

<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 9 <sup>th</sup> June 2022
<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 9<sup>th</sup> June 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 9<sup>th</sup> June 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"> <li>• <b>IA Progress Report</b> – the Committee received an Audit &amp; Assurance Services report, which confirmed delivery of the remaining Internal Audit report from the 2021/22 Internal Audit Plan and that all audits within the Plan had been completed.</li> <li>• <b>Internal Audit</b> – the Committee received the following Internal Audit reports:       <ul style="list-style-type: none"> <li>○ Partnership Governance Follow-up (Reasonable Assurance)</li> <li>○ Risk Management &amp; Board Assurance Framework (Substantial Assurance)</li> </ul> </li> <li>• <b>Partnership Governance Follow-up (Reasonable Assurance)</b> – a report detailing the findings of this Internal Audit was received. Overall, positive progress was noted in the implementation of management actions, with six of the eight recommendations fully implemented, and progress being made on the outstanding two actions. Outstanding recommendations would be monitored via the Audit Tracker. Following discussion, it was felt that Members' comments highlighting the issues around a lack of independent scrutiny of partnership governance arrangements should be drawn to the attention of the Board.</li> <li>• <b>Head of Internal Audit Opinion &amp; Annual Report 2021/22</b> – the Committee received the Head of Internal Audit Opinion &amp; Annual Report 2021/22, noting the Reasonable Assurance rating. There is a potential anomaly in that where progress has been made during the year following a limited assurance report this would not affect the overall rating for the year whereas if there was a deterioration this could affect the rating. The Head of Internal Audit agreed to consider this.</li> <li>• <b>Overview and Performance Report (Section of HDdUHB Annual Report)</b> – the Committee approved the Performance Report chapter of the 2021/22 Annual Report for onward ratification by Board.</li> </ul>	

- **Accountability Report** – the Committee supported the content of the Accountability Report, as a source of assurance to the Board that a robust governance process was enacted during the year, and recommended its subsequent approval to the Board.
- **Audit Wales Audit of Accounts Report - Hywel Dda University Health Board 2021/22** – the Committee noted the Audit of Accounts Report - Hywel Dda UHB 2021/22 (ISA 260) and Letter of Representation.
- **Final Accounts for 2021/22** – the Committee approved the Final Accounts for 2021/22 for onward ratification by the Board.

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

- **Year End Documentation** – all documentation relating to year end was approved for onward ratification by the Board at its meeting on 9<sup>th</sup> June 2022.
- **Partnership Governance** – the lack of independent scrutiny of partnership governance arrangements.

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

None.

**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:**

21<sup>st</sup> June 2022



<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 21 <sup>st</sup> June 2022
<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 21<sup>st</sup> June 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 21<sup>st</sup> June 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"><li><b>Review of HDdUHB Standing Orders (SOs) and Standing Financial Instructions (SFIs)</b> – these documents were presented for consideration by the Committee, prior to their submission for ratification to Public Board in July 2022. The Committee considered the previously agreed local amendments to the documents (approved by the Board in May 2021), noting that further local amendments will be required prior to submission to Board. Subject to these further amendments, the Committee recommended the revised version of the HDdUHB Standing Orders and Standing Financial Instructions to the Board on 28<sup>th</sup> July 2022 for approval.</li><li><b>Annual Review of the Committee's Terms of Reference &amp; Membership</b> – subject to minor amendments, the Committee approved the Audit and Risk Assurance Committee's Terms of Reference for onward ratification by the Board on 28<sup>th</sup> July 2022.</li><li><b>All Wales NHS Audit Committee Chairs' Meeting</b> – the Committee received an update from the most recent meeting of this group, noting that there had been a particular focus on cyber security, with a sobering presentation on the impact of a ransomware attack in May 2021 which had targeted the Health Service Executive in Ireland. There will be a discussion on this topic at the In-Committee Sustainable Resources Committee (SRC), followed by a training session for Board Members later in the year. The Director of Finance advised that there is a significant amount of work being undertaken in this area.</li><li><b>Counter Fraud</b> – an update on counter fraud activity was received, including awareness sessions being delivered for GP practices.</li><li><b>Financial Assurance Report</b> – the Committee received the Financial Assurance report, which was discussed in detail. It was noted that the Financial Assurance report does not currently mention underpayment of salaries; following discussion and to ensure a more</li></ul>	

