

<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 13 <sup>th</sup> December 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 13<sup>th</sup> December 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 13<sup>th</sup> December 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>Table of Actions (Audit Tracker):</b> The Committee was advised that a report regarding the mental health unit referenced in action AC(22)174 is expected at the January 2023 Board meeting, and an update would be presented to the ARAC In-Committee in February 2023.</li> <li>• <b>Escalation Status Update:</b> The Committee received the Escalation Status Update report and appended items, which outlined progress to date. Since finalising the report, a positive written response recording the first quarterly meeting has been received from the Director General, who recognised the considerable progress made in both governance and on the Escalation Action Plan; provided clarity around de-escalation; and a road map to achieve de-escalation both for enhanced monitoring and targeted intervention areas. Support from Welsh Government is being offered in three areas: <ul style="list-style-type: none"> <li>• A review of finances and the Health Board's approach to them, with a specification agreed with the Financial Delivery Unit</li> <li>• A peer review of planning processes; and the development of a planning maturity matrix</li> </ul> </li> <li>• <b>All Wales Audit Committee Chairs Meeting Update:</b> The Chair presented the All Wales NHS Audit Committee Chairs' Meeting Update report, advising that this represents a summary of the items discussed. A presentation on the Internal Audit Dashboard has been provisionally scheduled for 16<sup>th</sup> March 2023.</li> <li>• <b>Risk Management Strategy:</b> The Committee received the Risk Management Strategy, which sets out the broad aims and principles of risk management across Hywel Dda</li> </ul>	

UHB, and sets out the Health Board's objectives in respect of risk management over the next 12 months. Three key objectives have been identified:

- Define the organisation's risk appetite and tolerance statement
- Support the strengthening of operational risk management arrangements
- Strengthen the assurance that Board receives on risk management activities

The Committee reviewed the strategy in detail and endorsed the Risk Management Strategy prior to its submission to the Board for approval on 26th January 2023

- **Counter Fraud Update:** The Committee received the Counter Fraud update and noted that International Fraud Awareness Week commenced on 14th November 2022 and involved face to face awareness sessions with staff across the three counties. In addition, online webinars were held for all GP surgeries, Workforce and Organisational Development (including recruitment teams) and the Pathology service together with a general meet and greet. Daily digital newsletters were published via the Global Messaging System, placing NHS Fraud under the magnifying glass. Topics included Working Whilst Sick, Expenses, Charitable Funds and Overpayment of Salary. This exercise emphasised how the workforce can work collaboratively together to reduce further instances of fraud within the organisation.
- **Financial Assurance Report:** The Committee received the December 2022 Financial Assurance report, which was discussed in detail. The report highlighted the No Purchase Order (PO) No Pay Policy, where there have been challenges around suppliers issuing invoices without purchase order numbers; Public Sector Payment Policy (PSPP) Compliance, where the Health Board failed to meet its 95% target for non-NHS invoices in October 2022. The latter is due to issues around the Bank Office and processing of nurse agency invoices and more general challenges around backlog of work which are being addressed. The Director of Finance confirmed that this should not affect the end of year target/position.

Despite some continuing challenges, the Health Board's tax and VAT status has been restated as 'low-risk', which is the lowest of four possible risk ratings.

The Committee was asked to review and recommend the changes to the Financial Scheme of Delegation, to the Board for approval in January 2023. These included the realignment of delegated authority limits for all standard packages of care in excess of £50,000, to coincide with normal annual care costs and the Health Board scheme of delegation being amended to clearly show where the approval limits for continuing health care sit. The Committee also approved the write-off of Losses and Special Payments detailed within the report.

- **Audit Wales Update Report:** The Committee received the Audit Wales Update Report, which highlighted the following matters:

**Workforce Planning** – Work is ongoing with the Hywel Dda UHB as one of the first Health Boards to be reviewed, and the report will be presented to the Committee at its meeting in April 2023.

Audit Wales continue to address the backlog due to the COVID-19 pandemic; with regard to the National Fraud Initiative (NFI) in Wales 2020-21, Audit Wales will meet with the Counter Fraud team, to consider how the Health Board could make better use of the NFI.

**Structured Assessment:** The Committee received the Structured Assessment report, noting within the reporting period the Health Board had been placed into Targeted Intervention and Enhanced Monitoring measures. A number of positive highlights were presented such as the governance arrangements; staff wellbeing; a strong focus around staff and patients; and clear strategic vision. The Health Board has been unable to produce a Welsh Government approvable Integrated Medium-Term Plan and is expected to deliver a significant financial deficit at the end of 2022-23. Last year's Strategic Planning Report contained a number of actions, which have been incorporated and updated to include the Health Board's current position. Further work is needed to streamline the Health Board's operational structure and performance management arrangements to support delivery, both of which are under consideration at present. The Committee received assurance that the Director of Operations is undertaking a piece of work to review the operational structure with an expected timescale of 6-9 months. COVID-19 costs had been reflected in the detail of the report and the Committee noted that there may be an exercise next year regarding this.

The Committee noted that the Structured Assessment report will be presented at Public Board in January 2023 and the management response will be presented at ARAC in February 2023, to allow for a full and frank discussion.

- **Internal Audit Plan Progress Report:** The Committee received the Internal Audit Plan Progress Report and the outcome of the finalised audits. The Committee was advised that there have been some changes to the plan due to changing priorities, organisational pressures and Targeted Intervention/ Enhanced Monitoring measures. The overall plan has been reviewed to ensure it meets the needs of the Health Board.

