



**CYFARFOD BWRDD PRIFYSGOL IECHYD  
UNIVERSITY HEALTH BOARD MEETING**

<b>DYDDIAD Y CYFARFOD: DATE OF MEETING:</b>	27 July 2023
<b>TEITL YR ADRODDIAD: TITLE OF REPORT:</b>	Audit and Risk Assurance Committee Annual Report 2022/23
<b>CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:</b>	Cllr. Rhodri Evans, Chair, Audit & Risk Assurance Committee
<b>SWYDDOG ADRODD: REPORTING OFFICER:</b>	Cllr. Rhodri Evans, Chair, Audit & Risk Assurance Committee

**Pwrpas yr Adroddiad (dewiswch fel yn addas)**

**Purpose of the Report (select as appropriate)**

Ar Gyfer Penderfyniad/For Decision

**ADRODDIAD SCAA**

**SBAR REPORT**

**Sefyllfa / Situation**

The purpose of the paper is to present the Audit and Risk Assurance Committee (ARAC) Annual Report to the Board. The attached report provides assurances in respect of the work that has been undertaken by the ARAC in the 2022/23 financial year and provides information relating to the continued development of the role of the committee and its members.

The attached report supports the compilation of the Governance Statement and sets out how the ARAC has met its Terms of Reference; and has been compiled by the Chair of the ARAC with support from the Director of Corporate Governance/Board Secretary. The ARAC Annual Report was reviewed by ARAC at its meeting on 11 May 2023, with it agreed that further comments would be submitted and incorporated, and the content of the report agreed by Chair's Action.

**Cefndir / Background**

The ARAC has a broad role within the Health Board, encompassing a focus on the key purpose of the organisation to deliver safe and effective services and to meet the broad range of stakeholder needs, matters relating to internal financial control, maintenance of proper accounting records and the reliability of financial information. The Committee's primary role is, therefore, to scrutinise and comment upon the adequacy and effective operation of the organisation's overall internal control system. In addition, the Committee provides a form of independent check upon the executive arm of the Health Board.

The Committee, through its in-year reporting, has regularly kept the Board informed about the results of its reviews of assurances, together with any exceptional issues that arose. In accordance with the NHS Wales Audit Committee guidance and generally accepted standards of good practice, the ARAC is required to issue an Annual Report of the Committee Chair, constituting a formal report of the matters that have been considered by the Committee.

The report provides the Board and the Accountable Officer with assurance in respect of the adequacy and effectiveness of the Health Board's procedures and systems in maintaining a sound system of internal control and the conclusions drawn for the 2022/23 financial year. This

is to include assurance about the rigour of the processes and the quality of the data which lie behind the statements and provide its own assurance about the reliability of the disclosures when they are submitted to the Board for approval.

**Asesiad / Assessment**

Please see the attached ARAC Annual Report.

**Argymhelliad / Recommendation**

The Board is requested to endorse the Audit & Risk Assurance Committee Annual Report 2022/23.

**Amcanion: (rhaid cwblhau)**

**Objectives: (must be completed)**

Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol: Datix Risk Register Reference and Score:	Not applicable
Parthau Ansawdd: Domains of Quality <a href="#">Quality and Engagement Act (sharepoint.com)</a>	7. All apply
Galluogwyr Ansawdd: Enablers of Quality: <a href="#">Quality and Engagement Act (sharepoint.com)</a>	6. All Apply
Amcanion Strategol y BIP: UHB Strategic Objectives:	Not Applicable
Amcanion Cynllunio Planning Objectives	Not Applicable
Amcanion Llesiant BIP: UHB Well-being Objectives: <a href="#">Hyperlink to HDdUHB Well-being Objectives Annual Report 2021-2022</a>	10. Not Applicable

**Gwybodaeth Ychwanegol:**

**Further Information:**

Ar sail tystiolaeth: Evidence Base:	Audit & Risk Assurance Committee agendas & papers
Rhestr Termiau: Glossary of Terms:	Included within the body of the report

Partïon / Pwyllgorau â ymgynhorwyd ymlaen llaw y Cyfarfod Bwrdd Iechyd Prifysgol: Parties / Committees consulted prior to University Health Board:	Audit & Risk Assurance Committee Audit and Risk Assurance Committee Chair
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<b>Effaith: (rhaid cwblhau)</b> <b>Impact: (must be completed)</b>	
<b>Ariannol / Gwerth am Arian:</b> <b>Financial / Service:</b>	A sound system of financial control enacts robust financial control, safeguards public funds and the Health Board's assets and resources. Robust governance arrangements underpinning financial management contribute towards internal control and value for money being achieved.
<b>Ansawdd / Gofal Claf:</b> <b>Quality / Patient Care:</b>	If applicable, included within the report.
<b>Gweithlu:</b> <b>Workforce:</b>	If applicable, included within the report.
<b>Risg:</b> <b>Risk:</b>	A sound system of internal control ensures that any risks to the achievement of the Health Board's objectives are identified, assessed and managed.
<b>Cyfreithiol:</b> <b>Legal:</b>	If applicable, included within the report.
<b>Enw Da:</b> <b>Reputational:</b>	If applicable, included within the report.
<b>Gyfrinachedd:</b> <b>Privacy:</b>	Not applicable
<b>Cydraddoldeb:</b> <b>Equality:</b>	Not applicable



**GIG**  
CYMRU  
**NHS**  
WALES

Bwrdd Iechyd Prifysgol  
Hywel Dda  
University Health Board

## **AUDIT AND RISK ASSURANCE COMMITTEE**

### **ANNUAL REPORT**

**2022/23**

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## 1 Introduction

- 1.1 The Audit and Risk Assurance Committee (ARAC) was established under Board delegation with approved Terms of Reference and Operating Arrangements that are aligned to the NHS Wales Audit Committee Handbook, published by the Welsh Government (WG). The Committee is an independent Committee of the Board and has no Executive powers other than those specifically delegated in the Terms of Reference.
- 1.2 The Committee, through its in-year reporting, has regularly kept the Board informed regarding the results of its reviews of assurances, together with any exceptional issues that arose. In accordance with the NHS Wales Audit Committee Handbook guidance and generally accepted standards of good practice, the Committee is required to issue an Annual Report, constituting a formal report of the matters that it has considered during the year. The purpose of this report, therefore, is to provide the Board and the Accountable Officer with assurance in respect of the adequacy and effectiveness of the Health Board's procedures and systems in maintaining a sound system of internal control, and the conclusions drawn for the 2022/23 financial year. This report supports the compilation of the Accountability Report and sets out how the Committee has met its Terms of Reference.

## 2 Role and Purpose

The Committee supports the Board by critically reviewing governance and assurance processes on which the Board places reliance. The primary role of the Committee is, therefore, to ensure the system of assurance is valid and suitable for the Board's requirements; as such it reviews whether:

- Processes to seek and provide assurance are robust and relevant;
- The controls in place are sound and complete;
- Assurances are reliable and of good quality; and
- Assurances are based on reliable, accurate and timely information and data.

The Committee provides a key source of assurance to the Board, ensuring that the organisation has effective controls in place to manage the significant risks to achieving its objectives and that controls are operating effectively. The Committee's principal duties have consistently included reviewing *"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"*. Integral to this is the Committee's focus upon seeking assurance that the organisation has an effective framework of internal control to address principal risks and that the effectiveness of the framework is regularly reviewed.

- 2.1 During the year, the Committee has supported the Board by seeking and providing assurance that controls are in place and are working as designed, and by challenging poor sources of assurance. The Committee has a relatively broad role, encompassing scrutiny of, and comment upon, the adequacy and effectiveness of the Health Board's overall governance, risk management and internal control, covering both clinical and non-clinical areas. This also includes

reviewing the Accountability Report and wider Annual Report before it is submitted to the Board for approval.

2.2 The Committee discharges this duty by fulfilling its responsibilities as outlined in its Terms of Reference. In performing its duties, the Committee works to an approved work plan, based on scheduled agenda topics, together with a range of specific issues, which are subject to review. It is supported by the activities of Audit Wales (AW) as the External Auditor; NHS Wales Shared Services Partnership (NWSSP): Audit and Assurance – Internal Audit (IA) and Specialist Services Unit (SSU), and Local Counter Fraud Specialists.