complete overview, it was agreed that this information would be included in future reports. During discussion of the Compliance with Capital Requirements section, the requirement for a Project Bank Account for capital projects was noted. Concerns were expressed regarding the associated issues and risks; although it was noted that, due to the bank in question being the Governmental bank, this is a UK Treasury issue. Whilst the arrangements in place in relation to project bank accounts are not ideal, a discussion at a national level would be required around desired outcomes and how these could be fulfilled. It was agreed that this matter would be highlighted to the Board.

- **Audit Wales Update Report** – an update was provided by Audit Wales on finance and performance audit work. The review of operational governance arrangements in Mental Health & Learning Disabilities (MHLD) is underway. The review of Unscheduled Care will begin with an ‘out of hospital’ focus, including consideration of medically-fit patients awaiting discharge. This work will be conducted nationally, and will commence in HDdUHB. The brief for this year’s Structured Assessment has been issued, with the intention of commencing this in early September 2022. A review into Workforce will follow; it is planned to undertake this audit work in HDdUHB first, since it is known that there are examples of good practice which could be shared elsewhere.
- **Phase 1 Structured Assessment – Operational Planning** – the Committee received an update on this topic and took assurance from progress made in respect of the recommendations from the Audit Wales report. There has been positive progress in a number of areas, with examples of good practice which can be taken forward across Wales.
- **Internal Audit Plan Progress Report** – the Committee received an update on the Internal Audit Plan and noted progress in relation to the programme of work.
- **RCP Medical Records Keeping Standards** – during discussion of this update report, the Committee noted actions taken in this area, including the issuing of stamps to 800 HDdUHB doctors and an ongoing audit plan, which will form part of this year’s Clinical Audit programme. The Committee raised a number of concerns and agreed that this is an area requiring a continued focus to maintain momentum.
- **External Validation** – an update regarding External Validation was received, following the completion of this exercise. 121,000 records had been validated, in excess of the 118,000 commissioned. The closure/removal rate from the exercise was 12%, the majority of which were from the diagnostic/post-diagnostic Stages 2 and 3 of the clinical pathway. Low closure/removal rates in Stage 1 indicated reasonably accurate records and that clinical conditions are well-recorded, which is reassuring. Limited impact on Stage 4 is to be expected, as the majority of these records represent patients awaiting treatment as a result of the COVID-19 pandemic. The principal reason for the higher closure/removal rate in Stages 2 and 3 is the extended time period between this validation exercise and the previous one. Several high-level Learning Reflections are included within the report; these include the need to concentrate the UHB’s limited validation resources on those areas which generate the most benefit. Welsh Government has expressed a strong expectation/requirement for Health Boards to continue to focus on validation as part of the approaching recovery from the COVID-19 pandemic. Whilst recognising that certain of the actions are outwith the ‘gift’ of the UHB, or are more systemic; in order to provide assurance that lessons learned will be taken forward, it was suggested that development of an action plan would be beneficial. Assurances were also

sought around engagement with the Digital team around consideration of digital opportunities to improve data collection, including robotics/automated processes. Clarification was requested regarding what value the UHB has obtained/derived from this exercise; whether it has avoided costs or enabled the organisation to deploy resources more efficiently. The Committee heard that the cost had been broadly equivalent to a year's worth of validation activity, so within the historic run-rate. It is important to ensure that waiting lists are accurate and the information held on systems is inherent to clinical management plans. It is, however, difficult to quantify financial/cost benefits. It was reiterated that Welsh Government's expectations is that Health Boards conduct validation exercises as part of their recovery processes. The Committee was provided with information regarding the quality assurance mechanisms utilised to ensure removal or retention of records was appropriate. Recognising that this process will probably need to be repeated, Members heard that validation has typically been required on an annual basis, although this exercise had probably represented around two years' worth of data, due to the pandemic. It was agreed that this issue should be highlighted to the Board, due to concerns around cost, value for money, the need to learn lessons and how this process will be undertaken in future in the absence of dedicated funding.