The Committee received the following Internal Audit reports:

- Estates Assurance – Decarbonisation (Advisory)
- Welsh Language Follow up (Reasonable Assurance)
- Salary Overpayment Follow up (Reasonable Assurance)
- IT Infrastructure (Reasonable Assurance)
- Cyber Security (Substantial Assurance)

As a result of ongoing planning discussions within the Health Board, particularly between the Board Secretary and ARAC Chair, the Internal Audit Plan has been revised to take into account a number of emerging factors including the significant operational pressures and the Targeted Intervention and Enhanced Monitoring measures, whilst still ensuring it includes sufficient coverage across the organisation. The following changes have been recommended:

- Workforce audits – A combined agency and rostering audit will be undertaken, instead of the workforce strategies and separate agency and rostering audits.
- Financial Management – An expanded and refocused audit will be undertaken with the focus on Financial Monitoring, Reporting, Forecasting and Savings/Opportunities
- Audit & Risk Assurance Committee Progress Report

- NHS Wales Shared Services Partnership Audit and Assurance Services
  - Transforming Urgent & Emergency Care – An audit will be added to the plan covering this area with a focus on programme management.
  - Discharge Management – This audit will be deferred until early in 2023/24.
  - Public Health – This audit will be deferred until 2023/24.
  - Records Management – some aspects will be considered in the Digitisation audit with the main audit being deferred until 2023/24.
  - Accelerated Cluster Development will be deferred to 2023/24.
- **Estates Assurance – Decarbonisation:** The Committee received the Decarbonisation Internal Audit Report, noting that simultaneous audits relating to decarbonisation across all of NHS Wales were originally planned, but following initial Internal Audit work, it became clear that at a national level a full audit review would not be appropriate at this time. The decision was therefore taken that an advisory review would be completed to outline next steps and to share best practice. A full audit will follow in the next financial year, facilitating follow-up of all recommendations in the 12-month period.

Internal Audit highlighted key matters for consideration:

- National common themes
- Specific Health Board recommendations
- Availability of sufficient protected resource
- Delivery of the project in view of limited capital funding
- Improving engagement with Shared Services Procurement Services

It was suggested that this topic should be considered across all Public Sector bodies and that further engagement with partners would be beneficial. The Committee agreed that this report should be shared with Sustainable Resources Committee for information, and that a more detailed update and focused action plan should be considered at that forum.

- **Follow-up - Welsh Language Standards:** The Committee considered the Welsh Language Standards Follow-up Report, noting that the review sought to establish progress made by management to implement agreed actions arising from the previous internal audit, which concluded Limited Assurance over the adequacy of arrangements in place to ensure Health Board compliance with the Welsh Language Standards.

The original audit identified three high and two medium priority matters arising. Action has been taken by management to address five of the matters arising. However, one high priority matter arising is only partially addressed, whilst one medium priority matter arising has not been implemented. Positive progress has been made in implementing recommendations, and this had formed the basis of an assurance rating of Reasonable Assurance.

- **Salary Overpayment Follow Up:** The Committee received the Overpayment of Salaries Follow-up Report, advising that the review sought to establish progress made by management to implement agreed actions arising from the previous internal audit, which concluded Limited Assurance over the adequacy of internal controls and processes to identify and ascertain the reason for overpayments and the actions taken to reduce current numbers. Three high and one medium priority matters arising were identified and action has been undertaken by management to address the findings, resulting in three matters arising being addressed and now closed. Action to improve the use of Electronic

Staff Record Self Service Manager is ongoing. Reasonable Assurance was concluded overall, due to progress in implementing recommendations.

- **IT Infrastructure:** The Committee received the IT Infrastructure Report, advising that the review provides Reasonable Assurance that a process is in place for ensuring that the infrastructure hardware is tracked, maintained and supported, and that the network is managed sufficiently to provide services for the organisation.

The audit identified that the digital infrastructure is currently in a state of significant change due to preparation for the implementation of cloud-based storage and systems, and the cyber security program which is conducting a planned change program that will have a considerable impact on the future network. The key matters requiring management attention include:

- Component renewal and patching
- Network monitoring
- SolarWinds is used to monitor performance and is yet to be configured
- Asset registers record assets across multiple systems, with inconsistencies in the particular data fields being collected
- Contracts for maintenance have no formal process to ensure that accreditations are in-date
- Further matters arising concerning the areas for refinement and further development have also been noted

All asset management should migrate to the new Fresh Service tool by the end of March 2023; and noted that ensuring third party suppliers retain their respective accreditations is essential. To facilitate this, 3-monthly or 6-monthly updates will challenge suppliers to evidence their in-date accreditation.

- **Cyber Security:** The Committee received the Cyber Security Report, advising that the review had returned a rating of Substantial Assurance.

Internal Audit also advised that there is a cyber security action plan in place which includes the recommendations from the Cyber Assurance Framework (CAF) assessment, and progress is being made against the actions within it. This results in an improved cyber security position for the organisation. There was one matter for reporting in the review, with one further advisory point within the detail of the report.

- **Audit and Risk Assurance Tracker:** The Audit Tracker, which tracks progress against audit and inspections within the Health Board, was presented. At the time of reporting, the number of open reports has remained at 91, 52 of which have recommendations that have exceeded their original completion date, which has increased from the 47 reports previously reported. The 22 HIW recommendations on page 2 of the Audit Tracker were reviewed with it requested that more detail is provided in the next report, in order to investigate any common themes and to consider the recommendations in the context of Targeted Intervention.
- **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 Committee endorsed the Risk Management Strategy prior to its submission to the Board for approval on 26<sup>th</sup> January 2023 (agenda item 2.5.1)
- The Committee agreed to recommend for approval by the Board, changes to the Scheme of Delegation, outlined above and detailed within the Financial Report (agenda item 4.1).

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

- The management response to the Structured Assessment 2022 – Hywel Dda University Health Board report will be presented to the Committee in February 2023.

**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> February 2023