

AUDIT AND RISK ASSURANCE COMMITTEE

ANNUAL REPORT

2024/25

1. Introduction and Chair's summary

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.

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 2024/25 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"*.

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 workplan, 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.

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 (Annual Report and Annual Accounts), 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.

3. Terms of Reference and Workplan

The [Terms of Reference](#) (TOR) for ARAC are reviewed on an annual basis or following any significant changes. The TORs were approved by Board at its meeting in July 2024. Changes of note included the number of members, and the alignment of the Committee to one of the six domains agreed by WG to achieve de-escalation from the Health Board's current status of Targeted Intervention (TI).

The ARAC has a [workplan](#) to enable forward planning for the forthcoming year. The workplan is produced to incorporate the duties outlined in the Committee's Terms of Reference and any suggested areas of focus identified during the self-assessment process.

The ARAC Committee workplan covers a range of activities, including statutory reporting duties, regular items of business and priority planned pieces of work which support Board and Committee objectives.

The workplan is regularly updated throughout the year, to ensure that it remains responsive to emerging issues and risks.

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 2024/25:

- Audit Wales;
- NWSSP Audit and Assurance Services:
 - Internal Auditors;
 - Specialised Services Unit.

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. Throughout the year, Executive Directors and Lead Officers of audit reports have been 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.

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

4. Committee Structure and Meetings

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.

Although invited to attend certain meetings to provide assurances and explanations to the Committee on specific issues, neither the Health Board Chair, Chief Executive Officer (CEO), nor any other Executive Director of the Health Board, are members of the Committee. The CEO is invited annually to present the Accountability Report and to co-present progress reports at each meeting on the Health Board's Escalation Status and Joint Executive Team (JET) meetings with WG.

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.

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.

The membership of the Committee for 2024/25 was as follows, along with attendance at meetings:

Name	16.04.24	09.05.24	18.06.24	09.07.24	13.08.24	15.10.24	10.12.24	11.02.25
Members								
Cllr Rhodri Evans – Committee Chair	✓	✓	✓	✓	✓	✓	✓	✓
Winston Weir – Committee Vice-Chair	✓	x	✓	x	✓	✓	x	✓
Maynard Davies - Committee Member	✓	✓	✓	✓	✓	✓	✓	✓
Michael Imperato - Committee Member	✓	✓	✓	✓	✓	✓	✓	x
Eleanor Marks - Committee Member	✓	✓	✓	✓	✓	✓	✓	✓
In Attendance								
Huw Thomas – Director of Finance	✓	✓	✓	✓	✓	✓	✓	✓

Jo Wilson – Director of Corporate Governance / Board Secretary	✓	✓	✓	✓	✓	✓	✓	✓
Charlotte Wilmshurst – Assistant Director of Assurance and Risk	✓	✓	✓	x	✓	✓	✓	✓
Audit Wales Representative	✓	✓	✓	✓	✓	✓	✓	✓
James Johns – Head of Internal Audit	✓	✓	✓	✓	✓	✓	✓	✓
Benjamin Rees – Local Counter Fraud Specialist	✓	x	✓	x	✓	✓	✓	✓

All meetings were quorate.

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 Internal Audit and Counter Fraud on 13 March 2025, and Audit Wales on 8 April 2025. The meetings were attended as follows:

Independent Members	Attended by
<ul style="list-style-type: none"> Clr Rhodri Evans, Committee Chair Mrs Eleanor Marks, Committee Member Mr Maynard Davies, Committee Member Mr Michael Imperato, Committee Member 	<p>Meeting with Internal Audit</p> <ul style="list-style-type: none"> Mr James Johns, Head of Internal Audit Ms Sophie Corbett, Deputy Head of Internal Audit <p>Meeting with Counter Fraud</p> <ul style="list-style-type: none"> Mr Benjamin Rees, Head of Local Counter Fraud Services Mr Terry Slater, Local Counter Fraud Specialist <p>Meeting with Audit Wales</p> <ul style="list-style-type: none"> Mr Anthony Veale, Engagement Director and Audit Director Ms Anne Beegan, Audit Manager Ms Urvisha Perez, Audit Lead Mr David Williams, Audit Manager

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 Director of the Committee and/or Health Board Chair where there are areas of improvement required.

