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| Enw'r Pwyllgor: Name of Committee: | Audit and Risk Assurance Committee (ARAC) |
| Cadeirydd y Pwyllgor: Chair of Committee: | Mr Paul Newman, Independent Member |
| Cyfnod Adrodd: Reporting Period: | Meeting held on 21 February 2023 |
| Y Penderfyniadau a'r Materion a Ystyriodd y Pwyllgor/ Key Decisions and Matters Considered by the Committee: | |
| <p>In accordance with the guidance provided in the NHS Wales Audit Committee Handbook, the Board should look to their Audit Committee to review and report on the relevance and rigour of the governance processes in place and the assurances provided to the Board. Hywel Dda University Health Board's Audit and Risk Assurance Committee's (the Committee) primary role is, as such, to ensure the system of assurance is valid and suitable for the Board's requirements and to support the Board by seeking and providing assurance that controls are in place and are working as designed, and to challenge poor sources of assurance.</p> <p>This report summarises the work of the Audit and Risk Assurance Committee at its meeting held on 21 February 2023, in monitoring, reviewing and reporting to the Board on the processes of governance, and facilitating and supporting the attainment of effective processes. At its meeting on 21 February 2023, 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"> • Targeted Intervention and Joint Executive Team – the Committee received an update on the Targeted Intervention (TI) meeting held on 6 December 2022 and the Joint Executive Team (JET) meeting held on 22 December 2022, including responses from the Chief Executive of NHS Wales. • Targeted Intervention and Enhanced Monitoring - Board Oversight of Areas of Concern – in discussing this report, and in terms of finances specifically, the fundamental requirement is for a sustainable financial plan. The Health Board is clear in terms of the 'drivers' of its financial position: supply, demand and configuration. Recognising the effort involved with meeting TI and Enhanced Monitoring requirements, the pressures being placed on staff were highlighted, and it was queried whether other activities are being placed on hold to allow a focus on TI work. Whilst it was acknowledged that TI and Enhanced Monitoring brings with it greater scrutiny and additional pressures, it was emphasised that there is nothing within the Welsh Government requirements/recommendations which conflicts with the organisation's stated ambitions. Referencing the letter from the NHS Wales Chief Executive dated 12 December 2022, the meaning of the following statement around criteria for de-escalation was queried: <ul style="list-style-type: none"> • For finance a clear plan and trajectory to meet the £25m deficit which result in consideration for de-escalation from TI to EM. Further de-escalation to routine arrangements would require a balanced plan. <p>The statement is somewhat ambiguous, with it unclear whether Welsh Government is expecting a 'route map' to achieving a £25m deficit, or achievement of this figure. The latter would take a significant amount of time. It was noted that the letter had been issued</p> | |

in December 2022, prior to the annual budget allocation and projection of financial deficits across NHS Wales. the Health Board will continue to pursue clarification in this regard; however it was suggested that further clarity be requested again, with it indicated that this had been specifically requested by ARAC.

The Committee received assurance that all areas of concern included in the *Targeted Intervention and Enhanced Monitoring Framework* have been, and continue to be, subject to Board oversight and recommended to Board that further discussions be scheduled regarding the steps required to enable the Health Board to achieve the aims of its Ten-Year Plan.

- **Bluestone Review** – the Committee received a report on this topic and was reminded of the background. Most of the HDdUHB Field Hospitals had been located in Public Sector premises, with arrangements led by Local Authorities. The Bluestone Field Hospital had been one of the few located in a commercial environment, involving both a Local Authority and a commercial partner; it had also been one of the few Field Hospitals used. The Health Board commissioned an independent review into the governance and decision-making process, and the review had made five recommendations. There are lessons for the Health Board, including restricting the sphere of accountability of individual officers and ensuring governance advice is sought at the commencement of projects, although there should be cognisance of the unprecedented times in which the NHS was working.

A value for money analysis should have been conducted in respect of the location of the Field Hospital within Pembrokeshire. This would have at least potentially raised further queries. Whilst this was accepted, the challenges at that point of the pandemic and the requirement to establish Field Hospitals at pace were reiterated. The Committee was assured that the scope of the original site use requirement was 'pared back' to the minimum. shortly after the establishment of Field Hospitals, Welsh Government commissioned reviews of the process, including one by KPMG in HDdUHB. Whilst the decision-making process was documented, the reason for selecting Bluestone over and above others is not clear. Should a similar situation arise, a different approach would be taken.

The Committee considered the findings, the areas of learning and recommendations of the independent review and took an assurance from the management response that the Health Board will incorporate the learning into its governance processes.

- **Counter Fraud Update** – an update on counter fraud activity was received, including a report detailing a proactive exercise to review the use of Purchase Cards within the Health Board. Whilst no instances of fraud had been identified, learning from this exercise has been applied, and a new system to replace Purchase Cards is being considered. The Committee also received two NHS Counter Fraud Authority Reports; one being a Purchase Order (PO) vs non-Purchase Order report; the other a Post Event Assurance Report around Welsh Government funded medical equipment, medicines and resources for COVID-19. The recommendations relating to these reports would be added to the Audit Tracker.
- **Financial Assurance Report** – the Committee received the Financial Assurance report, focusing in particular on the increase in No PO, No Pay breaches and increase in the

average recovery period for Overpayments of Salary. Members also heard that compliance with Reporting Requirements is becoming particularly complex. For example, to comply with the IFRS 16 standard, the Health Board needs to examine all contracts for 'embedded' leases. There were no losses or write-offs in excess of £5k requiring approval by the Committee. In response to various concerns regarding contracts and tenders awarded, confirmation was provided regarding financial due diligence checks forming part of the standard contract award process. Further assurance checks can and will be conducted when the appropriate review/option to extend point is reached.

