

Work being undertaken around protocols was described, which will ensure that future proposals to engage temporary staff are fully costed and that due process is followed. The appointment of individuals on fixed term contracts may adversely affect recruitment, and consideration is being given to whether permanent appointments could be made in certain circumstances, on the understanding that the appointee will be moved between projects as required. These new processes/policies will be presented to the People, Organisational Development & Culture Committee (PODCC) for approval. Workforce is linking with the Finance team to identify every instance of agency use and ensure the process is applied. Noting statements around pre-employment checks, the Committee heard that, in the case of agencies on framework agreements, checks are undertaken by the supplying agency. Concern was expressed regarding the reliance on another body to undertake these checks. Assurance was provided around governance oversight of non-clinical agency appointments/expenditure, with Members noting that, in addition to regular reports to the Executive Team, this information will form part of the standard report to PODCC going forward.

- **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 98 reports currently open. 55 of these reports have recommendations that have exceeded their original completion date, which has increased from the 49 reports previously reported in February 2022. There is a slight decrease in recommendations where the original implementation date has passed, from 126 to 122. The number of recommendations that have gone beyond six months of their original completion date has increased to 45 from the 41 reported in February 2022.
- **Audit Committee Work Programme** – the Committee received for information the ARAC work programme for 2022/23, recognising that this will be further populated following approval of the Internal Audit Plan for 2022/23.

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

- **Declaring, Registering and Handling Interests, Gifts, Hospitality, Honoraria and Sponsorship** – to note that the Committee reviewed the adequacy of the arrangements currently in place and noted the proposed actions for 2022/23 to promote and improve the adequacy of these arrangements.
- Due to ongoing quality and safety concerns, a suggestion that the monitoring/scrutiny of **Radiology Directorate** updates is managed by the Quality, Safety & Experience Committee (QSEC).
- The referral of **Records Management** to the Sustainable Resources Committee for ongoing scrutiny/monitoring.

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

- Potential system weaknesses, and concerns among staff regarding these, highlighted in the **Counter Fraud Annual Report**;
 - Steps are being taken to raise staff awareness of fraud, including various training;
 - Counter Fraud is providing input in terms of policies and procedures and is working with others within the UHB to identify areas of weakness;
 - The Director of Finance has discussed with the Counter Fraud team the introduction of a more robust mechanism for reporting to ARAC the weaknesses which have been identified and how it is intended to address these.
- During discussion of the **Counter Fraud Work Plan**, concerns around the number of cases of 'false representation' being reported to In-Committee ARAC;
 - The new Clue3 system will allow the Counter Fraud team to better document and classify types of fraud and identify areas of weakness/focus training on these areas;
 - The new reporting format will provide more detail around areas of system weakness, along with collaborative work being undertaken;
 - Fraud risk assessments will provide an understanding of areas of concern and a sense of the potential benefits of proactive work.
- Continued concerns regarding the continued upward trend in **overpayment of salaries**;
 - Work to digitise the relevant systems is ongoing.
- During discussion of the **Non-clinical Temporary Staffing Internal Audit report**, concerns regarding the UHB's reliance on another body to undertake pre-employment checks, in the case of staff supplied by agencies on framework agreements.
- Findings of the **TriTech Institute Governance Review Internal Audit report**, which highlight the learning necessary from the process by which the Institute was created and has developed. Also, as the Institute evolves further, the need to consider and monitor how it is developing and operating in practice.
 - A follow-up audit is scheduled for 2022/23.
- A recognition that, despite the positive findings of **Network & Information Systems (NIS) Directive Internal Audit report**, the risks and threats in this area are extensive and increasing. In addition, NHS Wales operates on a shared network, and cyber security is 'only as strong as the weakest link'.
 - A session for Board Members on the topic of cyber security will be offered;
 - The Finance Director has suggested to Audit Wales that consideration be given to an All Wales audit on this topic;
 - The topic of cyber security is on the agenda for forthcoming meetings of both the Digital Independent Members' Group and the All Wales Audit Chairs' Committee.