6. Committee Activities – Alert and Advise

The Committee is required to report to the Board after each Committee meeting by presenting a report highlighting the key discussion items at the Committee. Items which the Committee sought to either Alert or Advise the Board during 2024/25 are summarised below:

Alert – *The following matters were areas where the Committee was unable to take an assurance or had a lack of confidence that the action in place was sufficient to address the issue satisfactorily and/or it was within the scope of the operational team to resolve, and was alerting the Board as engagement action or intervention was required.*

- An internal audit on **Standards of Cleanliness**, presented to the Committee in May 2024, received limited assurance and focussed on two acute sites (Withybush General Hospital (WGH) and Glangwili General Hospital (GGH)) highlighted several concerns. These included no evidence of written assurance or escalation of issues through Health Board governance structures, the Environmental Cleaning Policy not reflective of the new cleaning standards, inconsistent training and subsequent record keeping, the lack of Service Level Agreements (SLAs) in place, cleaning schedules not in place for all wards (with variations in these schedules), and the frequency of cleaning audits not compliant with standards or policy. Whilst assurance was provided by the intended internal governance review of cleaning standards, the Committee requested the Board to support the proposal that the Quality, Safety and Experience Committee (QSEC) oversee this matter. IA were requested to undertake a follow-up review of the recommendations raised, and to undertake a review of cleaning standards at Bronglais General Hospital (BGH) and Prince Philip Hospital (PPH) during 2024/25. The Board noted the plans to undertake an internal review and further internal audits, together with the intended detailed discussion of the matter at QSEC. A further follow up report was presented to the Committee in June 2025 which concluded with limited assurance as although some progress has been made in addressing the issues arising from the 2023/24 internal audit, a number of actions remained ongoing with the associated risks not fully addressed.
- The follow-up report issued by internal audit on **Discharge Management** received limited assurance, and was presented to the Committee at its meeting in December 2024. This was the same rating as awarded to the initial report issued in April 2024. Whilst the Board was advised at its meeting in September 2024 of the number of recommendations which had not been

implemented, it was alerted to the findings of the follow-up report issued in December 2024. This was due to the level of concern which remained around the complexities of the discharge processes and compliance with relevant policies and guidance, that progress is taking longer than desired, and that no further action could be taken, and the second Limited Assurance rating awarded. The Board at its meeting in January 2025 noted its disappointment in the findings of the review in an intrinsically important area for the Health Board, with the hope that the next follow-up audit would show an improved position. The Board requested that outstanding recommendations be resolved as soon as possible and, if not achieved by the next audit, that the matter would be referred to QSEC. Findings from a further follow-up audit will be presented to the Committee in June 2025.

Advise – *The following matters were areas of concern where assurance had been taken on actions in place but required close monitoring.*

- A review of **Contract and Procurement Processes**, presented to the Committee in April 2024, led to the ceasing of the use of the G-Cloud Framework unless approved by the Financial Control Group. The Committee was informed of robust measures in place to ensure appropriate procurement processes are followed, with assurance provided that additional processes and safeguards were now in place.
- The Internal Audit report on **Glangwili General Hospital – Fire Precautions Phase 1** provided limited assurance around progress in the delivery of the project against its delivery objectives, primarily attributable to the financial risk of the unfunded forecasted position of the project. The Committee was informed that, since the issuing of the report, WG had confirmed additional funding of £4.5m which was immediately available, with a further £2.7m available subject to scrutiny by NWSSP Specialist Estate Services.
- The **Draft Head of Internal Audit Opinion and Annual Report for 2023/24**, presented to the Committee in May 2024, provided a limited assurance overall opinion on the adequacy and effectiveness of the Health Board's framework of governance, risk management and control, based primarily on the number of limited assurance reports issued during the year. The Head of Internal Audit advised that all limited assurance audits would be re-audited during 2024/25. The Committee was notified at its meeting in June 2024 that the report had been finalised with an overall opinion of limited assurance. Whilst it was noted that the opinion was disappointing, it demonstrated that the Health Board engages with the process as intended, by demonstrating openness and honesty in responses.
- An Internal Audit **Follow-up Review of Consultant Job Planning** was presented to the Committee in April 2024 with a limited assurance rating awarded. Key findings included that issues remained with the quality of job plans and their documentation, Supporting Professional Activities (SPA) activity, and that job plan sessions required to be appropriately reflected in the Electronic Staff Record (ESR) system. The Committee noted the progress made in the job planning process and the implementation of the internal audit

action and took assurance from the steady rise in percentage job plan review compliance at its meeting in August 2024. A further follow-up was reported to the Committee in April 2025, which showed a significant improvement in the number of job plans in place and provided reasonable assurance.