2.3 In discharging these responsibilities, the Committee is required to review:

- Internal financial control matters, such as safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information;
- Adequacy of disclosure statements (Accountability Report including the Governance Statement, Performance Report, and Annual Report), which are supported by the opinion of the Head of IA, the AW Annual Audit Report and other opinions;
- The adequacy of relevant policies, legality issues and the Codes of Conduct;
- The policies and procedures relating to fraud and corruption;
- The system for risk management, to ensure this is robust in identifying and mitigating risks, enabling the Committee to provide the Board with assurance that the risks impacting on the achievement of the Health Board's objectives, the delivery of day to day services and compliance with legislation are being appropriately managed.

2.4 As a consequence of the scrutiny described above, a number of outcomes from the work of the Committee during the year have resulted in escalation of certain matters to the Board, and in these cases, the Committee has made recommendations and undertaken further actions in order to seek and provide assurance to Board that issues of concern have been addressed where possible, thus supporting the Health Board's governance and assurance systems. These have included:

2.4.1 The **Head of Internal Audit Annual Report and Opinion 2022/23** provided a reasonable assurance rating, with the majority of assurance ratings being positive and 5 limited assurance rated reports received. The Committee reiterated the view that information regarding the findings of audits conducted on national bodies such as NWSSP, NHS Wales Informatics Service (NWIS)/Digital Health & Care Wales (DHCW), Welsh Health Specialised Services (WHSSC) and Emergency Ambulance Services Committee (EASC) should be shared with Health Boards on a routine basis. Throughout 2022/23, National Internal Audits has been added as an item to draft agendas to act as a prompt for officers.

2.4.2 Concerns around potential system weaknesses regarding fraudulent financial activity as raised in the **Counter Fraud Annual Report 2021/22** presented to the Committee in April 2022. The report noted that the

Counter Fraud team had received almost twice as many referrals in 2021/22 compared to previous years resulting from increased awareness as a result of staff training, increased interactions both face to face and online, and the better recording of referrals via the implementation of Clue3. In addition, the Counter Fraud team has provided input in terms of updating relevant policies and procedures across the Health Board.

- 2.4.3 Further concerns were raised in relation to the **Counter Fraud Work Plan** for 2022/23, as presented to the Committee at its meeting in April 2022, particularly in relation to the number of cases of 'false representations' being reported to In-Committee ARAC. Confirmation was provided that an increased number of cases and referrals did not necessarily indicate failures in controls, and was more likely to reflect the increased 'Hold to Account' activity and raised profile of the Counter Fraud. The implementation of the Clue3 system allows the Counter Fraud team to better document and classify types of fraud, and identify areas of weakness, allowing the team to focus on required training.
- 2.4.4 Continued concerns regarding the upward trend in the overpayment of salaries, as noted in the **Financial Assurance Report**. This was mainly driven by the turnover of staff appointed as part of the response to COVID-19. The significant impact on those staff required to repay the overpayments was noted. Assurance was provided that work to digitise the relevant supporting systems was being taken forward. Progress has been slow to date; however, the project is now being progressed by Microsoft Centre of Excellence, Digital Health and Care Wales (DHCW) and NWSSP. NWSSP has advised that work on the project has commenced and that they aim to progress to a trial phase in the next 6 months, which will involve testing the new procedure at a Health Board level.
- 2.4.5 Following an internal audit on **Non-Clinical Temporary Staffing** where limited assurance was provided, concerns were raised regarding the Health Board's reliance on external bodies such as agencies, or those involved via framework agreements, to undertake staff pre-employment checks. The audit had been undertaken to establish whether appropriate arrangements were in place for the appointment and monitoring of temporary staffing solutions. Assurance was provided around governance oversight of non-clinical agency appointments and expenditure, with regular reports submitted to the Executive Team, and information forming part of standard reporting to the People, Organisational Development and Culture Committee (PODCC) for review and oversight. A follow-up review was undertaken and presented to the Committee in February 2023 with reasonable assurance provided, noting that new processes for temporary staff use have been established, and engagement with NWSSP Procurement Services to ensure compliance with Public Contract Regulations. The processes are very much in their infancy, and while there was evidence to demonstrate recent and ongoing implementation, it is too early to fully assess compliance and impact.



- 2.4.6 The findings of the internal audit review on **Tritech Institute Governance** which provided limited assurance, concluded that while Tritech had evolved from a collaborative initiative, and that systems and controls in place were adequate, there was a lack of a Board approved business case, and no clear financial structure. It was advised that as the Institute evolves further, there was a need to consider and monitor how it is developing and operating in practice. A follow-up review was undertaken and presented to the Committee in October 2022, which provided substantial assurance, and advised that significant progress had been made to address the previous audit report's findings, illustrated by the fact that all previous recommendations had been addressed and closed.
- 2.4.7 Whilst positive findings were made in the internal audit report on **Network and Information Systems (NIS) Directive**, with substantial assurance rating provided, concerns were identified around the risks and threats in this area which were extensive and increasing. It was also recognised that NHS Wales operates on a shared network, and cyber security is only as strong as its weakest link. A session for Board Members on the topic of cyber security was delivered in November 2022.
- 2.4.8 Concerns were expressed regarding the associated issues and risks relating to the requirement for a Project Bank Account (PBA) for capital projects, as noted in the **Financial Assurance Report** presented to the Committee in June 2022. The Health Board is required to make payments for new major capital schemes through a PBA, and the offering from NatWest to ensure compliance with WG requirements was reviewed. Concerns included that the offering did not operate fully as a PBA and therefore did not provide the envisaged protection; however, WG confirmed that the account was compliant. The PBA was opened in line with SFI 7.2.2, as authorised by the Director of Finance.
- 2.4.9 While reasonable assurance was provided in relation to the internal audit follow-up report on **Partnership Governance**, concerns were raised around the lack of independent scrutiny of the arrangements in place from an All Wales perspective. It was noted from the discussion that the Regional Partnership Board (RPB) provides regular updates to WG, and arrangements are subject to both internal and external audits, subject to local agreements.
- 2.4.10 Concerns were raised as a result of the report by AW on the **Welsh Community Care Information System (WCCIS)**. Challenges were noted in relation to the national roll-out of the system, including ongoing performance issues, concerns regarding value for money, and also that the system is not robust or user-centric. The Committee was informed in October 2022 that WCCIS would not be adopted by Carmarthenshire and Pembrokeshire Local Authorities due to ongoing challenges, with the Committee requesting further clarity on the costs incurred to date and the re-contracting position.

- 2.4.11 Concerns were raised about the increased projected level of overspend, as raised in the **Financial Assurance Report** presented to the Committee in August 2022. Queries were raised regarding the re-allocation of c.£27m of expenditure that had previously been considered to be related to COVID-19, and the subsequent accounting treatment of this expenditure by the Health Board appeared to be different from the approach being taken by other Health Boards. The Finance Delivery Unit (FDU) undertook a review on COVID-19 expenditure across NHS Wales, with findings shared with the Committee via the Targeted Intervention Update Reports. The Chief Executive advised that he sought clarity from WG on the criteria for de-escalation and assurance that the Health Board will be treated fairly in respect to COVID-19 costs.
- 2.4.12 The Health Board was placed in targeted intervention status on 29 September 2022 for planning and finance; however, remained at enhanced monitoring for quality issues related to performance. Concerns were raised in respect of the Health Board's increased escalation status, and the Committee sought assurance around the organisation's response. **Targeted Intervention Update** reports have been provided as standard agenda items, with the Chief Executive Officer required to attend the meeting to provide assurance that matters raised that resulted in the escalated status are being addressed. WG confirmed that de-escalation would be considered when the Health Board has an approvable and credible plan, and an improvement in its financial position. The Committee requested at its meeting in February 2023 for further clarification to be requested from WG in relation to the criteria for financial de-escalation. The impact of the escalated status has also led to discussions between IA and Director of Corporate Governance/Board Secretary to understand the changing priorities and operational pressures on the second half of the Internal Audit plan for 2022/23. The Board was requested to approve the recommendation that further discussions be scheduled regarding the steps required to enable the Health Board to achieve the aims of its Ten-Year Plan at its meeting in March 2023. The Committee at its meeting in April 2023 discussed the 'sustainability' of the organisation's continued escalation status, and recognised the need to demonstrate the delivery of actions in order to increase WG confidence.
- 2.4.13 The management response to the **Structured Assessment 2022** issued by AW was presented to the Committee in February 2023. It was noted that a number of the recommendations aligned with the WG Escalation Status requirements. All recommendations would be added to the Audit Tracker with regular updates to be provided to the Committee.
- 2.4.14 Concerns were raised regarding changes to the **Financial Audit Timescales** as a result of AW not being in the position to complete the audit, which would lead to the Health Board being unable to comply with Standing Orders in respect of holding its Annual General Meeting before the end of July 2023. The commencement of the financial audit work would be delayed due to significant national issues in relation to local government, and staffing challenges. An extension to the audit certification

deadline would be required to the end of July 2023, which would result in the Health Board being in breach of its Standing Orders. Confirmation was obtained in April 2023 from WG that a temporary variation to the terms of the Standing Orders was approved, with the Annual General Meeting to take place no later than 28 September 2023.