- **Annual Statement of Financial Procedures** – the Committee received and noted the Annual Statement of Financial Procedures.
- **Audit Wales Update Report** – an update was provided by Audit Wales on finance and performance audit work. the Charitable Funds financial audit had been completed in January 2023 with no issues. However, it was noted that, in terms of the 2022/23 Annual Accounts audit process, Audit Wales is not in the position it would wish to be in terms of timing. The start of financial audit work has been delayed for various reasons, including significant national issues in relation to local government, and staffing challenges. As a result, it will probably be necessary to extend the audit certification deadline until the end of July 2023.

It was highlighted to the Committee that this change to the financial audit timetable would result in the Health Board being in breach of its Standing Orders, as it would be unable to hold an Annual General Meeting by 31 July 2023. There has been communication with Welsh Government around whether they would issue a temporary variation order. Concern was expressed around this issue, particularly in view of the other significant challenges the organisation currently faces. An update on progress in relation to performance audit work was provided.

- **Structured Assessment – Management Response** – the Committee was reminded that the Structured Assessment report had been considered at the previous ARAC meeting in December 2022 and at the Public Board meeting on 26 January 2023. The Health Board's management response was now presented, along with an update on Phase 1 of Structured Assessment 2021. It was noted that a number of the Structured Assessment recommendations align with Welsh Government Escalation Status requirements. Now that the report has been agreed and management response prepared, both will be published on the Audit Wales website. Recommendations/actions will be added to the Audit Tracker.
- **Orthopaedic Services in Wales - Tackling the Waiting List Backlog: A comparative picture for Hywel Dda University Health Board** – the Committee noted that this report was not for detailed discussion at this meeting; however was reminded that Orthopaedics had been on the Audit Plan for some time and that work had been paused due to the COVID-19 pandemic. There is also a national report on this topic, which each Health Board will need to reflect upon, together with the Getting It Right First Time (GIRFT) Report into Orthopaedics. The Committee noted the report, which would be discussed in more detail at the next meeting, along with the Health Board's management response.

- **Internal Audit Plan Progress Report** – the Committee received an update on the Internal Audit Plan.
- **Internal Audit** – the Committee received the following Internal Audit reports:
 - Glangwili General Hospital Fire Precautions Works: Phase 1 (Reasonable Assurance)
 - Glangwili Hospital - Women & Children’s Development (Reasonable Assurance)
 - A Healthier Mid & West Wales Programme Forward Look Governance Review (Advisory Review)
 - Individual Patient Funding Requests (Reasonable Assurance)
 - Non-Clinical Temporary Staffing Follow-up (Reasonable Assurance)
 - Continuing Healthcare and Funded Nursing Care (Reasonable Assurance)
 - Prevention of Self Harm Follow-up (Reasonable Assurance)
 - BlackLine (Substantial Assurance)

The following IA reports were deferred to a future meeting:

- Service Reset and Recovery
- Regional Integrated Fund
- Fitness for Digital
- Lessons Learned
- Safety Indicators
- **Audit Tracker** – the Audit Tracker, which tracks progress against audits and inspections undertaken within the Health Board, was presented. At the time of reporting, there were 88 reports currently open. 39 of these reports have recommendations that have exceeded their original completion date, which has decreased from the 52 reports previously reported in December 2022. There is a slight decrease in the number of recommendations where the original implementation date has passed, from 132 to 128. The number of recommendations that have gone beyond six months of their original completion date has decreased from 73 to 58, as reported in December 2022.
- **Risk Assurance Report** – the Committee received this report, which had emanated from comments during the Committee Self-Assessment process around a possible lack of focus on risk when considering ARAC’s Terms of Reference. Concern was expressed that 78% of the Health Board’s risks are classified as either ‘Extreme’ or ‘High’, and 76% of risks currently exceed Board tolerance thresholds, which both indicate that the organisation is probably exceeding its risk capacity. There are 108 risks currently overdue for review; this is mainly due to other pressures on services, rather than a lack of engagement. The need to consider the Health Board’s risk appetite at both Board Seminar and Public Board was emphasised. The Committee took assurance on effectiveness of the Risk Management Framework and the implementation of the Risk Management Strategy, and the work being undertaken to strengthen risk management as outlined in the report.
- **Audit Committee Work Programme** – the Committee received for information the ARAC work programme for 2022/23.

- **Any Other Business** – the Committee recognised that this was Mr Paul Newman’s final meeting as ARAC Chair, following a tenure of six years, and thanked him for all he has done in transforming and leading ARAC within the Health Board.

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

- **Targeted Intervention and Enhanced Monitoring - Board Oversight of Areas of Concern** – 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.
- In terms of **Risk Assurance**, the need to consider the Health Board’s risk appetite at both Board Seminar and Public Board.

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

- **Targeted Intervention and Enhanced Monitoring** – concern that the Welsh Government statement around criteria for financial de-escalation is somewhat ambiguous;
 - It was suggested that further clarification be requested again, with it indicated that this had been specifically requested by ARAC.
- Receipt of the **Bluestone Review** report, with discussion of the implications therein;
 - Assurance was taken from the management response that the Health Board will incorporate the learning into its governance processes.
- Concerns regarding changes to the **Financial Audit Timescale**, particularly that these would result in the Health Board being in breach of its Standing Orders.
 - Communication is taking place with Welsh Government and the other parties involved.

**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:

18 April 2023