- **Risk Management Framework** – the Committee endorsed the Risk Management Framework, prior to its submission to the Board for approval on 28<sup>th</sup> July 2022.
- **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 these reports have recommendations that have exceeded their original completion date, which has decreased from the 55 reports previously reported in April 2022. There is a slight decrease in recommendations where the original implementation date has passed from 122 to 115. The number of recommendations that have gone beyond six months of their original completion date has decreased to 36 from 45 reported in April 2022.
- **Clinical Audit** – the Committee received an update on this topic, noting that the recently-issued Welsh Health Circular setting out Welsh Government expectations in terms of Clinical Audit is currently being reviewed. The Clinical Audit Manager has been tasked with developing a 2022/23 Clinical Audit programme in conjunction with services; it is important to ensure that Clinical Audit drives improvements across the organisation, rather than it being a case of 'audit for audit's sake'. The UHB is piloting the AMAT tool; this system streamlines all clinical audit registration processes, which should make it easier to participate and more transparent. One of its most significant advantages is the availability of other modules, which will facilitate triangulation of intelligence. It was commented that the report gives the impression that the organisation is moving back to a more 'normal' status in regards to Clinical Audit activity. The Committee heard that steps are being taken to re-establish and re-invigorate Clinical Audit; and that, pleasingly, there is a great deal of positivity and energy within the services, including among new participants. Whilst there are currently challenges around Clinical Audit staffing at Bronglais General Hospital, steps have been taken to provide support. It was agreed that a summary of 2021/22 Clinical Audit outcomes and shared learning from across the year, together with the finalised 2022/23 Clinical Audit Plan, would be provided for the next meeting. The Committee commended the progress made during the last few years, particularly in regards to levels of engagement with services.

- **Audit Committee Work Programme** – the Committee received for information the ARAC work programme for 2022/23.

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

- The revised HDdUHB Standing Orders and Standing Financial Instructions, presented at Item 2.6.1.
- The revised Audit and Risk Assurance Committee Terms of Reference, appended.
- The Risk Management Framework, presented at Item 2.6.2.
- Concerns around a lack of progress and the need to maintain momentum around RCP Medical Records Keeping Standards. ARAC has requested a further update in six months.
- Concerns and discussions around External Validation.

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

- Concerns regarding the issues and risks associated with Project Bank Accounts for capital projects;
  - It was agreed that this matter would be highlighted to the Board.