- 2.4.15 The Committee received an independent review commissioned by the Health Board in relation to the governance and decision-making process regarding the **Bluestone Field Hospital**. Five recommendations were identified within the report, with lessons for the Health Board which included restricting the sphere of accountability of individual officers and ensuring governance advice was sought at the commencement of projects, however the report did recognise the unprecedented times in which the NHS was working. Assurance was taken from the management response that the Health Board would incorporate the learning into its governance processes going forward.
- 2.4.16 Concerns were raised in relation to the **RCP Medical Record Keeping Standards Internal Audit Update**, with a deep-dive scheduled for the Operational Quality, Safety & Experience Sub-Committee. A decision is to be made in 2023/24 as to whether the matter could be de-escalated, with the potential to include an audit of the new system within a future audit programme.
- 2.4.17 The Committee raised concerns around the delivery of actions contained within the internal audit on **Job Planning** lies with operational staff who are subject to a number of demands and pressures, and that a concerted effort will be required in order to re-establish the pre-COVID-19 position. It was agreed that a follow-up audit would be included within the 2023/24 Internal Audit Plan.
- 2.4.18 Concerns were raised that the internal audit report on **Records Digitalisation** could not be viewed as finalised at the meeting held in May 2023, with amendments to the report and management responses to be updated and a revised version to be presented at the next Committee meeting. A revised report was presented to the Committee in June 2023, however concerns were raised around the Executive and Senior Reporting Officer (SRO) 'ownership' of this area. A follow-up audit will be scheduled for 2023/24.
- 2.4.19 A limited assurance rating was given on the internal audit report on **Theatre Loan Trays & Consumables** as a number of significant matters requiring attention had been identified. A follow-up audit is scheduled for 2023/24, with consideration to be given to widening its scope to include stock management position.
- 2.4.20 The Committee discussed and raised concerns regarding the internal audit report on **Strategic Transformation Programme Governance** due to lack of evidence to demonstrate appropriate scrutiny, approval and formal

programme governance arrangements. An update is scheduled for August 2023, with a follow-up audit will be undertaken in September 2023.

2.4.21 The Committee received limited assurance on the internal audit report on **Agency and Rostering**, with concerns raised relating to the breach of Standing Orders due to the use of non-framework agency spend being non-compliant with Standing Orders. The Committee noted it is not always feasible to cease non-framework use due to patient safety issues, however it is intended to remove all non-framework agency use by the end of July 2023. The matter is to be highlighted in the Nurse Stabilisation Programme report to PODCC in October 2023.

2.5 Other items identified by the Committee as requiring Board attention included:

2.6.1 Clarity was requested on how the Health Board responds to Royal College recommendations, with confirmation provided to the meeting held in December 2023 that the Academy of Medical Royal Colleges has published guidance on the management of invited reviews in healthcare organisations, and clarifies the next steps for healthcare organisations. .

2.6.2 A deep dive into Ophthalmology was presented at the meeting held in April 2023 to provide assurance on the remaining outstanding recommendations as noted on the Audit and Inspection tracker, and to understand the challenges, and how the Health Board intends to address them. It was noted that recruitment challenges are impacting on the ability to implement recommendations, with recognition that these challenges are also being faced by other Health Boards. The Committee noted the progress achieved to date given the challenging circumstances, however requested further updates to assess progress against individual recommendations at a future meeting.

2.6.3 Updates were presented in August 2022 on the proposed changes for the Oracle Financial system's scheme of delegation for the Fire Schemes at Withybush General Hospital (WGH) and Glangwili General Hospital (GGH) in light of the Fire Governance Update IA review, due to the specialised nature of the works and appropriate budget monitoring.

2.6.4 Due to ongoing quality and safety concerns, the monitoring and scrutiny of the internal audit report on the Radiology Directorate was proposed to be undertaken by the Quality, Safety and Experience Committee (QSEC).

2.6.5 The Committee agreed that the Internal Audit Records Management Review would be referred to the Sustainable Resources Committee (SRC) for ongoing scrutiny and monitoring.

2.6.6 The Health Board's risk appetite should be considered at both Board Seminar and Public Board as a result of the findings presented in the Risk Assurance report.

- 2.6.7 The review of the adequacy of the Declaring, Registering and Handling Interests, Gifts, Hospitality, Honoraria and Sponsorship arrangements currently in place and the proposed actions for 2022/23. The Committee received the next annual review in April 2023.
- 2.6.8 The approval of all documentation relating to year end at its meeting on 9 June 2022.
- 2.6.9 The approval of the revised Health Board's Standing Orders (SOs) and Standing Financial Instructions (SFIs) at the Board meeting on 28 July 2022.
- 2.6.10 The approval of the Risk Management Framework at the Board Meeting on 28 July 2022.
- 2.6.11 The approval of the Risk Management Strategy at the Board Meeting on 26 January 2023.
- 2.6.12 The ratification of the Committee's Terms of Reference at its meeting on 21 June 2022 and 18 April 2023.
- 2.6.13 Changes to the Financial Scheme of Delegation, approved at the meetings on 18 October 2022, 13 December 2022 and 18 April 2023.
- 2.6.14 The recognition of the positive findings and the work undertaken as highlighted in the following reports:
- Public Inquiry Preparedness (Substantial Assurance)
  - Cyber Security (Substantial Assurance)
  - Fire Governance (Substantial Assurance)
  - Tritech Follow Up (Substantial Assurance)
  - Deployment of WPAS into MH&LD Follow Up (Substantial Assurance)
  - Blackline Financial System (Substantial Assurance)
  - Quality and Safety Governance Framework (Reasonable Assurance)
  - Service Reset & Recovery (Reasonable Assurance)
  - Continuing Health Care and Funded Nursing Care (Reasonable Assurance)
  - Directorate Governance, Withybush General Hospital Unscheduled Care (Reasonable Assurance)
  - Directorate Governance, Glangwili General Hospital Unscheduled Care (Reasonable Assurance)
  - Individual Patient Funding Requests (IPFR) (Reasonable Assurance)
  - Safety Indicators (Reasonable Assurance)
  - Patient Experience (Reasonable Assurance)
  - Falls Prevention and Management (Reasonable Assurance)
  - IT Infrastructure (Reasonable Assurance)
  - Regional Integration Fund (Reasonable Assurance)
  - Glangwili Hospital Women & Children's Development (Reasonable Assurance)
  - Glangwili General Hospital Fire Precautions: Phase 1 (Reasonable Assurance)

- Withybush General Hospital Fire Precautions: Phase 1 (Reasonable Assurance)
- Welsh Language Standards Follow Up (Reasonable Assurance)
- Non Clinical Temporary Staffing Follow Up (Reasonable Assurance)
- Prevention of Self Harm Follow Up (Reasonable Assurance)
- Overpayment of Salaries Follow Up (Reasonable Assurance)
- Withybush Fire Enforcement Works Phase 1 (Reasonable Assurance)
- Lessons Learned (Reasonable Assurance)
- Financial Management (Reasonable Assurance)
- Agency and Rostering (Reasonable Assurance)
- Fitness for Digital (Advisory Review)
- Decarbonisation (Advisory Review)
- A Healthier Mid & West Wales Programme (Advisory Review)

- 2.7 In enacting its responsibilities, the Committee is very clear on its role in seeking assurances, with the assurance function being defined as:
- Reviewing reliable sources of assurance and establishing satisfaction with courses of action;
  - Forming an opinion, based upon analysis and evaluation of evidence gained from review, and supported by independent validation, both internal and external.

