



COMMITTEE UPDATE REPORT/ADRODDIAD DIWEDDARU'R PWYLLGOR – AUDIT AND RISK ASSURANCE COMMITTEE

Date of last meeting/Dyddiad y cyfarfod diwethaf: 13 August 2026

Quoracy/Cworwm: Met

Report by/Adroddiad gan: Cllr. Rhodri Evans, Chair

KEY DISCUSSION POINTS AND MATTERS TO BE ESCALATED FROM THE DISCUSSION AT THE MEETING/ PWYNTIAU TRAFOD ALLWEDDOL A MATERION I'W HUWCHGYFEIRIO O'R DRAFODAETH YN Y CYFARFOD:

Alert¹ (may require discussion)/**Rhybuddio** (efallai y bydd angen trafodaeth)

The Audit and Risk Assurance Committee wishes to **alert** members of the Board:

- In relation to the **Escalation Status Update** Report, given its concerns around the organisation's ability to achieve Welsh Government expectations, including around financial position.

In terms of the Health Board's ability to meet requirements around the financial position, concern was expressed around delivery of financial recovery. The current run-rate, which is static at approximately £5m per month, would not deliver the £41m year-end position. Given that the window for making savings is closing, a more realistic year-end position is a deficit of approximately £60m. At this time the additional savings schemes potentially available to the organisation would not materially change the position. In addition, the level of investment in Urgent and Emergency Care (UEC) required to deliver the performance targets is in the region of £300-350k per month. For the September 2026 Public Board there will be a requirement to formally consider and approve any change in the year-end forecast, following discussion and recommendation by the Finance and Performance Committee.

In terms of stated organisational priorities for the year, these were as follows: Delivering the financial plan; UEC; Fragile services/Clinical Services Plan. However, discussion as a Board may need to take place, to ensure that this reflects the collective view and to determine how best to communicate this to the wider organisation. Certain priorities impact on each other and on other service areas. A significant concern was in relation to the cash position, given the implicit assumption within the Health Board's Plan that Welsh Government will cover the shortfall associated with a financial deficit of £41m.

With regard to the likelihood of the improvement programme being delivered in its totality, it was suggested that the organisation's focus must be on delivering its Plan. In the last few years, HDdUHB has set out carefully considered Plans, which it has broadly delivered. The Health Board's current configuration includes three of the smallest twenty hospitals in the UK and presents its biggest financial

¹ There is a lack of confidence that any action in place is sufficient to address the issue satisfactorily and/or within the scope of the operational team or executive to resolve. Engagement, action or intervention required.

challenge. It also contributes to volatility in performance and less than optimal performance. However, changing this configuration is challenging. There was also, however, recognition of the need to focus the conversation on quality, safety and experience alongside the financial position. Further work is also required in communications, to ensure a healthy public who understand their own wellbeing and can take steps to look after themselves.

Advise² (to monitor)/**Cynghori** (i fonitro)

The Audit and Risk Assurance Committee wishes to **advise** members of the Board:

- Whilst assured by the management response and planned actions, in relation to the **Capital Equipping (Limited Assurance) Internal Audit** report. This audit had reviewed arrangements for procuring equipment for capital schemes, focusing on compliance with key requirements of procurement regulations, Standing Orders and Standing Financial Instructions. The audit identified that the capital equipping process has not been formally defined or documented, with no clear framework setting out when procurement activity should be supported or led by NHS Wales Shared Services Partnership (NWSSP) procurement services. This had led to instances where the procurement route applied was not appropriate, based on the aggregate value of expenditure by supplier and scheme. Also, with no declarations of interest having been completed for any of the procurements sampled, reduced assurance that potential conflicts have been appropriately considered and managed. Further, failure to capture procurement exceeding £25k via reporting to the Health Board's non-pay group through NWSSP procurement services. Collectively, these issues increase the risk of non-compliance with procurement requirements and weaken governance, oversight and assurance arrangements relating to capital equipment procurement.

The audit has identified areas requiring improvement, including variations in practice, and the management response detailed how these would be addressed. Steps will include formalising and documenting the required process, recognising the importance of effective engagement with the procurement team. It was noted governance is in place for every capital scheme, with orders and requisitions being raised in line with contracts and frameworks. However, given concerns around conflicts of interest, Members suggested that a retrospective examination of procurements by the Counter Fraud team be undertaken. Risk profiling should also be considered in this area. It was further agreed that it would be beneficial to align conversations around both Capital Equipping and Major Infrastructure Programme. Implementation of the audit's recommendations will be followed up within the financial year.