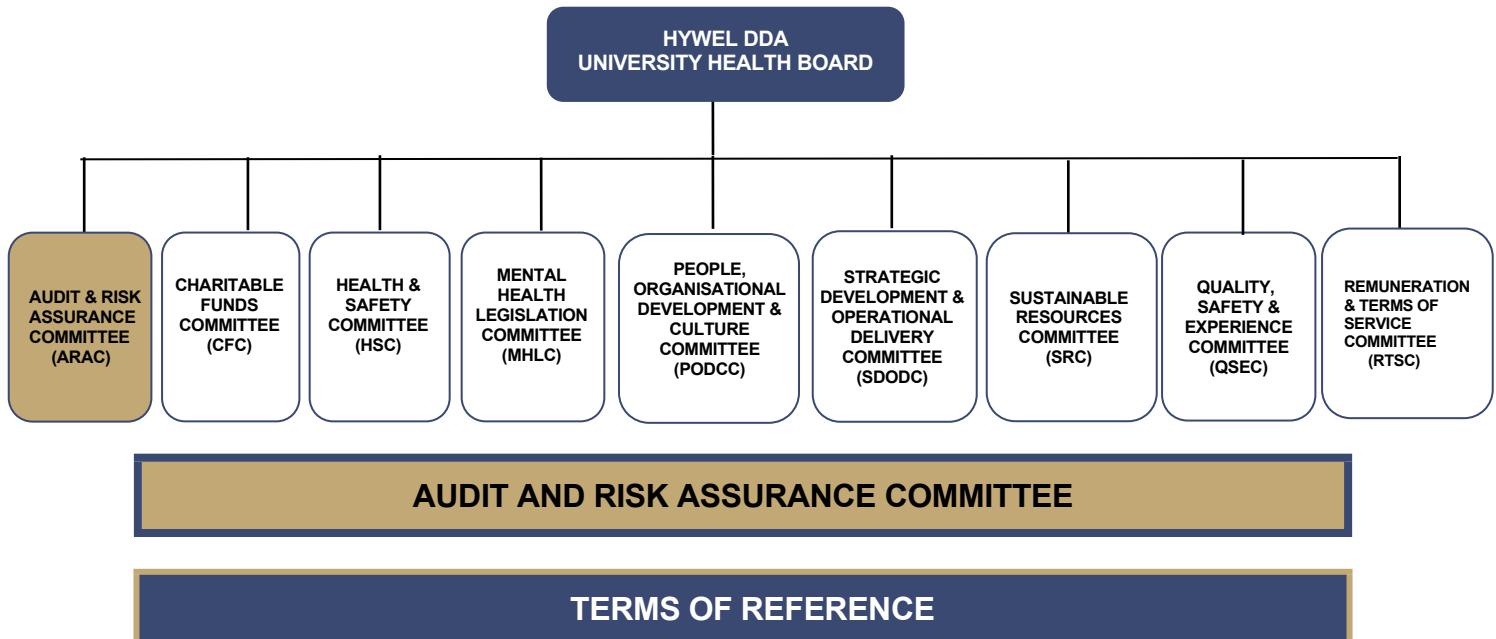
**Busnes Cynlluniedig y Pwyllgor ar Gyfer y Cyfnod Adrodd Nesaf/  
Planned Committee Business for the Next Reporting Period:**

**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:**

16<sup>th</sup> August 2022



Version	Issued To	Date	Comments
V1	Audit Committee Hywel Dda Health Board Hywel Dda Health Board	08.12.2009 28.01.2010 22.07.2010	Approved Approved Approved
V2	Audit Committee	07.06.2011	Approved
V3	Hywel Dda Health Board	29.09.2011	Approved
V4	Audit Committee	11.09.2012	Approved
V5	Audit Committee	11.08.2015	Approved
V6	Audit and Risk Assurance Committee	13.10.2015	Approved
V7	Hywel Dda University Health Board	26.11.2015	Approved
V8	Audit and Risk Assurance Committee	11.10.2016	Approved
V8	Hywel Dda University Health Board	26.01.2017	Approved
V9	Audit and Risk Assurance Committee	09.01.2018	Approved
V9	Hywel Dda University Health Board	29.03.2018	Approved
V.10	Audit and Risk Assurance Committee	19.02.2019	Approved
V.10	Hywel Dda University Health Board	28.03.2019	Approved
V.11	Audit and Risk Assurance Committee	25.02.2020	Approved
V.11	Hywel Dda University Health Board	26.03.2020	Approved
V.12	Audit and Risk Assurance Committee	23.02.2021	Approved
V.12	Hywel Dda University Health Board	25.03.2021	Approved
V.13	Hywel Dda University Health Board	29.07.2021	Approved
V.14	Audit and Risk Assurance Committee	21.06.2022	Approved
V.14	Hywel Dda University Health Board	28.07.2022	For Approval

## AUDIT & RISK ASSURANCE COMMITTEE

### 1. Constitution

- 1.1 The Audit Committee has been established as a Committee of the Hywel Dda University Health Board (HDdUHB) and constituted from 1<sup>st</sup> October 2009. The Committee is an independent Committee of the Board and has no executive powers, other than those specifically delegated in these Terms of Reference. On 1<sup>st</sup> June 2015, the Committee took on an enhanced role and was re-named the Audit and Risk Assurance Committee (the Committee).