### 3 Committee Structure and Meetings

- 3.1 A key element of the Committee is that it comprises solely of Independent Members, providing a basis for it to operate independently of any decision-making process and to apply an objective approach in the conduct of its business.
- 3.2 The membership of the Committee has undergone changes due to the expiration of Independent Member tenures (John Gammon), and a temporary increase in the number of Members from 5 to 6, and for 2022/23 was as follows:

NAME	ROLE	DATES
Paul Newman	Committee Chair	Full year
Winston Weir	Committee Member	Full year
Judith Hardisty	Committee Member	Full year
Maynard Davies	Committee Member	Full year
John Gammon	Committee Member	To July 2022
Chantal Patel	Committee Member	From August 2022
Rhodri Evans	Committee Member	From November 2022 (Interim Chair from 1 April 2023)

- 3.3 During the financial year 2022/23, eight scheduled meetings of the Committee were convened, with meetings held in May and June 2022 to review the draft and

final Financial Statements and the Accountability Report for 2021/22. A high level of commitment from Committee Members has been demonstrated throughout the year, as recorded in the attendance of meetings held. All meetings were quorate.

- 3.4 Although invited to attend certain meetings to provide assurances and explanations to the Committee on specific issues, neither the Chair, Chief Executive Officer (CEO), nor any other Executive Director of the Health Board, are members of the Committee. In particular, the CEO is invited annually to present the Accountability Report and to present progress reports through the year from the Health Board's Escalation Monitoring and Joint Executive Team (JET) meetings with WG. In October 2022, the update noted the increased escalation status of the Health Board from enhanced monitoring to targeted intervention for planning and finance, and subsequent updates were provided at December 2022, February 2023 and April 2023 Committee meetings.
- 3.5 Having a key role to play in establishing and maintaining a sound system of internal financial control, the Executive Director of Finance has been in attendance at all meetings. The Committee has also been supported on key matters by means of the attendance of the Director of Corporate Governance/Board Secretary who is the Lead Officer for the Committee and who has been present at all meetings.
- 3.6 A review of the Committee's terms of reference and operating arrangements approved by the Committee 21 June 2022 and ratified by Board on 28 July 2022 included no changes of note. All Board Committee terms of reference were reviewed and ratified by the Board at its meeting on 28 July 2022.
- 3.7 The Committee also has regular attendance from representatives of:
  - The Auditor General/AW;
  - NWSSP Audit and Assurance Services (Internal Audit and Specialised Services Unit);
  - NHS Counter Fraud Services.

#### **4 Committee Work Programme 2022/23**

- 4.1 The Committee reviewed and approved the audit strategies and plans for the auditors as listed below, and received audit reports produced in support of them during 2022/23:
  - AW;
  - NWSSP Audit and Assurance Services:
    - Internal Auditors;
    - Specialised Services Unit.
- 4.2 Acting upon the outcomes of effectiveness reviews is as important as undertaking them and it is essential that outcomes and associated actions are reported appropriately. Appropriate Executive Directors and Lead Officers of audit reports were requested to attend Committee meetings to provide an opportunity to discuss the reports more fully, and for the Committee to satisfy itself that the findings raised in the reports were being addressed, with recommendations implemented to address control weaknesses or compliance issues.

4.3 The Committee continues to receive progress updates directly as and when requested, as well as referring reports to the Board and other Board Committees, such as the QSEC and PODCC, to ensure the wider aspects or impacts of the report are fully understood.

## **5 External Audit**

5.1 External Audit is provided by AW, with its work in 2022/23 falling under the two broad headings of:

- Audit of financial statements, and providing an opinion thereon;
- Ongoing monitoring of the impact of COVID-19.

5.2 The AW Annual Plan 2022 was discussed in April 2022 by the Committee; with the Committee noting that AW will take further opportunity to agree local work in consultation with the Health Board. The Committee received the AW 2022 Annual Audit Plan at its meeting held on 19 April 2022, setting out proposed AW work to examine the Health Board's financial statements, expenditure and measures to secure economy, efficiency and effectiveness in the use of resources. Areas to be tested have been selected based upon identified financial risk specific to the Health Board. AW continue to work remotely. Progress against the AW Audit Plan is monitored via regular update reports presented to the Committee with some timings changing in-year.

5.3 In 2022, the AW Structured Assessment focussed on the Health Board's corporate arrangements for ensuring that resources are used efficiently, effectively, and economically, with a specific focus on the organisation's governance arrangements; strategic planning arrangements; financial management arrangements; and arrangements for managing the workforce, digital assets, the estate and other physical assets. This was presented to the Public Board meeting held on 26 January 2023 after being presented to the Committee on 13 December 2022. The overall conclusion was that *'the Health Board has good governance arrangements in place at a corporate level, with a clear strategic vision, improving systems of assurance, and a strong focus on staff and patients. But the Health Board has been unable to produce a Welsh Government approvable Integrated Medium-Term Plan and is on track to deliver a significant financial deficit at the end of 2022-23. Further work is needed to streamline the Health Board's operational structure and performance management arrangement to support delivery.'*

5.4 The Committee noted overall conclusions from AW, summarised as follows:

### **Governance arrangements**

The Health Board generally has good governance arrangements in place at a corporate level, supported by a robust Board Assurance Framework and improving sources of assurance. However, further opportunities exist to refine operational structures and performance management arrangements to support the Health Board address the significant challenges and risks it faces.

### **Board and committee effectiveness**



- The Health Board has robust corporate arrangements to support good governance and enable the Board and its committees to conduct business effectively and transparently.

### **Organisational design**

- While the Health Board's Executive Team works well, further work is needed, and planned, to revise operational structures to support the organisation address the many significant challenges and risks it currently faces.

### **Systems of assurance**

- The Health Board continues to have an effective Board Assurance Framework and sources of assurance are improving with scope to streamline performance management arrangements at an operational level.

### **Strategic Planning Arrangements**

The Health Board has a clear strategic intent supported by good stakeholder engagement and mechanisms for monitoring delivery, but it is not yet able to translate the longer-term vision into a WG approvable operational plan.

### **Vision and strategic objectives**

- The Health Board continues to have a clear vision for the provision of healthcare for West Wales, supported by clear strategic objectives and plans.

### **Integrated Medium Term Plan**

- The Health Board has been unable to produce a WG approvable IMTP and Annual Plan.

### **Planning arrangements**

- The Health Board has robust arrangements for ensuring plans are aligned, embedding value-based healthcare, and ensuring appropriate stakeholder engagement.

### **Implementation and monitoring arrangements**

- The Health Board has robust processes for monitoring and scrutinising delivery of its strategic and three-year plan. Planned work to refine planning objectives will help to better articulate expected outcomes, although more work is needed to ensure strategies are underpinned by clear and robust implementation plans.

### **Managing Financial Resources**

Despite having appropriate financial controls and robust reporting, monitoring and scrutiny mechanisms in place, the Health Board's ability to stay within budget remains challenging.

### **Financial objectives**

- The Health Board failed to meet its financial duties for revenue in 2021/22 and will also fail to meet them in 2022/23, with a need to refresh its long-term financial plan, in line with its strategy.

### **Financial controls**

- The Health Board has appropriate arrangements for financial management and controls but ongoing pressures are resulting in overspends.

### **Monitoring and reporting arrangements**

- The Health Board continues to have robust arrangements for monitoring and scrutinising its financial position.

### **Managing the workforce, digital resources, the estate, and other physical assets**

The Health Board continues to have robust arrangement for monitoring and scrutinising its financial position.

### **Supporting staff wellbeing**

- The Health Board has robust arrangements in place to support and oversee staff well-being.

### **Managing digital resources**

- The Health Board has a clear vision for digital, but limited availability of funding is significantly impairing delivery.

### **Managing the estate and other physical assets**

- The Health Board has a clear vision for its estate and has robust arrangements for maintaining oversight and scrutiny, but funding is a significant challenge.

Of the four recommendations raised in previous AW reports with regards to the implementation and monitoring arrangements relating to strategic planning arrangement, two were confirmed as completed and two remain on track for completion.

Six new recommendations were raised in Structured Assessment 2022, with management responses approved at the Committee meeting in February 2023.