- Recommendations raised within **Audit Wales's Review of Operational Governance Arrangements** were initially presented to the Committee in June 2024, and related to the delays to the implementation of the operational governance structure and lack of clarity around lines of accountability and reporting. Whilst assurance was taken from the updates presented to the Committee in February 2025, concerns remained around the capacity of operational managers to fully implement the recommendations alongside other requirements, and the implementation of the new operational governance structure following handover from the corporate governance team. Of particular note were the concerns around the demands placed on a relatively small group of managers to implement, in addition to the small corporate teams who provide support. It was agreed that an internal audit will be undertaken on the new operational governance arrangements.
- A briefing paper from Internal Audit in relation to the **BGH Chemotherapy Day Unit (BGH CDU)** investigated the reasons for the discrepancy between the estimated costs, and final tender return relating to associated redevelopment costs, in addition as to the process for escalating the funding shortfall. The paper highlighted areas for improvement when presented to the Committee in June 2024. An update was provided to the Committee in August 2024, who took assurance that all management actions arising from the paper were complete, and that the project was on schedule and within budget at the time of reporting.
- Key findings from the **Audit Wales Review of Cost Savings Arrangements**, presented at the August 2024 meeting, highlighted that the Health Board did not meet its financial targets for 2023/24, and recognised a poor track record on delivering recurrent savings. Recommendations raised highlighted the requirement for the Health Board to urgently address its cost drivers, and strengthen its overall arrangements for identifying, delivering, and monitoring savings. As at 31 March 2025, two recommendations remain outstanding.
- The need to be cognisant of the potential financial implications of service and staffing changes was highlighted via the Internal Audit on **Nurse Staffing Levels (Wales) Act 2016**, reported to the August 2024 meeting, which provided a reasonable assurance rating.
- The Committee was unable to take assurance from the report prepared by Internal Audit relating to the progress made on **Transforming Urgent and Emergency Care** at its meeting in August 2024, with an update requested at the meeting scheduled for October 2024. It was highlighted that emergency care in particular is the source of high numbers of concerns and complaints, emphasising the importance of defined timescales and effective monitoring. The Committee received confirmation at its meeting in October 2024 that all

outstanding recommendations had been completed, with relevant evidence submitted; however, it was recognised that this area requires further focus.

- The Committee noted at its meeting in October 2024 in relation to the effectiveness of the **Internal Escalation Framework Arrangements**, particularly in respect of governance, that whilst engagement with the escalation process is good, there is a variability in responsiveness across the Health Board. Discussions were also required to determine an approach to ensure the Committee can take assurance on the delivery of recommendations in addition to the process.
- Findings from the Internal Audit on **Falls Management**, presented at the Committee meeting in October 2024, found that issues previously identified still remained, with further action required to ensure the associated risks are fully addressed. Concerns were specifically noted in relation to the timely completion of multifactorial falls risk assessments (MFRSAs), however the Committee received assurance.
- Concerns were highlighted in the Internal Audit on **Nursing Management** report, issued with a limited assurance and presented to the Committee in December 2024, including the management of sickness, annual leave utilisation, approval of agency use, roster review / approval arrangements and processes for bank and agency escalation. The Committee noted that, whilst actions had either been undertaken or were planned, there was a lack of evidence to demonstrate their impact. It was agreed to conduct a follow-up review within the next six months, with a wider scope across the whole Health Board.
- Concerns were raised via the **Clinical Audit Update** at the December 2024 meeting around the potential quality and safety implications involved in instances of non-participation with clinical audits, when they are a mandatory requirement. Quality Impact Assessments (QIAs) were required to be completed to enable an understanding of the impact on patients and care. The Committee received a progress update at its meeting in April 2025, and was informed that all current mandatory audits were being participated in, and that processes are now in place to ensure that in instances of non-participation, QIAs are required to be undertaken.
- Findings from the Internal Audit on **Management of Bed Capacity**, presented to the Committee in February 2025, raised concerns relating to lack of evidence to support established core bed numbers for Section 25A wards, variances in established core bed numbers, multiple sources of established core bed numbers with varying figures, and a lack of formal service change process. The recommendations will be followed up as part of the Internal Audit Plan for 2025/26.
- A joint review with Swansea Bay University Health Board undertaken by Internal Audit on **Mortuary Services**, to support the effective provision of mortuary services across the region, provided limited assurance in February 2025. Key concerns raised included the strengthening of documentation regarding roles and responsibilities, and clarification on financial

arrangements between the health boards. Other identified concerns included a need to review governance structures, impacts of funding issues on the delivery of the Regional Pathology Programme, and key leadership roles not having been recruited to. In addition, the Health Board was asked to consider how it could continue to deliver services if new hospital proposals were not approved. The recommendations will be followed up as part of the Internal Audit Plan for 2025/26.

- Findings from the Internal Audit on **Health and Safety**, issued with a limited assurance rating, and presented to the Committee in February 2025. The report included concerns relating to participation rates for non-mandatory health and safety training, the monitoring of actions arising from site visits, the significant volume of outstanding actions and limitations in their prioritisation, non-compliance with Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) reporting timescales and limitations related to the assurances provided to the Health and Safety Committee. A follow-up will be required as part of the Internal Audit Plan for 2025/26.
- Whilst the Internal Audit on **Data Quality**, presented to the Committee in February 2025, noted that arrangements in place were robust, challenges remained with their implementation at operational level. These relate to availability of quality metrics, a lack of accountability for data quality within service areas, and the absence of a formal information/intelligence strategy. A limited assurance rating was issued for this report. The recommendations will be followed up as part of the Internal Audit Plan for 2025/26.