### 2. Purpose

- 2.1 The purpose of the Audit and Risk Assurance Committee is to advise and assure the Board and the Accountable Officer on whether effective arrangements are in place, through the design and operation of the UHB's system of assurance, to support them in their decision taking and in discharging their accountabilities for securing the achievement of the UHB's objectives, in accordance with the standards of good governance determined for the NHS in Wales.
- 2.2 The Committee independently monitors, reviews and reports to the Board on the processes of governance, and where appropriate, facilitates and supports, through its independence, the attainment of effective processes.
- 2.3 Where appropriate, the Committee will advise the Board and the Accountable Officer on where, and how, its system of assurance may be strengthened and developed further.
- 2.4 The Committee's principal duties encompass the following:
- 2.4.1 Review 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.
  - 2.4.2 Seek assurance that the systems for financial reporting to Board, including those of budgetary control, are effective, and that financial systems processes and controls are operating.
  - 2.4.3 Work with the Quality, Safety and Experience Committee, the People Organisational Development and Culture Committee, **Strategic Development and Operational Delivery Committee** and Sustainable Resources Committee to ensure that governance and risks are part of an embedded assurance framework that is 'fit for purpose'.
  - 2.4.4 Receive an assurance on delivery against relevant Planning Objectives aligned to the Committee (**see Appendix 1**), in accordance with Board approved timescales, as set out in HDdUHB's Annual Plan.

### **3. Key Responsibilities**

The Audit and Risk Assurance Committee shall provide advice, assurance and support to the Board in ensuring the provision of high quality, safe healthcare for its citizens, as follows:

#### **Governance, Risk Management and Internal Control**

- 3.1 The Committee shall review the adequacy of the UHB's strategic governance and assurance arrangements and processes for the 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) that supports the achievement of the organisation's objectives.
- 3.2 In particular, the Committee will review the adequacy of:
  - 3.2.1 all risk and control related disclosure statements (in particular the Accountability Report and the **Annual Quality Performance Report**), together with any accompanying Head of Internal Audit statement, external audit opinion or other appropriate independent assurances, prior to endorsement by the Board;
  - 3.2.2 the underlying assurance processes that indicate the degree of the achievement of **strategic and planning corporate** objectives, the effectiveness of the management of principal risks and the appropriateness of the above disclosure statements;
  - 3.2.3 the policies for ensuring compliance with relevant regulatory, legal and code of conduct and accountability requirements; and
  - 3.2.4 the policies and procedures for all work related to fraud and corruption as set out in **National Assembly for Wales Welsh Government Directions** and as required by the Counter Fraud and Security Management Service.
- 3.3 In carrying out this work, the Committee will primarily utilise the work of Internal Audit, Clinical Audit, External Audit and other assurance functions, but will not be limited to these audit functions. It will also seek reports and assurances from directors and managers as appropriate, concentrating on the overarching systems of good governance, risk management and internal control, together with indicators of their effectiveness.
- 3.4 This will be evidenced through the Committee's use of an effective assurance framework to guide its work and that of the audit and assurance functions that report to it.
- 3.5 The Committee will seek assurance that effective systems are in place to manage risk, that the organisation has an effective framework of internal controls to address principal risks (those likely to directly impact on achieving strategic objectives), and that the effectiveness of that framework is regularly reviewed.