5.5 The Committee received the AW ISA 260 report and Letter of Representation at its meeting held on 9 June 2022, setting out the results of the audit of Health Board's financial statements. There was 1 misstatement identified in the accounts which remains uncorrected, however this is lower than materiality. Issues arising from the report included concerns regarding the lack of a robust system within the Health Board to accrue annual leave balances, and qualification of the regularity opinion due to the provision of senior clinicians' pensions resulting from Ministerial Direction issued in December 2019, in addition to the Health Board breaching its resource limit. Management had responded to the recommendations arising in the report and AW will follow up progress against them during next year's audit.

5.6 AW reported on the following performance work during 2022/23:

- **Tackling the Planned Care Backlog in Wales** – this report set out the main findings from the Auditor General's review of how NHS Wales is tackling the backlog of patients waiting for treatment, and responding to the challenges

facing planned care, with a focus on services subject to the WG's referral to treatment target. Concerns were noted in the report regarding the significant growth of NHS waiting lists in Wales since the start of COVID-19. The report noted that while additional WG funding is going to be essential to tackle the backlog in its own, this will not solve the problem. Concerns were also raised in relation to staff shortages and recruitment issues. The Committee noted the update provided, with assurance provided that regional work is underway to maximise resources and facilities to reduce waiting times, and exploring all opportunities to work more efficiently.

- **Welsh Community Care Information System (WCCIS) Report** – this national report provided details regarding the challenges being faced in the national roll out of the WCCIS system, including ongoing performance issues, the staggered implementation nationally of the system resulting in functionality not being used to its full potential, and a concern around value for money with the system proving costly. The Committee noted and shared the concerns as raised in the report. Concerns were also conveyed at a Regional Partnership Board meeting that key Local Authority partners were not aware of the system roll out and, and the apparent disconnect and lack of engagement contradicted the findings of the report.
- **Orthopaedics Services Follow Up** – this report supplements the national report on orthopaedics services, with additional analysis of the orthopaedic waiting list position at the Health Board. It was also advised that this report should be considered in conjunction with the Getting It Right First Time (GIRFT) Report into Orthopaedics, which was presented to QSEC in June 2022. The Committee noted for information the findings of the report which included the scale of waiting lists, referrals and demand, resources and capacity, and outpatient models.
- **Review of Operational Governance Arrangements – Mental Health and Learning Disabilities** – this report detailed findings from a review of the governance arrangements within the Directorate, fieldwork for which was completed in October 2021, and which also drew on the findings from a previous local review conducted in 2019. Good governance arrangements at a Directorate level were in place with oversight at Board, however it was identified that there could be improvements in terms of information flows within the current governance structure, and further worked needed to strengthen relationships and engendering a more open learning culture. The Committee noted that improvements had subsequently been made by the time of the report being presented to the Committee in April 2023.

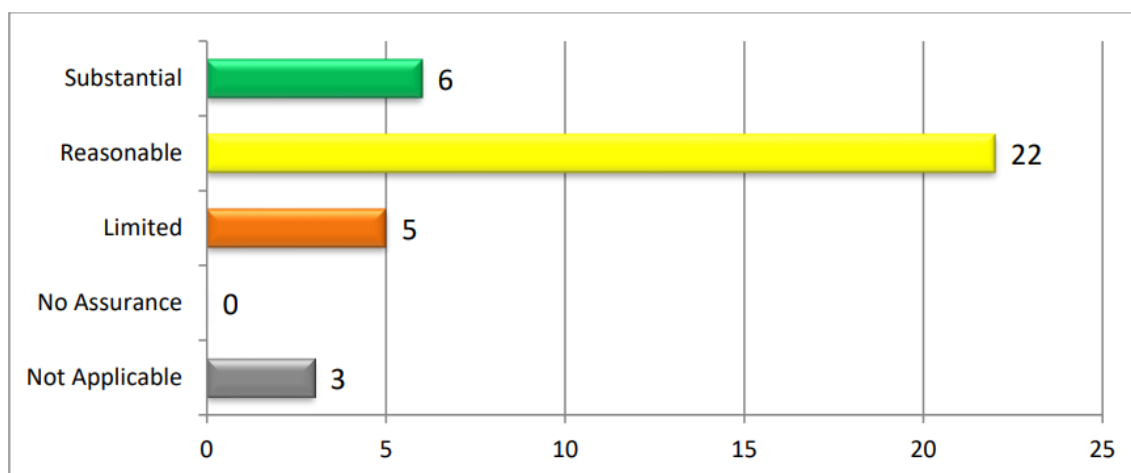
5.7 The Review of the Sustainable Use of Referral to Treatment (RTT) monies was stood down. The Committee was updated in February 2023 that a note of the key issues from the work was being developed, however no formal output or report would be prepared.

## 6 **NWSSP - Internal Audit (IA)**

6.1 At the direction of the Minister for Health and Social Services, IA is provided by the NWSSP. The service provision is in accordance with a Service Level

Agreement agreed by the Shared Services Partnership Committee, on which the Health Board has permanent membership.

- 6.2 IA provide an independent and objective opinion to the Accountable Officer, the Board and the ARAC, on the degree to which risk management, control and governance support the achievement of the organisation's agreed objectives. The Committee approved the content of the 2022/23 NWSSP IA Strategy, Plan and Charter at its meeting held on 19 April 2022, following a detailed review. The Committee requested the need for audits to be delivered to the agreed timescales and were kept informed of any slippages in the Internal Audit Plan 2022/23.
- 6.3 Throughout 2022/23, the Head of IA has met weekly with the Director of Corporate Governance/Board Secretary to discuss and consider any changes to the IA plan, and in discussion with the Chair of the Committee with any changes approved by the Committee. Changes to the IA plan resulted from the need to accommodate fluctuations in operational demand, or to support the Health Board in response to the increase in its escalation status. The Head of Internal Audit has also met with the Chair of the Committee on a regular basis to monitor the audit programme.
- 6.4 The Committee has received progress reports against delivery of the IA Plan at each meeting, with individual assignment reports also being received. Executive Directors, accompanied by lead officers, have been requested to attend in order to be held to account and to provide assurance that remedial action is being taken to address the findings within the IA reports. The outcome of each audit, providing an overall conclusion on the adequacy and application of internal controls for each area under review, was considered by the Committee. The assessment of adequacy and application of internal control measures is graded in terms of 'no assurance' through to 'substantial assurance'.
- 6.5 The Audit and Assurance SSU provides an objective assessment of whether the Health Board's systems and controls for capital and estates projects are working effectively. During 2022/23, the Committee has continued to work effectively with the Audit Team to further strengthen the Health Board's internal control processes surrounding capital projects and estates assurance.
- 6.6 The assurance ratings for these audits are outlined below. In considering the IA reports the Committee engaged in discussion with the Head of IA where it felt it appropriate to obtain further information about the assurance rating given by IA. The 36 audit reviews reported during 2022/23 are outlined below:



## 7 Head of Internal Audit Opinion

7.1 The IA plan has been agile and responsive during the year to ensure that key developing risks are covered. As a result of this approach, and with the support of officers and independent members across the Health Board, the plan has been delivered substantially in accordance with the agreed schedule and changes required during the year, as approved by the Committee. In addition, regular audit progress reports have been submitted to the Committee. Although changes have been made to the plan during the year, IA have undertaken sufficient audit work during the year to be able to give an overall opinion in line with the requirements of the Public Sector Internal Audit Standards.

7.2 The Head of Internal Audit has concluded for 2022/23:

<b>Reasonable assurance</b>		<p>The Board can take Reasonable Assurance that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Some matters require management attention in control design or compliance with low to moderate impact on residual risk exposure until resolved.</p>
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7.3 In reaching this opinion, IA identified that the majority of reviews during the year concluded positively with robust control arrangements operating in some areas. From the reports issued during the year, 6 were allocated Substantial Assurance, 22 were allocated Reasonable Assurance and 5 were allocated Limited Assurance. No reports were allocated no assurance. In addition, 3 Advisory & Non opinion reports were also issued.

7.4 In addition to the above, there were several audits which did not proceed following preliminary planning and agreement with management, as it was recognised that there was action required to address issues / risks already known to management and an audit review at that time would not provide additional value. Such audits were replaced.