7. Committee Activity – regular reporting

The Committee regularly receives the following reports at its meetings, with items which the Board were either alerted to or advised of during 2024/25 noted:

Escalation Status Reports

The Health Board's escalation status with WG at the start of the financial year was Targeted Intervention (TI) due to significant concerns across six critical domains:

- Finance, Strategy and Planning;
- Performance and Outcomes;
- Fragile Services;
- Governance;
- Leadership, Capability and Culture; and
- Quality of Care.

The Health Board were de-escalated to Enhanced Monitoring status in March 2025 for:

- Performance and Outcomes related to Planned Care and Children and Adolescent Mental Health;
- Leadership, Capability and Culture; and
- Governance.

The tri-partite arrangements relating to the Health Board's escalation status with WG 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.

WG continue to provide the necessary support and advice to address issues raised, including regular Joint Executive Team (JET) and Integrated Quality and Planning and Delivery Group (IQPD) meetings with subject-specific discussions as and when considered necessary.

The Escalation Status Report, provided at each meeting, aims to provide the Committee with assurance on the Health Board's progress in addressing WG's TI requirements. A new report format was presented to the Committee at its meeting in December 2024, which was considered effective and further assists the Committee in taking the required assurance on progress made against TI criteria.

The Board was:

- **Advised** that overarching assurance could not be provided due to financial targets not being met as at June 2024. However, assurance was taken in relation to the Health Board's responses and actions taken to address Targeted Intervention status. Further discussions at the Committee meeting in August 2024 highlighted the challenges which the Health Board faces to achieve the WG Control Total, along with the risks to achieving the forecast deficit of £64m.
- **Advised** regarding the Health Board's escalation status, due to concerns around the achievement of financial targets via the 100-day cycle, and the need for cash contingency plans. Concerns were also raised relating to capacity, capability and governance, as highlighted in the report presented to the Committee in August 2024. The need to ensure longer-term embedding of a culture of continuous improvement and cost savings was emphasised, and consideration of how directorates and services are supported through the change process.
- **Advised** that a detailed and lengthy discussion was had at the Committee meeting in October 2024 on the actions being taken in response to targeted intervention, and the need for completion dates to be agreed quickly was emphasised. The clear challenge of achieving the Welsh Government Control Total of £44.8m was highlighted. Whilst the organisation had set a forecast deficit for this year of £64m, risks to achieving this remained, and the figure does not allow the Health Board to meet its statutory duty or Welsh Government expectations.

Financial Assurance Report

The Executive Director of Finance provided the Committee with the Financial Assurance Report at every meeting throughout 2024/25. 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. In order to comply with Standing Orders and Standing Financial Instructions (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.

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 (Public Sector Payment Policy);
- Compliance with Income to Cash requirements;
- Losses and Special payments and Write offs;
- Compliance with Capital requirements;
- Compliance with Tax requirements; and
- Compliance with Reporting requirements

The Board was:

- **Advised** in relation to the breaches of Standing Financial Instructions (SFIs) highlighted to the Committee in February 2025, noting the work being undertaken with the operational team to mitigate and avoid recurrence.

Risk Assurance Report

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.

The purpose of the Risk Assurance Report is to provide assurance on the effectiveness of the Risk Management Framework, the implementation of the Risk Management Strategy and progress made against the objectives contained within. The report also provides a high-level summary of each Directorate's escalation status within the Improving Together Framework in relation to risk management processes. 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.

The Committee agreed at its meeting in August 2024 to amend the frequency of the Risk Assurance Report from a bi-annual time frame to every other meeting.

The Committee was presented with the outcomes of the annual risk maturity self-assessment at its meeting in February 2025, undertaken in accordance with the Orange Book, which is a recognised risk management standard for the public sector. The outcomes of the assessment will inform the revised Risk Management Strategy, due for approval in September 2025, and its objectives for the next 12 months.

The Board was:

- **Advised** that, while there was recognition that services were not being escalated to Level 3 within the Governance domain as part of the Health Board’s internal escalation framework as presented to the Committee in December 2024, concerns remained around outstanding external audit recommendations relating to the Mental Health and Learning Disabilities Directorate.

Audit Tracker Report

Audits, inspections and reviews play an important independent role in providing the Board with assurance on internal controls and that systems and processes are sufficiently comprehensive and operating effectively. Therefore, it is essential that recommendations from audits, inspections and reviews are implemented in a timely way.