- 3.6 Monitor the assurance environment and challenge the build-up of assurance on the management of key risks across the year, and ensure that the Internal Audit plan is based on providing assurance that controls are in place and can be relied upon (particularly where there is a significant shift between the inherent and residual risk profile), and review the internal audit plan in year as the risk profile changes.
- 3.7 Seek assurance on delivery against Planning Objectives aligned to the Committee, considering and scrutinising the frameworks, charts/charters and action plans that are developed, supporting and endorsing these as appropriate (~~PO 3F, 3H~~).
- 3.8 Consider and recommend to the Board approval of any changes to the Risk Management Framework and oversee development of the Board Assurance Framework.
- 3.9 ~~Invite Lead Directors of Board level Committees to attend the Audit and Risk Assurance Committee at least annually to receive assurance that they are effectively discharging their Terms of Reference and ensuring that principal risks are being managed effectively.~~
- 3.10 Provide assurance with regard to the systems and processes in place for clinical audit, and consider recommendations from the Effective Clinical Practice Working Group on suggested areas of activity for review by internal audit.
- 3.11 The Committee will be responsible for reviewing the UHB's Standing Orders and Standing Financial Instructions and Scheme of Delegation annually, (including associated framework documents as appropriate), monitoring compliance, and reporting any proposed changes to the Board for consideration and approval.
- 3.12 To receive annually a full report of all offers of gifts, hospitality, sponsorship and honoraria recorded by the UHB and report to the Board the adequacy of these arrangements.
- 3.13 To review and report to the Board annually the arrangements for declaring, registering, and handling interests.
- 3.14 Approve the writing-off of losses or the making of special payments within delegated limits.
- 3.15 Receive an assurance on Post Payment Verification Audits through quarterly reporting to the Committee.
- 3.16 Receive a report on all Single Tender Actions and extensions of contracts.

#### **Internal Audit and Capital/PFI**

- 3.17 The Committee shall ensure that there is an effective internal audit and capital/PFI function established by management that meets mandatory Internal Audit

Standards for NHS Wales and provides appropriate independent assurance to the Committee, Chief Executive and Board.

- 3.18 This will be achieved by:
- 3.18.1 review and approval of the Internal Audit Strategy, Charter, operational plan and more detailed programme of work, ensuring that this is consistent with the audit needs of the organisation;
  - 3.18.2 review of the adequacy of executive and management responses to issues identified by audit, inspection and other assurance activity, in accordance with the Charter;
  - 3.18.3 Regular consideration of the major findings of internal audit work (and management's response), and ensure co-ordination between the Internal and External Auditors to optimise audit resources;
  - 3.18.4 ensuring that the Internal Audit function is adequately resourced and has appropriate standing within the organisation; and
  - 3.18.5 annual review of the effectiveness of internal audit.

### **External Audit**

- 3.19 The Committee shall review the work and findings of the External Auditor and consider the implications and management's responses to their work. This will be achieved by:
- 3.19.1 discussion and agreement with the External Auditor, before the audit commences, of the nature and scope of the audit as set out in the Annual Plan, and ensure coordination, as appropriate, with other External Auditors and inspection bodies in the local health economy;
  - 3.19.2 discussion with the External Auditors of their local evaluation of audit risks and assessment of the Local Health Boards/NHS Trusts and associated impact on the audit fee;
  - 3.19.3 review all External Audit reports, including agreement of the Annual Audit Report and Structured Assessment before submission to the Board, and any work carried outside the annual audit plan, together with the appropriateness of management responses; and
  - 3.19.4 review progress against the recommendations of the annual Structured Assessment.

### **Other Assurance Functions**

- 3.20 The Committee shall review the findings of other significant assurance functions, both internal and external to the organisation, and consider the implications on the governance of the organisation.
- 3.21 The Committee's programme of work will be designed to provide assurance that the work carried out by the whole range of external review bodies is brought to the attention of the Board. This will ensure that the Health Board is aware of the need to comply with related standards and recommendations of these review bodies and the risks of failing to comply. These will include, but will not be limited to, any reviews by Inspectors and other bodies (e.g. Healthcare Inspectorate Wales,

Welsh Risk Pool, etc), professional bodies with responsibility for the performance of staff or functions (e.g. Royal Colleges, accreditation bodies, etc).

- 3.22 The Audit and Risk Assurance Committee and the Quality, Safety and Experience Committee both have a role in seeking and providing assurance on Clinical Audit in the organisation. The Audit and Risk Assurance Committee will seek assurance on the overall plan, its fitness for purpose and its delivery. The Quality, Safety and Experience Committee will seek more detail on the clinical outcomes and improvements made as a result of clinical audit. The Internal audit function will also have a role in providing assurance on the Annual Clinical Audit Plan.
- 3.23 The Audit and Risk Assurance Committee will also seek assurances where a significant activity is shared with another organisation and collaboratives, in particular the NHS Wales Shared Services Partnership, Welsh Health Specialised Services Committee, Emergency Ambulance Services Committee and other regional committees. The Audit and Risk Assurance Committee will expect to receive assurances from internal audit performed at these organisations that risks in the services provided to them are adequately managed and mitigated with appropriate controls.