7.5 Whilst there were no audited areas that resulted in 'no assurance', the following audit reports were issued with a conclusion of limited assurance:

#### 7.5.1 Overpayment of Salaries

This review assessed the adequacy of internal controls and process to identify and ascertain the reason for overpayments and the actions taken to reduce the risk of overpayments. Key matters arising included the requirement for the revised policy on underpayment and overpayment of salaries to be formally communicated to line managers, overpayments were not being analysed to identify themes and trends not investigated to establish and address root causes, the decline in the use of ESR Manager Self Service which enables timely and efficient processing of changes to payroll data, and the lack of monitoring and reporting of overpayments at an appropriate Workforce and OD forum.

The follow up, which resulted in 'reasonable assurance', recognised that considerable progress has been made in addressing the four matters arising from the previous internal audit, with three confirmed as implemented.

#### 7.5.2 Job Planning

The review highlighted two high priority matters relating to the lack of service outcomes on job plans, and the inaccurate reconciliation of session figures between the job plans and ESR. An additional medium priority matter was also raised in relation to compliance with job plans. This review will be followed up in 2023/24 to ensure all matters have been addressed.

#### 7.5.3 Records Digitalisation

The review considered the progress made, and governance arrangements in place for the Records Digitisation Project. The review highlighted two high priority matters in relation to programme governance, with a lack of a single overarching programme, and an incomplete benefits trackers for current projects. Two further medium priority recommendations were raised relating to detailed cost benefit analysis for the overall programme, and small scale user acceptance testing (UAT) being undertaken. A follow-up will be undertaken during 2023/24.

#### 7.5.4 Theatre Loan Trays

The review highlighted seven high priority matters, with significant matters including the return of unused theatre trays by the private healthcare facility not decontaminated as required by the Decontamination Policy, and no central record of trays issued to the private facility. There is a loss of income to the Health Board as the private facility is only charged for trays used instead of all trays loaned, and a lack of stock control measures on consumables such as implants and prostheses. The report also highlights that consumables are loaned to the private facility under an informal arrangement. A follow-up will be undertaken during 2023/24.

#### 7.5.5 Strategic Transformation Programme Governance

The review highlighted three high priority matters in relation to the governance arrangements in place, with significant matters including the lack of evidence to demonstrate that strategic programmes of changes have been appropriately scrutinised and approved prior to recognition as formal programmes. A further

significant matter included a lack of evidence to demonstrate formal programme governance arrangements. A follow-up will be undertaken during 2023/24.

7.6 Management responses that detail the actions to address gaps in control were included in all final IA reports presented to the Committee. The delivery of these actions is tracked via the Health Board’s audit tracker which is overseen by the Committee. The minutes and all final IA reports can be found within the ARAC section of our website: <https://hduhb.nhs.wales/about-us/governance-arrangements/board-committees/audit-and-risk-assurance-committee-arac/>.

7.7 Where audit assignments planned this year did not proceed to full audits following preliminary planning work, these were either: removed from the plan, removed from the plan and replaced with another audit, or deferred until a future audit year. Subsequent to the approval of the plan in April 2022, the following audits were deferred:

Review Title	Reason
Workforce Strategies	Ongoing work with the Health Board regarding Workforce Site Stabilisation.
Discharge Management	Work still ongoing with the Health Board to address this area along with work being undertaken by other review bodies.
Records Management	Some aspects covered in another audit, with a full review in a future year.
Accelerated Cluster Development	In order for arrangements to become established with the Health Board.
Public Health	Deferred due to operational service pressures and change in Executive Director
Healthier Mid and West Wales Programme	Programme had progressed as per original timeline. A governance forward look is being covered under the major programme review.
Transforming Urgent and Emergency Care	Some aspects covered in another audit. Need to include an additional audit at a later stage in the year.
Mental Health Commissioning	The review became a review of the governance of wider transformation programmes.

- 7.8 IA is aware of the plans and actions put in place by the Health Board in response to their recommendations and will follow these up in 2023/24 to ensure they have been enacted.
- 7.9 The work of the IA service is informed by an analysis of the risks to which the Health Board is exposed, with an Annual Plan based on this analysis. It should be recognised that many of the reviews were directed at high-risk areas, and the overarching opinion therefore needs to be read within this context.
- 7.10 The Committee is of the opinion that selecting IA reviews based on risk as opposed to selecting areas that may consistently have had a higher internal audit rating provides a far more rigorous process of assurance. On that basis, the Committee believes that the overall Head of Internal Audit (HoIA) Opinion of 'reasonable assurance' for the year is a positive outcome and reflects the Internal Audit risk-based programme.
- 7.11 This Opinion contributed to the Board's assessment of the effectiveness of the organisation's system of internal control and to the completion of the Governance Statement. The basis for forming the opinion can, therefore, be summarised as follows:
- An assessment of the range of individual opinions arising from risk-based audit assignments contained within both the IA and SSU risk-based plans that have been reported to the Committee throughout the year. This assessment has taken account of the relative materiality of these areas and management's progress in respect of addressing control weaknesses;
  - The review of the process for self-assessment of Health and Care Standards for Health Services in Wales. Evidence is available in support of the Board's declaration in respect of the assessment for the Governance, Leadership and Accountability Standard;
  - Other assurance reviews, which impact on the Head of Internal Audit opinion including audit work performed at other organisations.
  - Other knowledge and information that the Head of Internal Audit has obtained during the year including cumulative information and knowledge over time; observation of Board and other key committee meetings; meetings with Executive Directors, senior managers and Independent Members; the results of ad hoc work and support provided; liaison with other assurance providers and inspectors; research; and cumulative audit knowledge of the organisation that the Head of Internal Audit considers relevant to the Opinion for this year.

## **8 Counter Fraud**

- 8.1 The Health Board must effectively seek to promote the Counter Fraud agenda and ensure that appropriate action is taken when an allegation of fraud is received. The role of the Committee is to ensure the promotion and implementation of the Counter Fraud policy, with compliance monitored by the Committee through the reports of Counter Fraud activity received and the Annual Counter Fraud Work Plan.



- 8.2 The Committee received and approved the 2022/23 Annual Work Plan of the Local Counter Fraud Officer at its meeting held on 19 April 2022, ensuring that it had an appropriate level of coverage, and subsequently received regular reports to monitor progress against the plan. These reports provided an overview of current cases, details of concluded fraud investigations, policy and procedure reviews, actions being taken to deter and prevent fraud and to raise fraud awareness throughout the Health Board.
- 8.3 The Committee received the Counter Fraud Annual Report 2022/23 at its meeting held on 18 April 2023. The Health Board's counter fraud provision has demonstrated compliance with the requirements of the WG Directions to NHS Bodies on Counter Fraud Measures. The overall 'green' rating from the Quality Assurance assessment ("Self-Review Tool" (SRT)), demonstrates the continued efforts from the Local Counter Fraud Service (LCFS) in working in an innovative way to achieve a balance of both reactive and proactive work to meet the NHS Counter Authority's Standards. The report also demonstrated a continued trajectory of improvement across the service, with continued success shown across key measurables. Key areas of work for next year will be to maintain focus on inform and involve, continuing to raise awareness of Fraud, Bribery and Corruption and further embedding a counter fraud culture fostered over preceding years as well as further developing work associated with Prevent and Deter, including building on Fraud Risk Analysis, identifying specific Fraud Risk based proactive exercises and recording outcomes on Clue3 against the Government Functional Standards 013 – Counter Fraud and NHS Requirements.
- 8.4 The Local Counter Fraud Officer has been in regular attendance at Committee meetings during 2022/23, and issues have been discussed in detail, as appropriate, with Committee members. Progress details for cases highlighted as part of the Counter Fraud Update Report have regularly been provided at In-Committee meetings.

## **9 Financial Reporting and Financial Assurance**

- 9.1 Detailed monitoring of the Health Board's financial performance and position falls within the remit of the SRC, with ARAC being responsible for issues of financial governance. The Committee is due to consider the Annual Accounts for 2022/23 in July 2023, including the organisation's Accountability Report, with a subsequent recommendation made to the Board for approval. In making its recommendation, the Committee confirmed that the Accountability Report was consistent with the Committee's view on the Health Board's system of internal control.
- 9.2 The Executive Director of Finance has provided regular Financial Assurance Reports to each meeting of the Committee throughout 2022/23. This is consistent with the Committee's role of maintaining an appropriate financial focus by demonstrating robust financial reporting and ensuring that the maintenance of sound systems of financial control is enacted. Matters discussed by the Committee during the year and on which assurances were provided included:

- Scheme of delegation changes;

- Compliance with Purchase to Pay requirements (PSPP);
- Compliance with Income to Cash requirements;
- Losses & Special payments and Write offs;
- Compliance with Capital requirements;
- Compliance with Tax requirements; and
- Compliance with Reporting requirements.