All reports from audits, reviews and inspections carried out across the Health Board are logged and tracked on the Audit Management and Tracking (AMaT) system, with progress updated by relevant service leads regarding the implementation against each recommendation. Due to the strengthened performance management arrangements introduced in April 2024 as a result of the implementation and embedding of the revised internal escalation framework, the format of the Audit Tracker report to ARAC was reviewed and updated in order to provide a high-level summary of report activity from auditors, inspectorates and regulators, and report on each Directorate’s escalation status. This replaced the previous process of highlighting “services of concern”, and was first presented to the Committee in August 2024. Data is assessed as at the most recent month-end position, to align with the escalation framework. The report aims, therefore, to provide assurance on the progress made in respect of implementing recommendations as raised from audits and inspections.

The Committee agreed at its meeting in August 2024 to amend the frequency of the Audit Tracker report from being presented at each meeting, to every other meeting.

The Board was:

- **Advised** following the meeting held in April 2024 that the Mental Health and Learning Disabilities Directorate was noted as a service of concern in April 2024, the fourth time in 12 months where the service has been highlighted. The Committee agreed that the service was required to show an improved position by its scheduled meeting in August 2024, with the Audit Tracker paper presented at that meeting noting MHLD as being a “Service with Limited Assurance” as opposed to “Service of Concern”.

8. Committee Activity – other Committee work

Other items identified by the Committee as requiring Board attention during 2024/25 included:

- The ratification of the **Health Board’s Standing Orders (SOs) at its meeting in May 2024**, and approved by Board at its meeting on 30 May 2024;

- The review of the adequacy of the **Declaring, Registering and Handling Interests, Gifts, Hospitality, Honoraria and Sponsorship** arrangements currently in place via its annual review in May 2024;
- The approval of all year-end documentation for 2023/24 at its meeting on 9 July 2024;
- The ratification of the **Risk Assessment Procedure** at its meeting in June 2024, and approved by Board at its meeting in July 2024;
- The ratification of the **Scheme of Delegation** at its meeting in October 2024, and approved by Board at its meeting in November 2024;
- The approval of **Policy 175 – Standard Operating Procedure** for the Management of Board and Committees at its meeting in October 2024;
- The **Annual Summary of Single Tender Action and Quotation Reports** was presented to the Committee in June 2024, detailing the Single Tender Actions awarded by the Health Board during 2023/24, 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.

The Committee received the Annual Statement of Financial Procedures at its meeting held 11 February 2025, detailing planned reviews of the financial systems operated by the Health Board planned to be undertaken during 2025/26.

9. External Audit

The provision of the external audit service is provided by Audit Wales (AW), with its work in 2024/25 falling under the two broad headings of:

- Audit of financial statements, and providing an opinion thereon;
- Performance audit work, including All-Wales thematic review of planned care, and local project work.

The outline AW Annual Plan 2024 was discussed in April 2024 by the Committee. The plan set 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. An appropriate programme of performance audit work will also be undertaken. Areas to be tested have been selected based upon identified financial risk specific to the Health Board.

Progress against the AW Audit Plan is monitored via regular update reports presented to the Committee with some timings changing in-year.

Outcomes of Structured Assessment 2024

In 2024, the [AW Structured Assessment](#) focussed on the Health Board's corporate arrangements for ensuring that resources are used efficiently, effectively, and economically. This was presented to the Public Board meeting held on 30 January 2025 following presentation to the Committee on 10 December 2024. The overall conclusion was that *'the Health Board's corporate arrangements continue to operate effectively, despite a period of significant change, with a small number of areas that could further improve. Whilst the financial position for 2024-25 remains extremely*

challenging, the health board is taking positive steps to get onto a more sustainable footing”.

AW noted that “whilst managing a period of significant change, the Board and its committees continue to work well, maintaining a clear focus on public transparency, good governance, continuous improvement and hearing from patients and staff”. Other key messages in the report relating to Board transparency, effectiveness and cohesion included:

- We continue to have a strong commitment to public transparency;
- We have robust arrangements to support the effective conduct of Board and committee business;
- Our Board and committee meetings are conducted appropriately and effectively, with strengthened arrangements to escalate high-risk matter to the Board;
- We are progressing well with preparations to establish a joint committee with Swansea Bay University Health Board;
- Our Board and committees continue to receive good quality, timely papers, which continue to strengthen as part of ongoing improvements;
- Our Board continues to hear from a range of patients and staff, and has enhanced arrangements for patient safety walkabouts;
- Our Board is managing a significant period of change well and taking positive steps to ensure its cohesion and effectiveness through Board development opportunities and continuous improvement.

AW found that, in relation to corporate systems of assurance, “the health board continues to have appropriate arrangements for corporate oversight of risk, performance, tracking recommendations, and the quality and safety of services. The performance management framework however needs to be updated to reflect current performance arrangements, and more frequent updates on the implementation of the Quality Improvement Strategic Framework should be provided”.