**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:

5th May 2022

Enw'r Pwyllgor: Name of Committee:	Audit and Risk Assurance Committee (ARAC)
Cadeirydd y Pwyllgor: Chair of Committee:	Mr Paul Newman, Independent Member
Cyfnod Adrodd: Reporting Period:	Meeting held on 5 th May 2022
Y Penderfyniadau a'r Materion a Ystyriodd y Pwyllgor/ Key Decisions and Matters Considered by the Committee:	
<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 5th May 2022, 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 5th May 2022, 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"> • Internal Audit Plan Progress Report – the Committee reviewed the IA Progress Report, noting developments since the previous meeting and progress towards completion of the Internal Audit programme of work. • Internal Audit – the Committee received the following Internal Audit reports: <ul style="list-style-type: none"> ○ Infection Prevention & Control (Reasonable Assurance) ○ Nurse Staffing Act (Reasonable Assurance) ○ Prevention of Self Harm (Limited Assurance) ○ Women & Children's Phase 2 (Reasonable Assurance) ○ BlackLine Financial Reconciliation System (Non-opinion Review) <p>The following IA reports were deferred to a future meeting:</p> <ul style="list-style-type: none"> ○ Risk Management & Board Assurance Framework <ul style="list-style-type: none"> • Prevention of Self Harm (Limited Assurance) The audit had been prompted by concerns raised by Healthcare Inspectorate Wales (HIW) and requested by the Director of Nursing, Quality & Patient Experience and the Director of Mental Health & Learning Disabilities (MHLDD). Three high priority Matters Arising were identified; as a result, an overall rating of Limited Assurance had been recorded. <p>Following the audit, a substantial piece of work has been undertaken to review procedural guidance. There had been discussion of whether this should be organisation-wide; however it is felt that the focus/priority, based on risk, should be MHLDD. The findings of this review have been issued for comment to the MHLDD team and are being shared on a national basis. The review has been linked to All Wales work by the Welsh Government Delivery Unit. It is felt that current audit tools utilised in this area present certain shortcomings, and that understanding individual patient risk is as important as assessing</p>	

environmental risks. Consideration is being given to alternative audit tools, such as the AMAT tool, which is currently being piloted within HDdUHB. An evaluation will be conducted before it is decided whether to implement this tool more widely. Prevention of self harm will also form part of the Health & Safety audit plan. The draft procedural guidance will be a topic for discussion at the MHL D Policy Control Group and is being raised at the national Health & Safety Group; it is hoped that the Welsh Government Delivery Unit may adopt it nationally. Training around prevention of self harm risks is to be included in induction training for managers (in both MHL D and other acute services) going forward. With regard to other findings from the audit, there has been a strong message communicated regarding the correct process for completion of environmental audit templates. It was queried whether other facilities within the UHB are being reviewed, bearing in mind that potential for self harm is not restricted to individuals in MHL D facilities, and assurance was requested around compliance within those facilities that the UHB commissions, for example, homes and special units. In response, the need to recognise that it is impossible to completely eradicate prevention of self harm risks was emphasised. The priority should be to normalise their management within services, via individual patient risk assessments. In terms of commissioned services, for example tertiary services provided by the Welsh Health Specialised Services Committee (WHSSC), there is an expectation that prevention of self harm risk assessments are undertaken routinely, as such facilities are subject to the same standards as the UHB. It was noted that there have not been any incidents of self harm in the UHB's inpatient facilities for a number of years.

- **Women & Children's Phase 2 (Reasonable Assurance)** – during detailed discussion of this Internal Audit report, the Committee was pleased to note positive progress since the previous audit in April 2021 which had returned an overall rating of Limited Assurance. Delays within the programme to date amount to 137.8 weeks, with only 1.8 weeks in the last 12 months attributable to the UHB. The report detailed the project overspend and risk provision, which represents a fair reflection of the uncertainties involved. There have been significant cost challenges as a result of COVID-19, which are now showing a reduction. In terms of prior audit recommendations, only one is not fully actioned, which is likely to remain open until completion of the project. With regards to contractor performance, the contractor is now operating at its own cost as a result of delays. There were a number of aspects in terms of managing delays which were not practicable to implement. However, the UHB has managed the impact on the project as best it can, and probably in excess of what could be expected. An assurance rating of Reasonable Assurance reflects these efforts.