9.3 The Committee will continue to seek assurance on the Health Board's financial position, underlying deficit and savings plans, through the increased scrutiny provided by SRC.

9.4 The Committee received the Annual Statement of Financial Procedures at its meeting held 21 February 2023, detailing planned reviews of the financial systems operated by the Health Board planned to be undertaken during 2023/24.

## **10 Standing Orders (SOs), Standing Financial Instructions (SFIs) and Financial Procedures**

10.1 The Committee received the revised Health Board SOs and SFIs at its meeting held on 21 June 2022, and recommended the final version of the SOs and SFIs to the Board for approval at its meeting held on 28 July 2022.

## **11 Losses and Special Payments**

11.1 In order to comply with SOs and SFIs, the Committee must review losses and special payments reports and where appropriate, recommend them to the Board for approval. This element of the Committee's work is discharged through consideration and approval of the losses and debtors' write-offs provided in the Financial Assurance Report, which is presented to every Committee meeting. The report has highlighted a relatively static trend of balances outstanding in overpayments against recoveries, with a fluctuation in the average recovery period over the course of the financial year. Work to introduce electronic forms/ processes in payroll and workforce is ongoing, and this area will continue to be subject to monitoring.

## **12 Assurance on Clinical Governance**

12.1 It is a requirement of the NHS Wales Audit Committee Handbook that the Committee reviews the Clinical Audit Programme at the beginning of each year. The role of the Committee is to seek assurance on the overall plan and to consider the following:

- Does the Health Board have a plan which is fit for purpose and is completed on time?
- Does it cover all relevant issues?
- Is it making a difference and leading to demonstrable change?
- Is change supported by recognised improvement methodologies?
- Does the organisation support clinical audit effectively?

12.2 The Committee was presented with an update on the Health Board's Clinical Audit functions and programmes, and an update on plans for 2022/23 at its meeting on 21 June 2022. The Committee noted the available resource for clinical audit within the Health Board remains variable across specialties, with certain specialties significantly impacted by the pandemic. The Health Board has contributed to the majority of the national projects, although certain services were identified as a

concern in respect of participation. These have been monitored and reviewed by the Clinical Audit Scrutiny Panel (CASP) and contact made with these services. The 2022/23 programme was being compiled at the date the update was provided to the Committee.

- 12.3 The Committee will receive a Clinical Audit Update at its meeting on 20 June 2023. The Health Board, with the support of the Clinical Audit Department (CAD), will continue to finalise the outcomes of the 2022/23 programme, ready for reporting in October 2023. The 2022/23 programme will be shared with this Committee, Clinical Audit Scrutiny Panel (CASP) and Operational Quality and Safety Forums.

### **13. Risk Assurance**

- 13.1 The Committee is responsible for reviewing the adequacy of the underlying assurance processes that indicate the degree of the achievement of strategic and planning objectives, the effectiveness of the management of principal risks and the appropriateness of the above disclosure statements.
- 13.2 The Committee received its first Risk Assurance Report at its meeting in February 2023, the purpose of which was to provide assurance on the effectiveness of the Risk Management Framework and the implementation of the Risk Management Strategy. This is consistent with the Committee's role of reviewing the establishment and maintenance of an effective system of good governance and risk management across the whole of the organisation's activities that supports the achievement of the organisation's objectives.
- 13.3 The Risk Management Framework as approved by the Board in July 2022 (see paragraph 2.6.9) sets out the components that provide the foundation and organisational arrangement for supporting risk management process at the Health Board. The Risk Management Strategy as approved by the Board in January 2023 (see paragraph 2.6.10) provides a supportive framework to ensure the integration of risk management into policy making, planning and decision-making processes.
- 13.4 The Committee took assurance on the effectiveness of the Risk Management Framework and the implementation of the Risk Management Strategy, noting the continued work being undertaken to strengthen risk management across the Health Board.
- 13.5 Work is to be undertaken over the course of 2023/24 in regards to a risk maturity exercise and a comprehensive review of the Health Board's risk appetite. IA undertook a review of the Risk Management and the Board Assurance Framework in June 2022, for which a rating of substantial assurance was provided.

### **14. Assurance on inspection activity and regulatory directions**

- 14.1 The Committee has continued to monitor the Health Board's audit tracker, and scrutinise management responses to external and internal audit reports through 2022/23. This report provides a breakdown of the Central Tracker by Directorate/Service to indicate to the Committee any areas of concern, and (since February 2023) an analysis of recommendation themes to identify any particular trends of concern.

14.2 The Committee monitors on an annual basis, the Health Board's compliance with NHS Non-Statutory Instruments (also referred to as Ministerial Directions (MDs)). MDs are legislative in character, however they are not statutory instruments. These are issued by Welsh Ministers. The Committee is due to receive the assurance report on compliance with MDs for 2022/23 in May 2023, noting that two MDs issued in the year are in the process of being implemented. The paper also notes that an MD issued in 2021 is due to be fully implemented by October 2025 with regards to the Delivery of Autism Services.

14.3 The Committee also monitors on an annual basis the Health Board's compliance with Welsh Health Circulars (WHCs). WHCs are guidance documents issued to Health Boards, providing a streamlined, transparent and traceable method of communication between the NHS Wales and NHS organisations relating to areas including workforce, finance, estates, quality and safety, legislation, governance, performance / delivery, information technology, science, research, planning, public health, policy, and health professional letters. The Committee is due to receive the assurance report on compliance with WHCs for 2022/23 in May 2023, in which 15 WHCs are noted as being non-compliant, and details of corresponding risks raised in relation to these instances of non-compliance. Reasons for non-compliance include the requirement of additional resources to fully implement the requirements of WHCs, along with awaiting national guidance.

14.4 Processes to monitor the compliance of WHC requirements have been strengthened during 2022/23 as follows:

- Clarification on implementation dates by relevant service areas in instances where the WHC does not stipulate a specific date;
- Clarification on the status of implementation, with those WHCs which are not meeting the required timescales or specific WHC requirements noted as red; and
- For those WHCs noted as red, consideration as to whether a risk is required in relation to non-compliance.

14.5 The Assurance and Risk Team will continue to support services and directorates in embedding the new process as outlined above during 2023/24.

## **15. Other Committee Work**

### **15.1 Escalation Arrangements**

The tri-partite arrangements involve information sharing and dialogue between the WG, the Auditor General for Wales and Healthcare Inspectorate Wales (HIW). Under these arrangements, bi-annual meetings are held to discuss the overall position of the Health Board (as with all other Health Boards and Trusts in Wales), and to agree the best way to respond to any issues affecting service delivery, quality and safety of care and/or organisational effectiveness.

Following the receipt of a letter from Chief Executive of NHS Wales on 29 September 2022, and tri-partite discussion between WG, AW and HIW, the Health Board's escalation status was raised to 'targeted intervention' for planning and finance as a result of the deterioration in the forecast deficit position and an unapproved Annual

Plan. The Health Board remained at 'enhanced monitoring' for quality issues related to performance. WG confirmed that de-escalation would be considered when the Health Board had an approvable and credible plan, and improvement in its financial position, and committed to support the Health Board to achieve this. The Health Board is requesting clarification from WG in relation to the criteria for financial de-escalation.

WG will continue to provide the necessary specialised support and advice to address the issues raised, and will continue to hold regular Targeted Intervention (TI), Joint Executive Team (JET) and Integrated Quality, Planning & Delivery (IQPD) meetings when considered necessary. The Board approved the establishment of two working groups to address 'targeted intervention' and 'enhanced monitoring' respectively; these report to an Escalation Steering Group which has been tasked with the co-ordination and oversight of the delivery of these work plans, and which reports into the Executive Team and Board.