## **Management**

- 3.24 The Committee shall request and review reports and positive assurances from directors and managers on the overall arrangements for governance, risk management and internal control.
- 3.25 The Committee may also request specific reports from individual functions within the organisation (e.g. clinical audit), as they may be appropriate to the overall arrangements.
- 3.26 The Committee may also request or commission special investigations to be undertaken by Internal Audit, directors or managers to provide specific assurance on any areas of concern that come to its attention.

## **Financial Reporting**

- 3.27 The Committee shall review the Annual Accounts and Financial Statements before submission to the Board, focusing particularly on:
  - 3.27.1 the ISA 260 report to those charged with governance;
  - 3.27.2 changes in, and compliance with, accounting policies and practices;
  - 3.27.3 unadjusted mis-statements in the financial statements;
  - 3.27.4 major judgemental areas;
  - 3.27.5 significant adjustments resulting from the audit;
  - 3.27.6 other financial considerations include review of the Schedule of Losses and Compensation.

- 3.28 The Committee should also ensure that the systems for financial reporting to the Board, including those of budgetary control, are subject to review as to completeness and accuracy of the information provided to the Board.

#### 4. Membership

- 4.1 The membership of the Committee shall comprise of the following:

Member
Independent Member (Chair)
Independent Member (Vice-Chair)
3 x Independent Members

- 4.2 The following should attend Committee meetings:

In Attendance
Director of Finance
<b>Assistant Director of Financial Planning</b>
Board Secretary (Lead)
Representative of the Auditor General
Head of Internal Audit
Capital/Private Finance Initiative (PFI) Auditor
Local Counter Fraud Specialist
<b>Assistant Director Head of Assurance and Risk</b>
Head of Clinical Audit (as and when required)

- 4.3 Membership of the Committee will be reviewed on an annual basis.

#### 5. Quorum and Attendance

- 5.1 A quorum shall consist of no less than three of the membership and must include as a minimum the Chair or Vice Chair of the Committee, and two other Independent Members, *together with a third of the In Attendance members*.
- 5.2 The membership of the Committee shall be determined by the Board, based on the recommendation of the University Health Board (UHB) Chair, taking into account the balance of skills and expertise necessary to deliver the Committee's remit, and subject to any specific requirements or directions made by the Welsh Government.
- 5.3 Any senior officer of the UHB or partner organisation may, where appropriate, be invited to attend, for either all or part of a meeting, to assist with discussions on a particular matter.
- 5.4 The Committee may also co-opt additional independent external 'experts' from outside the organisation to provide specialist skills.

- 5.5 Should any 'in attendance' officer member be unavailable to attend, they may nominate a deputy to attend in their place, subject to the agreement of the Chair.
- 5.6 The Chief Executive, as the Accountable Officer, should be invited to attend, as a minimum when the Committee considers the draft internal audit plan, to present the draft Accountability Report and the annual accounts, and on request by the Committee.
- 5.7 The Chair of the UHB should not be a member of the Audit and Risk Assurance Committee and will not normally attend but may be invited by the Committee Chair to attend all or part of a meeting to assist with its discussions on any particular matter.
- 5.8 The Head of Internal Audit, Capital/PFI Auditor and the representative of the Auditor General shall have unrestricted and confidential access to the Chair of the Audit and Risk Assurance Committee at any time, and vice versa.
- 5.9 The Committee will meet with Internal, Capital/PFI and External Auditors and the Local Counter Fraud Specialist without the presence of officers on at least one occasion each year.
- 5.10 The Chair of the Audit and Risk Assurance Committee shall have reasonable access to Executive Directors and other relevant senior staff.
- 5.11 The Committee may ask any or all of those who normally attend but who are not members to withdraw to facilitate open and frank discussion of particular matters.