- In relation to the **Update on Status of Risks and Audits: Community and Integrated Medicine** report. The report described actions taken since formation of the Community and Integrated Medicine Clinical Care Group (CIM CCG) to increase the number of completed recommendations. These include strengthening governance and local ownership of the actions. However, the number of open recommendations remains high, and the total number of reports and recommendations has also increased significantly; mainly in relation to Emergency Care and Emergency Departments (EDs). Certain of these

² There are areas of concern where assurance has been taken on actions in place but requires close monitoring. An early warning of an emerging and potentially serious concern.

recommendations are challenging to close within the CCG, as they are dependent on external actions. CIM encompasses a significant number of reports, resulting in a significant number of recommendations. There is also a great deal of duplication between recommendations, particularly as there can be separate reports for the four acute sites. It was suggested that there should be an assessment of whether certain of these could be closed as they are complete or whether others can ever be closed as they are written.

The CCG has not been escalated to Level 4, with it noted that, in determining the escalation level, the operational pressures under which the CCG is functioning have been taken into consideration. The situation has not improved to the desired level, which has been discussed with the Chief Operating Officer and Executive Director of Finance. Given the number of risks, whether staff have sufficient capacity, both to undertake the actions required and to update risk registers.

The importance of addressing this issue was emphasised, given the impact of failure to comply with recommendations on external assessments of Health Board performance, such as the overall Head of Internal Audit Opinion. Significant improvements would be expected by the end of Quarter 3. Actions must be achieved by completion dates. It is also vital that management responses and completion dates are agreed for those reports and recommendations without these. Risks will be reviewed for potential duplication, to establish whether they can be amalgamated

Assure³ (to note)/Sicrhau (i nodi)

The Audit and Risk Assurance Committee wishes to **assure** members of the Board:

- In relation to the **Financial Assurance Report**, there were ongoing concerns around the robustness of contract management, although HDdUHB is not an outlier across Wales in this regard. The Health Board is due to trial usage of generative Artificial Intelligence (AI) to scrutinise contracts, invoices and submissions by managers, in the hope of strengthening this area. Further details regarding contract management would be provided to the next meeting.

Noting that certain other health boards are responsible for delivering services to some HDdUHB patients, Members considered the issue of ensuring that HDdUHB patients are treated equally and equitably with the local population being served by that health board. It was agreed that reinstating a report on this topic to the Quality, Safety and Experience Committee (QSEC) would be revisited. Further, that the issue of whether information transfer and sharing between health boards is sufficiently effective would be discussed at the Digital, Data and Innovation Committee (DDIC).

- With regard to the delivery of the **Internal Audit Plan** and from the outcomes of the finalised audit reports, and approved the proposed updates to the Plan.

³ There is confidence that actions are robust and will be sufficient to address the issue or generally operating effectively. Routine monitoring.



- In relation to the **Progress Update on Major Infrastructure Investment Programme Internal Audit**, that the Committee took assurance on the current status of completed recommendations and that specific completion dates are now established for all future actions.
- In relation to the **Progress Update on Human Tissue Authority Internal Audit**, that the Committee took assurance that all internal audit recommendations and findings have been actioned and fully implemented within the defined timelines, resulting in the audit being formally closed.
- With regard to the **Risk Assurance Report**, that the Committee took assurance on the work being progressed to implement the objectives set out in our Risk Management Strategy to strengthen the effectiveness of our Risk Management Framework, and our overall risk maturity as an organisation; endorsed the revised Risk Management Objectives for 2027.

Review of Risks/Adolygiad o Risgiau

As noted above

Sharing of learning/Rhannu dysgu

- The need to prioritise audit participation and implementation of recommendations

Recommendation/Argymhelliad

The Board is asked to:

- **Respond** to the items the Committee is alerting it to
- **Note** the items the Committee is advising it of
- **Take assurance** from the items that the Committee is providing assurance on

Date of next meeting/Dyddiad y cyfarfod nesaf: 15 October 2026

Agenda, papers and minutes are available on our website/Mae agenda, papurau a chofnodion ar gael ar ein gwefan: <https://hduhb.nhs.wales/about-us/governance-arrangements/board-committees/audit-and-risk-assurance-committee-arac/>