In respect of the corporate approach to planning, Audit Wales found that “development and delivery of the health board’s plans continue to be supported by appropriate oversight, underpinned by a pragmatic approach to addressing planning team capacity issues. There is scope to review well-being objectives as part of a planned long-term strategy refresh.”

In respect of managing its financial resources, Audit Wales found that “whilst the financial position for 2024-25 remains extremely challenging, the health board is taking positive steps to improve its financial position and to develop a roadmap to ensure financial sustainability. There remains a clear approach for financial planning and managing and monitoring the financial position, but there is a need to strengthen the approach to delivering cost savings opportunities”.

Of the 12 recommendations raised in previous AW reports, nine were confirmed as complete, and three in progress.

Three new recommendations were raised in Structured Assessment 2024, with management responses approved at the Committee meeting in February 2025.

ISA26 Report and Letter of Representation

The Committee received the AW ISA 260 report and Letter of Representation at its meeting held on 9 July 2024, setting out the results of the audit of the Health Board's financial statements. There were no uncorrected misstatements above the agreed trivial level but lower than materiality. Initial misstatements in the accounts were corrected by management. Issues arising from the report included concerns around controls over theatre stock. Management had responded to the recommendations arising in the report and AW will follow-up progress against them during next year's audit.

Performance Audits 2024/25

AW reported on the following performance work during 2024/25:

- **Review of Operational Governance Arrangements** – the report which was presented to the Committee in June 2024 found that overall, “the Health Board’s current operations structure is complex resulting in blurred lines of accountability, and governance arrangements within directorates are inconsistent. Whilst the Health Board is progressing its new operations structure, presenting opportunities to improve governance arrangements, delays in rolling out the new structure is causing instability within directorate leadership teams. Governance arrangements within the Finance, Digital and Performance Directorate are clearer, but there is scope to strengthen them”. Four recommendations were raised.
- **Review of Cost Savings Arrangements** – the report, presented to the Committee in August 2024, found that overall, “the Health Board did not meet its financial targets for 2023/24 and its track record on delivering recurrent savings is poor. Given the Health Board’s challenging financial position for 2024/25, it urgently needs to address its cost drivers and strengthen its overall arrangements for identifying, delivering, and monitoring sustainable cost savings opportunities to prevent its financial position from deteriorating further”. 10 recommendations were raised within the report.

The following reports were deferred during 2024/25:

- **Review of Urgent and Emergency Care** – the review will examine different aspects of the urgent and emergency care system and include analysis of national data sets to present a high-level picture of how the unscheduled care system is currently working. The work will include an examination of the actions being taken by NHS bodies, local government, and Regional Partnership Boards to secure timely and safe discharge of patients from hospital to help improve patient flow. AW also plan to review the progress being made in managing urgent and emergency care demand by helping patients access services which are more appropriate for their care needs. It is planned that the report will be presented to the Committee in June 2025.
- **Planned Care Review** – this review will follow on from the national report on tackling the planned care backlog. The focus of the work is likely to consider the

extent that health boards have achieved Welsh Government targets for recovering planned care services; the efficacy of local plans and activity to recover waiting lists; and the use of additional Welsh Government financial allocations to improve waiting lists. It is planned that the report will be presented to the Committee in June 2025.

- **Review of Arrangements for Capital Programme Prioritisation** – this work will review the Health Board’s arrangements for prioritising its capital programme, including estates and equipment maintenance within the context of operating within significant financial pressures. It is planned that the report will be presented to the Committee in June 2025.

10. Internal Audit

At the direction of the Minister for Health and Social Services, Internal Audit (IA) services are provided by the NHS Wales Shared Services Partnership (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.

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 2024/25 NWSSP IA Strategy, Plan and Charter at its meeting held on 16 April 2024, 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 2024/25.

The Head of IA has met weekly with the Director of Corporate Governance/Board Secretary throughout 2024/25, 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 emerging concerns and 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.