## 6. Agenda and Papers

- 6.1 The Committee Secretary is to hold an agenda setting meeting with the Chair and/or Vice Chair and the Lead Director (Board Secretary), at least **six** weeks before the meeting date.
- 6.2 The agenda will be based around the Committee work plan, identified risks, matters arising from previous meetings, issues emerging throughout the year, and requests from Committee members. Following approval, the agenda and timetable for request of papers will be circulated to all Committee members.
- 6.3 All papers must be approved by the Lead/relevant Director.
- 6.4 The agenda and papers will be distributed **seven** days in advance of the meeting.
- 6.5 The minutes and action log will be circulated to members within **ten** days to check the accuracy.

- 6.6 Members must forward amendments to the Committee Secretary within the next **seven** days. The Committee Secretary will then forward the final version to the Committee Chair for approval.

## 7. In Committee

- 7.1 The Committee can operate with an In Committee function to receive updates on the management of sensitive and/or confidential information.

## 8. Frequency of Meetings

- 8.1 The Committee will meet bi-monthly and shall agree an annual schedule of meetings. Any additional meetings will be arranged as determined by the Chair of the Committee in discussion with the Lead (Board Secretary).
- 8.2 The Chair of the Committee, in discussion with the Committee Secretary, shall determine the time and the place of and procedures of such Committee meetings.
- 8.3 The External Auditor, Head of Internal Audit and Capital/PFI Auditor may request a meeting if they consider one is necessary.

## 9. Accountability, Responsibility and Authority

- 9.1 Although the Board has delegated authority to the Committee for the exercise of certain functions, as set out in these Terms of Reference, it retains overall responsibility and accountability for ensuring the quality and safety of healthcare for its citizens through the effective governance of the organisation.
- 9.2 The Committee is directly accountable to the Board for its performance in exercising the functions set out in these terms of reference.
- 9.3 The Committee shall embed the UHB's vision, corporate standards, priorities and requirements, e.g. equality and human rights, through the conduct of its business.
- 9.4 The requirements for the conduct of business as set out in the UHB's Standing Orders are equally applicable to the operation of the Committee.

## 10. Reporting

- 10.1 The Committee, through its Chair and members, shall work closely with the Board's other Committees, including joint/sub committees and groups, to provide advice and assurance to the Board through the:
- 10.1.1 joint planning and co-ordination of Board and Committee business;
- 10.1.2 sharing of information.

- 10.2 In doing so, the Committee shall contribute to the integration of good governance across the organisation, ensuring that all sources of assurance are incorporated into the Board's overall risk and assurance framework.
- 10.3 The Committee may establish sub-committees or task and finish groups to carry out on its behalf specific aspects of Committee business. The Committee will receive an update following each sub-committee or task and finish group meeting detailing the business undertaken on its behalf.
- 10.4 The Committee will consider the assurance provided through the work of the Board's other Committees and Sub-Committees to meet its responsibilities for advising the Board on the adequacy of the UHB's overall assurance framework.
- 10.5 The Committee Chair, supported by the Committee Secretary, shall:
  - 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 Accountability Report. 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.
  - 10.5.2 Bring to the Board's specific attention any significant matter under consideration by the Committee.
  - 10.5.3 Ensure appropriate escalation arrangements are in place to alert the UHB Chair, Chief Executive or Chairs of other relevant Committee, of any urgent/critical matters that may affect the operation and/or reputation of the UHB.
- 10.6 The Board Secretary, on behalf of the Board, shall oversee a process of regular and rigorous self assessment and evaluation of the Committees performance and operation, including that of any sub-committees established. In doing so, account will be taken of the requirements set out in the NHS Wales Audit Committee Handbook.

## **11. Secretarial Support**

- 11.1 The Committee Secretary shall be determined by the Board Secretary.

## **12. Review Date**

- 12.1 These terms of reference and operating arrangements shall be reviewed on at least an annual basis by the Committee for approval by the Board.