

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

Date of last meeting/Dyddiad y cyfarfod diwethaf: 14 April 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 Limited Assurance rating and findings of the **Operational Governance Arrangements Internal Audit** report. This audit had reviewed the governance arrangements in place to support the Clinical Care Group (CCG) model implemented in April 2025. It had found that the arrangements are well designed and have been adopted by all CCGs; however, application is inconsistent and not operating as intended. The reporting and escalation system does not allow sufficient flexibility around operational pressures. Meeting administration was found to be onerous, with it suggested that insufficient resources are assigned at CCG level. There is inconsistent record-keeping and a lack of transparency regarding discussion, coverage and resulting actions. Items for escalation were not clearly identified. Duplication of reporting between operational governance and internal escalation is identified, whilst links between the two are not clear.

The audit findings will assist in finalising and implementing a different model through May 2026. CCGs will need to consider their own business function and structure. This will be necessary to ensure both capacity within their teams to deliver on requirements; and the oversight, grip and control locally on issues which are regularly flagged as concerns.

The Committee requested that a progress update be provided to a future meeting.

- In relation to the Limited Assurance rating and findings of the **Internal Escalation: Level 3 and 4 Functions Internal Audit** report. This audit had reviewed the Health Board's 'Our Improving Together Framework', designed to drive performance improvement across the organisation within seven key domains. Whilst the internal escalation process is generally well designed, the audit found that it is not operating as intended or resulting in the desired performance improvement. The audit identified issues with identification and documentation of actions. There was little evidence of monitoring of escalation levels and the escalation route for domains assessed as Alert was not clear. There was also a significant volume of overdue and undated actions.

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.

A number of issues have already been addressed, such as actions tracking. The remaining issues will be addressed by means of the revised process being put in place, which will also need to be embedded and aligned with the new operational ways of working due to be discussed at the upcoming Board Seminar.. With so many CCGs in Level 3, and given that the escalation framework will not be changing significantly, it was suggested that a basic assessment is required across the organisation around capacity, competency and complexity.

In addition, the organisation needs to determine what Level 4 escalation looks like and the consequences for a CCG or function of being placed into Level 4 escalation. There is also a need for much greater transparency around the core challenges and issues driving the Health Board's performance, in terms of finance, quality and safety, to facilitate proper Board oversight.

The Committee requested that a progress update be provided to a future meeting.

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

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

- With regard to the **Escalation Status Update**, whilst assured by the processes in place, the Committee expressed concerns around the organisation's capacity to deliver against both the Annual Plan and de-escalation requirements. It was recognised that the basis for escalating the Health Board in the first instance had been concerns in relation to financial position, planning and Urgent and Emergency Care, all of which remain challenging and requiring improvement. There are also concerns, however, around whether the organisation has the capability and capacity to deliver the plan in totality, particularly given the impact on staff of further demands and savings.
- In relation to the **Audit Wales Review of the Management of Outpatients** and associated management response, given concerns around its findings. The review had found that the Health Board has significantly reduced the number of patients waiting over 52 weeks for a first patient appointment. However, the focus on first outpatient appointments has affected its ability to reduce the number of patients experiencing delayed follow-up outpatient appointments. Whilst the Health Board has a good understanding of the barriers to improving outpatient services and is taking steps to modernise and improve efficiency; as yet, there is no long-term plan in place to support sustainable outpatient services. Board oversight of outpatient performance is strong and operational arrangements are improving. However, the Board level reporting on patient harm from long waits needs to be strengthened. Finally, whilst validation processes are in place, they only focus on patients with very long waits. There is a need to strengthen clinical validation and improve earlier identification of potential harm.
- With regard to the Internal Audit Plan, whilst assured by delivery, the Committee noted that the **Head of Internal Audit Opinion** rating may be one of Limited Assurance.

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.*

Assure³ (to note)/Sicrhau (i nodi)

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

- In relation to the **Annual Review of Standing Orders and Standing Financial Instructions**, with the revised version of HDdUHB's Standing Orders and Standing Financial Instructions recommended for Board approval.
- That it received and approved the **Audit Wales Audit Plan 2026/27**.
- Regarding progress made in respect of recommendations from the **Structured Assessments 2024 and 2025**.
- That it received and approved the **Internal Audit Plan, Mandate and Charter for 2026/27**.
- With regard to delivery of the **Internal Audit Plan for 2025/26** and the following **Internal Audit** reports:
 - Estates Assurance – Space Utilisation (Advisory)
 - Human Tissue Authority Follow-up (Review)
- In relation to the **Clinical Audit Update Report**, noting performance improvements; increased engagement and participation; escalation processes; continued shared learning; and the revised approach, to strengthen alignment with organisational risk.
- That following discussion and scrutiny of the various elements of the **Financial Assurance Report**, the Committee:
 - Took assurance around actions to control staff overpayments
 - Took assurance around actions to improve Purchase to Pay (P2P) compliance, Manage Single Tender Actions (STAs) and Update Schemes of Delegation as appropriate
 - Discussed and approved losses in excess of £5,000
 - Scrutinised the award of contracts
 - Discussed the breaches of Standing Financial Instructions (SFIs), which related to the use of retrospective purchase orders. Whilst all had been captured, escalated and re-education provided, it was agreed that the Chair of ARAC would discuss this topic with the Chief Executive
 - Approved Capital Scheme of Delegation amendments
 - Noted the recognition payment the Health Board has made to eligible Health Care Support Workers and submission to Welsh Government for its approval as a special payment
- That the Committee received and considered the **Counter Fraud Annual Report 2025/26**; received and approved the **Counter Fraud Work Plan 2026/27**; and received and considered the draft **NHS Counter Fraud Authority Draft self-review tool (SRT) Return** report, prior to submission to the Counter Fraud Authority.