Members welcomed the positive progress recorded within the report and its recognition of the Estates team's efforts 'over and above' what might be expected, together with the context within which they are operating. It was noted that the project is clearly causing significant ongoing costs to the organisation in terms of staff time and effort; at a time when there are other pressures, and other tasks which could be prioritised. The Committee noted that the audit had identified that a Parent Company Guarantee was not currently in place. Members were advised with regards to the implications of this, the fact that it is a contractual and eligibility requirement for the All Wales framework and that the contractor is taking steps towards rectifying this situation. Assurances were requested that work is progressing as quickly as possible, and that the revised completion date is expected to be achieved. It was confirmed that the anticipated completion date is June/July 2023. The Estates team were thanked for their continued efforts in managing this challenging project.

- **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, with the exception of No.59 (The Directions to Local Health Boards and NHS Trusts in Wales on the Delivery of Autism Services 2021) which is currently being implemented.
- **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 2021/22** – the Committee agreed to feedback comments on the ARAC Annual Report 2021/22 and to approve content via Chair’s action, prior to onward submission to the Board.
- **Draft Head of Internal Audit Opinion & Annual Report 2021/22** – the Committee received the Draft Head of Internal Audit Opinion & Annual Report 2021/22, and was informed that the UHB has achieved an overall Reasonable Assurance rating.
- **Assurance Report on Board Effectiveness** – noting that Board self-assessment is an essential requirement of the annual Accountability Report, the Committee received the Assurance Report on Board Effectiveness 2021/22. With the evidence having been considered at Board Seminar, it had been agreed that the overall level of maturity should remain at Level 4. Whilst it was recognised that significant work is required to maintain this level, the long-term ambition is to progress to Level 5. The Committee took assurance from the process that has been undertaken this year to review the Board’s effectiveness, recognising this had been discussed by the Board at the Board Seminar meeting held on 7th April 2022.
- **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 2021/22, 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 2021/22 Annual Report for onward ratification by Board, recognising that this had been shared with the Chairs of the Strategic Development & Operational Delivery Committee (SDODC) and Quality, Safety & Experience Committee (QSEC).
- **Draft Annual Accounts 2021/22** – the Committee received the draft Annual Accounts 2021/22, 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 9th June 2022. During presentation of the accounts, the Committee noted the significant increase in clinical negligence claims and it was suggested that additional data/intelligence from the Welsh Risk Pool around the potential future trajectory for this area is required. Members were advised that this topic is considered by the Sustainable Resources Committee (SRC) on a regular basis, providing a degree of assurance. The comparison between this year and last in relation to COVID-19 related costs was

highlighted, reflecting as it does the 'shift' from the initial response, to costs associated with testing, vaccination, etc. The Committee noted an increase in expenditure on external contractors, and heard that the use of external contractors has increased, particularly in the Estates & Facilities and Digital teams. It was noted that the UHB does not yet have in place a robust system for reporting on annual leave; therefore, annual leave accrual remains a specific cause for concern.

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

- To endorse (at the June 2022 meeting) the **ARAC Annual Report 2021/22**.
- **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 & 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 & Annual Report** – the Committee received the Draft Head of Internal Audit Opinion & Annual Report 2021/22, and was informed that the UHB had achieved a Reasonable Assurance rating.

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

- During discussion of the **Prevention of Self Harm Internal Audit report**, concerns regarding completion of environmental audit templates.
 - The Director of MHLD has issued a strong message regarding the correct process.
- During discussion of the **Women & Children's Phase 2 Internal Audit report**, concerns regarding the significant ongoing costs to the organisation, in terms of staff time and effort, in managing this project. Also, the lack of a Parent Company Guarantee.
 - Additional staff time spent managing the project will continue to be monitored;
 - The contractor is taking steps towards putting in place a Parent Company Guarantee, and this is being followed-up on a weekly basis.

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:

9th June 2022