It was noted by WG at the December 2022 TI meeting that the governance arrangements in place represent a thorough and comprehensive approach, ensuring that effective oversight and accountability were balanced, with a recognition of the demands being faced by the organisation. The Health Board was able to demonstrate at the TI meeting held in March 2023 good progress in terms of planning work, and positive developments with regards to finances, with a shared understanding of the causes behind the financial deficit. Positive feedback was also obtained for those areas under Enhanced Monitoring, with the Health Board returning best results in Wales, however concerns remained regarding the performance on the Single Cancer Pathway

A positive JET meeting was held in December 2022, with continued focus on issues raised from the July 2022 meeting, along with discussions on progress being made and challenges facing the Health Board. WG received assurance that the organisation had made good progress against its Planning Objectives, and noted the challenging circumstances particularly in relation to industrial action.

### **15.2 Adequacy of Arrangements for Declaring, Registering and Handling Interests Gifts, Hospitality, Honoraria and Sponsorship**

In accordance with the Audit Committee Handbook, the Committee reviewed ongoing and planned work relating to arrangements for declaring, registering and handling interests, gifts, hospitality, honoraria and sponsorship at its meeting held on 18 April 2023.

### **15.3 Single Tender Action (STA) and Quotation Reports**

In line with SOs, and in the interest of probity and transparency, the Committee received reports relating to all STAs during the course of the year via the Financial Assurance reports. This will be supported by the summary of STAs 2022/23 which will be reported to the Committee in June 2023. The summary will include a schedule of all such transactions during the course of the year being presented to the Committee in order to obtain assurance that there were no consistent or recurring themes which might indicate any attempt to circumvent due process, thereby enabling any trends or other issues of concern to be monitored and acted upon.

**15.4 Audit and Risk Assurance Committee Development and Self-Assessment of Effectiveness**

Members participated in a self-assessment and evaluation exercise of the Committee’s performance and operation, with responses from self-assessment surveys presented to the Committee at its meeting held on 16 August 2022. The Committee received assurance that any actions arising from the ARAC self-assessment would be followed up. The self-assessment process is under review, with a new approach to be adopted in 2023/24. The Chair of the Committee participates at All Wales Audit Chairs’ meetings.

**15.5 Private Meeting of Audit and Risk Assurance Committee Members with the Auditors**

In line with the Audit Committee Handbook and the Committee Terms of Reference, Committee Members met privately at individual meetings with IA, AW and Counter Fraud on 16 March 2023. The meetings were attended by:

Independent Members	Attended by
<ul style="list-style-type: none"> <li>• Mr Paul Newman, Committee Chair</li> <li>• Mr Winston Weir, Committee Vice-Chair</li> <li>• Mrs Judith Hardisty, Committee Member</li> <li>• Mr Maynard Davies, Committee Member</li> <li>• Chantal Patel, Committee Member</li> <li>• Cllr Rhodri Evans, Committee Member (not present for meeting with IA)</li> </ul>	<p><b>Meeting with Internal Audit</b></p> <ul style="list-style-type: none"> <li>• Mr James Johns, Head of IA</li> <li>• Ms Sophie Corbett, Deputy Head of IA</li> <li>• Mr Grant Cullen, Business Manager, IA</li> </ul> <p><b>Meeting with Counter Fraud</b></p> <ul style="list-style-type: none"> <li>• Mr Benjamin Rees, Head of Local Counter Fraud Services</li> </ul> <p><b>Meeting with AW</b></p> <ul style="list-style-type: none"> <li>• Ms Anne Beegan, AW</li> <li>• Ms Urvisha Perez, Audit Lead</li> </ul>

Health Inspectorate Wales (HIW) was offered a private meeting with Committee Members, however declined. Further discussions will be held with HIW to determine if a meeting is required at a future date.

The purpose of holding a private session between Members and auditors, without management present, is to build a relationship of trust and to support the independence of the audit functions. It also provides an opportunity for the auditors to provide feedback to the Committee on its own performance. The discussion is not minuted, although the Chair provides appropriate feedback to the Lead of the Committee where there are areas of improvement required.

**16. Forward Plan**

- 16.1 The Committee, in addressing issues identified in previous years, has continued to provide additional assurance that the Board is functioning effectively.
- 16.2 The Committee will continue to focus on those areas which will be subject to increased scrutiny, and ensuring those areas which received limited assurance during 2022/23 improve.

- 16.3 The Committee will continue to closely oversee the implementation of audit, inspectorate and regulatory recommendations to ensure the pace of delivery is improved.
- 16.4 Any areas of Committee concern raised during 2022/23, including scrutiny of outstanding improvement plans, will be followed up in 2023/24. Any learning taken from the Self-Assessment of Committee Effectiveness exercise will be acted upon as appropriate.
- 16.5 In order to continue the triangulation of assurance for the Board and provide the required degree of scrutiny, it is the Committee's intention to further build relationships with the QSEC, PODCC, Strategic Development & Operational Delivery Committee (SDODC), SRC and Health & Safety Committee (HSC). This is being taken forward through the Chairs of Committees meeting.

## **17. Conclusions**

- 17.1 It is acknowledged that the Committee is a well-established Committee of the Board with a detailed annual work plan in place.
- 17.2 Whilst the Committee believes it has met the duties of its Terms of Reference and has provided assurance to the Board on a significant number of matters, during the course of the year the Committee reported a number of areas to Board (through the Committee Update Report) where it was not being provided with the required degree of assurance to enable it to discharge its duties.
- 17.3 The IA work programme was aligned to the Health Board's risk profile, to provide assurance to the Committee that the identified mitigation is reducing or maintaining the level of identified risk. The Committee will also ensure that IA reviews are undertaken of those areas which received limited assurance during 2022/23, and the implementation of the agreed management action plans will be a focus for the Committee's attention. The IA plan for 2023/24 will need to be flexible and respond to the Health Board's requirements while it is still managing the recovery from the COVID-19 pandemic, and escalated status to targeted intervention in terms of finance and planning.
- 17.4 The Committee will continue to request the attendance of the CEO to provide assurance regarding the Health Board's targeted intervention status in terms of finance and planning, and enhanced monitoring status in terms of quality issues related to performance resulting in long waiting times and poor patient experience.
- 17.5 Finally, focus will continue to be placed on work that is undertaken in collaboration and partnership, with the Committee seeking assurance that robust processes and reporting arrangements are in place where significant activity is shared with another organisation, e.g. NWSSP, Emergency Ambulance Services Committee (EASC) and Welsh Health Specialised Services Committee (WHSSC).
- 17.6 The Committee, therefore, provides a key source of assurance to the Board that the organisation has effective controls in place to manage the significant risks to

achieving its objectives and that controls are operating effectively. In a period of rapid change where far-reaching decisions need to be made, it is vital that risk management is at the heart of this process. The Committee has continued to make progress in moving to a position where it can be used effectively to help achieve the Health Board's objectives and improve decision making. Work will take place during 2023/24 to enable the Committee to receive assurance on the effectiveness of the risk management framework via the risk assurance report. By monitoring the performance of risk management and any obstacles to improvement, the Committee has helped to ensure the adoption of good practice across the organisation. A review of the risk maturity of the organisation against a recognised standard and a review of the Health Board's risk appetite is planned for 2023/24.

17.7 This report demonstrates that the Committee has fulfilled its responsibilities as detailed in its Terms of Reference, through the completion of a comprehensive work plan, and from the reports it has received throughout the course of the year from a range of support services and sources. The Committee has successfully overseen a programme of work to provide the Board with assurance in respect of the adequacy and effectiveness of the organisation's functions and systems to maintain a sound system of governance and internal control.

17.8 It is the opinion of the Committee that the Accountability Report, incorporating the Governance Statement, which was received at the Committee meeting held on 11 May 2023, is consistent with the view of the Committee on the Health Board's system of internal control. In forming this opinion the following factors have been considered:

- The system of risk management is adequate in identifying risks and allowing the Board to understand the appropriate management of those risks, whilst noting work is continuing in refining risks to be undertaken at an operational level to enable the Health Board to become a risk mature organisation;
- The reliability and integrity of its sources of assurance encompassing the work of both IA and AW together with the assurances forthcoming from the Committees of the Board;
- The Committee, in reviewing the system of assurance, whilst acknowledging the potential for improvement, believes the Health Board had the necessary controls in place during the reporting period.

17.9 The Board is therefore asked to endorse the contents of this report as a summary of the work and findings of the Audit and Risk Assurance Committee for the financial year 2022/23.