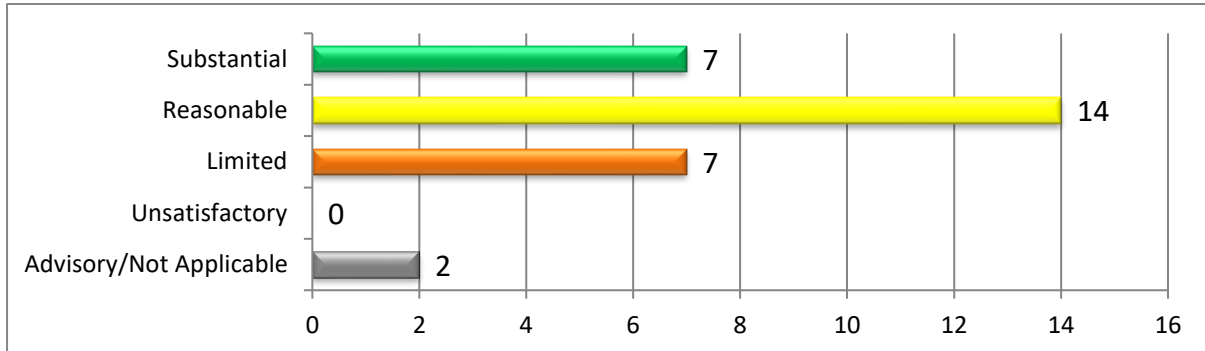
The Committee has received progress reports against delivery of the IA Plan at each meeting, with individual assignment reports also being received. Executive Directors, accompanied by lead officers, have been requested to attend in order to be held to account and to provide assurance that remedial action 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’.

The Audit and Assurance Shared Services Unit (SSU) provides an objective assessment of whether the Health Board’s systems and controls for capital and estates projects are working effectively. During 2024/25, 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.

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 felt appropriate, to obtain further information about the assurance rating given by IA.

In total, 30 audits reviews were reported during the year. Figure 2 below presents the assurance ratings and the number of audits derived for each.



The audit reviews reported as part of the IA Plan for 2024/25 are listed below:

Substantial Assurance	<ul style="list-style-type: none"> • Executive Team Governance • Performance Management • Digital Strategic Partner • Digital Benefits Realisation • Cash Management • Waiting List Management • CHC – Database maintenance and Financial Processes
Reasonable Assurance	<ul style="list-style-type: none"> • Targeted Intervention Governance • Annual Planning • Financial Management • Job Planning • Emergency & Business Continuity Planning • Learning Lessons • Falls Management • Nurse Staffing Act • Capital Systems • Energy Management • Ultrasound Corporate Risk • Speaking up • GGH Capital RAAC • Agreed action tracking and follow up
Limited Assurance	<ul style="list-style-type: none"> • Nursing Management • Discharge Management • Mortuary (joint SBUHB) • Data Quality / Use of Data


	<ul style="list-style-type: none"> • Bed Management • Health & Safety • Cleanliness
Unsatisfactory Assurance	N/A
Advisory/Non-Opinion	<ul style="list-style-type: none"> • Contract Management • Discharge Management agreed action follow up

The new Global Internal Audit Standards (the Standards), issued by the Institute of Internal Auditors in January 2024 and effective in January 2025, and apply to UK public sector audits from 1 April 2025, and has informed the Internal Audit Plan for 2025/26. The new Standards require that a risk-based internal audit plan is created that supports the achievement of the organisation's objectives. The Plan will be delivered in accordance with the Internal Audit Mandate and Charter and agreed Key Performance Indicators.

Head of Internal Audit Opinion

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.

The Head of Internal Audit has concluded the following assurance rating for 2024/25:

Reasonable assurance		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. Low to moderate impact on residual risk exposure until resolved.
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Whilst there were no audited areas that resulted in 'no assurance', the following audit reports were issued with a conclusion of limited assurance during 2024/25:

Report Title and Date of Issue	Lead Director	Total Number of Recommendations	Of which were High Priority
Follow-Up: Consultant Job Planning (April 2024)	Medical Director	3	2
Transforming Urgent and Emergency Care – Discharge Management (April 2024)	Chief Operating Officer	6	3

Glangwili General Hospital Fire Precautions – Phase 1 (May 2024)	Chief Operating Officer	12	1
Standards of Cleanliness (May 2024)	Chief Operating Officer	10	7
Discharge Management (December 2024)	Chief Operating Officer	4	2
Nursing Management (December 2024)	Chief Operating Officer	4	3
Mortuary Services (February 2025)	Director of Therapies and Health Science	9	4
Health and Safety (February 2025)	Director of Therapies and Health Science	5	2
Management of Bed Capacity (February 2025)	Chief Operating Officer	5	4
Data Quality (February 2025)	Director of Finance	4	3
Follow up: Standards of Cleanliness (June 2025)	Chief Operating Officer	6	2

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/>.

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 2024, the following audits were deferred:

Review Title	Reason
Medical Locums	Review arrangements for the control and management of the usage of medical locums. Included with 2025-26 plan as programme of work still in progress.
Managed Practices	Review the provision and management of managed practices. Included with 2025-26 plan in order to accommodate other work.
Revised operational governance arrangements	Review of the revised Directorate Governance Structures. Included with 2025-26 as structures were not implemented until April 2025.
Estates & Facilities Directorate	Review control and governance arrangements including rotas, staff management and Procurement. Included with 2025-26 plan as other internal work was scheduled within directorate.

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 2025/26 to ensure they have been enacted.