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

- Regarding the **Risk Assurance Report** and 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. Concerns were expressed, however, around Community and Integrated Medicine in particular, and it was requested that representatives from this CCG be invited to a future meeting to provide an update on risks and audits.
- In relation to the **Post Payment Verification (PPV) Annual Report 2025/26** and the **Primary Care Post PPV Report**.

Review of Risks/Adolygiad o Risgiau

Discussed during Risk Assurance Report item.

Sharing of learning/Rhannu dysgu

- Not applicable

Recommendation/Argymhelliad

The Board is asked to:

- **Approve** the revised version of HDdUHB's Standing Orders and Standing Financial Instructions
- **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: 7 May and 23 June 2026

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

Date of last meeting/Dyddiad y cyfarfod diwethaf: 7 May 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 had no matters of which to **alert** the Board.

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

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

- With regard to the **Sickness Management Follow-up (Review) Internal Audit report**. Whilst assured regarding implementation of the actions outlined within the audit recommendations, the Committee expressed concerns around compliance with sickness management processes. These centred on the need for managerial responsibility and accountability for their staff and the associated processes, to ensure that these are undertaken and recorded in the required manner. It was suggested that oversight by other committees might be more appropriate, ongoing compliance needing to be the focus. Further, that consideration should be given to auditing compliance with processes, rather than the processes themselves.
- In relation to the **Major Infrastructure Investment Programme (Reasonable Assurance) Internal Audit report**. Whilst assured regarding implementation of the actions outlined within the audit recommendations, the Committee expressed concerns around cost controls, clarity regarding use of consultancy and professional services contracts and adherence to procurement processes within capital estates projects. It was agreed that this issue would be revisited at a future meeting.

Assure³ (to note)/**Sicrhau** (i nodi)

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

- In relation to the **Audit Wales Update**.

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.

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.

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

- With regard to the **Audit Wales Digital Transformation Review and Management Response**, noting the positive findings and progress made in this area.
- With regard to delivery of the **Internal Audit Plan for 2025/26** and the following **Internal Audit** reports:
 - Withybush General Hospital – Fire Precautions Works Phase 2 (Reasonable Assurance)
- That the **Draft Head of Internal Audit Opinion and Annual Report 2025/26** had not yet been issued, due to audit work yet to be finalised. The assurance rating of the Head of Internal Audit Opinion remains finely balanced.
- In relation to the **Report on the Adequacy of Arrangements for Declaring, Registering and Handling of Interests, Gifts, Hospitality, Honoraria and Sponsorship**. The Committee noted the improved Declaration of Interests compliance rate among staff in ‘high risk’ groups, and the consultation undertaken to inform the scheduled review of the Standards of Behaviour Policy.
- That subject to minor amendments (to be approved via ARAC Chair’s Action), the **Draft ARAC Annual Report 2025/26** was approved for submission to the Extraordinary Public Board meeting in June 2026, as part of year-end documentation.
- With regard to the **Assurance Report on Board Effectiveness**, the Committee took assurance from the process that has been undertaken this year to review the Board’s effectiveness, recognising that this had been discussed at the Board Seminar meeting held on 23 April 2026.
- That the Committee reviewed the response prepared in relation to the **Audit Enquiries to Those Charged with Governance and Management**, and ratified this for onward submission to Audit Wales.
- In respect of the Health Board’s response to the **Financial Grip and Control** tool developed by the NHS Wales Performance and Improvement Financial Planning and Delivery Directorate. This document is designed to provide organisations with a consolidated schedule setting out the core financial, workforce and procurement grip and control measures to safeguard financial stability during periods of significant financial pressure.
- That the Committee considered the **Draft Performance Report** and **Draft Accountability Report**, prior to their submission to Audit Wales and Welsh Government for review. The Committee also discussed the **Draft Annual Accounts for 2025/26**, which had been submitted to Audit Wales and Welsh Government on 1 May 2025. These documents will form part of the Annual Report 2025/26, which will be presented to the Board for approval in June 2026.

Review of Risks/Adolygiad o Risgiau

Not applicable

Sharing of learning/Rhannu dysgu

Not applicable

Recommendation/Argymhelliad

The Board is asked 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: 23 June 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/>