11. Counter Fraud

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.

The Committee received and approved the 2024/25 Annual Work Plan of the Local Counter Fraud Officer at its meeting held on 16 April 2024, 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.

The Committee received the Counter Fraud Annual Report 2024/25 at its meeting held on 15 April 2025. 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. 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.

The Local Counter Fraud Officer has been in regular attendance at Committee meetings during 2024/25, and issues have been discussed in detail, as appropriate, with Committee members. Progress details for cases highlighted as part of the Counter Fraud Investigations Report have regularly been provided at In-Committee meetings.

12. Committee Effectiveness – Feedback from self-assessment process

As stipulated within the Standing Orders, the Board introduced during 2023/24 a process of regular and rigorous self-assessment and evaluation of the performance of the Committee. This involves the completion of a short digital form which requests feedback on the following areas:

- Governance and administration
- Committee's inputs
- Conduct of Committee meetings
- Interface with other Committees, including the Board
- Committee's impact

- Individual role on Committee

The Committee was presented with a progress update at its meeting in August 2024 on the actions in response to the outcomes of the 2023/24 self-assessment, noting that six of the nine actions were complete. Two actions had revised completion dates of January 2025, and one action was re-assessed in relation to considering developing a periodic legal and regulatory issues report to be presented to the Committee, which will be included in the CEO Report to Board.

Outcomes from the self-assessment for 2024/25 were presented to the Committee at its meeting in December 2024, with five actions identified with completion dates ranging from January – April 2025.

13. Assurance on Clinical Governance

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?

The Committee was presented with an update on the Health Board's Clinical Audit functions and programmes, and an update on plans for 2024/25 at its meetings on 18 June 2024 and 10 December 2024. Whilst the Committee took assurance from the update presented at the June meeting, the Committee agreed to **advise** the Board due to concerns such as limited involvement in three of the NCAORP projects. An update provided to the Committee in April 2025 confirmed that there is an element of participation for all mandatory National Clinical Audits.

The 2025/26 programme will be shared with this Committee, Clinical Audit Scrutiny Panel (CASP) and Operational Quality and Safety Forums.

14. Assurance on regulatory directions

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 received an assurance report on compliance with MDs for 2024/25 in May 2025, noting that all MDs issued in the year have been implemented. The paper also notes three MDs issued in previous financial years which are ongoing:

- MD issued in 2021 is due to be fully implemented by October 2025 with regards to the Delivery of Autism Services;

- MD issued in 2023 which has an unknown implementation date due to factors external to the Health Board with regards to the reporting on the introduction of new medicines into the NHS in Wales; and
- MD issued in 2023 is due to be implemented by March 2025 with regards to the Primary Care E-prescribing pilot scheme

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 received an assurance report on compliance with WHCs for 2024/25 in May 2025, in which 11 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 funding and resources to fully implement the requirements of WHCs, along with awaiting national guidance. Services should consider the inclusion of any financial resources required to implement WHCs during the planning cycle.

15. Forward Plan

The Committee, in addressing issues identified in previous years, has continued to provide additional assurance that the Board is functioning effectively.

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 2024/25 improve.

The Committee will continue to closely oversee the implementation of audit, inspectorate and regulatory recommendations to ensure the pace of delivery is improved.

Any areas of Committee concern raised during 2024/25, including scrutiny of outstanding improvement plans, will be followed up in 2025/26. Any learning taken from the self-assessment of committee effectiveness exercise will be acted upon as appropriate.

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, by referring matters of concern, with the Quality, Safety and Experience Committee (QSEC), People, Organisational Development and Culture Committee (PODCC), Strategy and Planning Committee (SPC), Finance and Performance Committee (FPC), Digital, Data and Innovation Committee (DDIC) and Health and Safety Committee (HSC). This is being taken forward through the Chairs of Committees meeting.

16. Conclusion

It is acknowledged that the Committee is a well-established Committee of the Board with a detailed annual workplan in place. It 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. It is vital that risk management is at the heart of this process. The Committee will continue to receive assurance during 2025/26 on the effectiveness of the risk management framework via the risk assurance report, and the implementation of its risk management objectives outlined in the Risk Management Strategy.

The Committee believes it has met the duties of its Terms of Reference, through the completion of a comprehensive workplan, and has provided assurance to the Board on a significant number of matters in respect of the adequacy and effectiveness of the organisation's functions and systems to maintain a sound system of governance and internal control. However, during the course of the year, the Committee also alerted and advised the Board on a number of areas (through the Committee Update Report) where it was not being provided with the required degree of assurance to enable it to discharge its duties.

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, or the new Joint Commissioning Committee.

It is the opinion of the Committee that the Accountability Report, incorporating the Governance Statement, which was received at the Committee meeting held on 8 May 2025, 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.

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 2024/25.