

## AUDIT, RISK & ASSURANCE COMMITTEE

**CONFIRMED**

### MINUTES OF THE MEETING HELD ON TUESDAY 8 SEPTEMBER 2020 VIA MICROSOFT TEAMS MEETING

**Present:**

Tony Thomas	Independent Member – Finance (Committee Chair)
Mark Taylor	Independent Member – Capital and Estates
Ian Phillips	Independent Member – ICT
Mel Davies	Independent Member – Vice Chair

**In Attendance:**

Pete Hopgood	Director of Finance, Information and IT
Sarah Pritchard	Head of Financial Services
Helen Higgs	Head of Internal Audit
Rani Mallison	Board Secretary
Elaine Matthews	External Audit (Audit Wales)
Rebecca Collier	Healthcare Inspectorate Wales
Dave Thomas	External Audit (Audit Wales)
Felicity Quance	Internal Audit
Osian Lloyd	Internal Audit
Amanda Legge	Post-Payment Verification
Sue Tillman	Post-Payment Verification

**Committee Support**

Caroline Evans	Head of Risk and Assurance
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**Apologies for absence:**

Anthea Wilson	CHC
Carol Shillabeer	Chief Executive
Matthew Evans	Head of Local Counter Fraud Services

ARA/20/51	<p><b>WELCOME AND APOLOGIES</b></p> <p>The Committee Chair welcomed everyone to the meeting and confirmed that a quorum was present. Apologies for absence were noted as recorded above.</p>
ARA/20/52	<p><b>DECLARATIONS OF INTERESTS</b></p> <p>The Committee Chair INVITED Members to declare any interests in relation to the items on the Committee agenda.</p> <p>None were declared.</p>
ARA/20/53	<p><b>MINUTES FROM THE PREVIOUS MEETING FOR RATIFICATION</b></p> <p>The minutes of the meeting held on 20 July 2020 were RECEIVED and AGREED as being a true and accurate record.</p>
ARA/20/54	<p><b>MATTERS ARISING FROM PREVIOUS MEETINGS</b></p> <p>There were no matters arising from the previous meeting.</p>
ARA/20/55	<p><b>COMMITTEE ACTION LOG</b></p> <p>The Committee received the action log and the following updates were provided.</p> <p>ARA/19/68: The Serious Incident Policy was approved by the Board 25 May 2020. A list of designated Investigating Officers is being developed. The Internal Audit Plan for 2020/21 includes a review of the health board's Grievance Policy and other related policies. This review will include the list of Investigating Officers.</p> <p>ARA/19/115e: Timeliness of signing of contract documentation will be brought to a future meeting.</p> <p>ARA/19/115e: The lessons learned from the Machynlleth Hospital Primary &amp; Community Care Project will be brought to a future meeting.</p> <p>ARA/20/42: This action is complete.</p> <p>ARA/20/47: This action is complete.</p>
ARA/20/56	<p><b>APPLICATION OF SINGLE TENDER WAIVERS (STWs)</b></p> <p>Sarah Pritchard presented the STW requests made between 1 July 2020 and 31 July 2020 and signed by the Chief Executive, detailing one 'Prospective' STW as follows: -</p>

	<p>1. System Maintenance (Maintenance of Audiology System – Sole Supplier [£7,840]).</p> <p>Ian Phillips stated that it is a continual issue where the healthboard is reliant on a supplier to provide support on a specific IT system.</p> <p>Rani Mallison suggested that a summary of STWs over a period of time is presented to the next meeting, to identify trends and themes where there is a greater use of STWs in a particular area.</p> <p><b>Action: Director of Finance, Information and IT / Head of Financial Services</b></p> <p>The Committee RATIFIED the approval of the STW.</p>
<p>ARA/20/57</p>	<p><b>COVID-19: DECISION MAKING &amp; FINANCIAL GOVERNANCE – FCP #5</b></p> <p><b>a) INTERIM FCP</b></p> <p>Pete Hopgood presented the previously circulated paper that provides an updated 'FCP Interim Covid-19 Decision Making &amp; Financial Governance', highlighting the changes from the document approved on 20th July 2020.</p> <p>Pete Hopgood advised that following the publication of the WG guidance on 30th March an initial draft of the FCP was submitted for approval at Gold (version #1).</p> <p>The pace of the pandemic resulted in updated guidance and direction being published on a regular basis. To ensure the Interim FCP remains 'live' and relevant it was agreed the FCP would be updated as required.</p> <p>The health board is now on version #5 of the interim FCP.</p> <p>Ian Phillips questioned whether the revisions to the FCP suggests that we were operating at greater risk with the previous versions.</p> <p>Pete Hopgood stated that the enhancements reflect strengthening of the FCP.</p> <p>Rani Mallison stated that this will link with the Internal Audit review of COVID-19 Governance Arrangements, which provides a level of assurance to the health board.</p> <p>Tony Thomas questioned when we can expect a position statement from Welsh Government in respect of the settlement for 2021/22.</p> <p>Pete Hopgood stated that an indication of the allocation is expected later this month.</p>

The Committee APPROVED version (#5) of the Interim FCP.

ARA/20/58

**AUDIT RECOMMENDATION TRACKING:**

Caroline Evans presented the previously circulate paper that provides an overview of the current position relating to the implementation of Audit Recommendations, arising from reviews undertaken by Internal Audit and External Audit (Audit Wales).

Caroline Evans advised that based on original agreed deadlines, the overall summary position reported to Audit, Risk and Assurance Committee at 31/07/2020 in respect of overdue internal audit recommendations classified as Priority Levels 1 and 2 is: -

<b>Overdue Internal Audit Recommendations</b>						
	<b>2017/18</b>		<b>2018/19</b>		<b>2019/20</b>	<b>TOTAL OUTSTANDING</b>
	<b>Number</b>	<b>Progress since last meeting</b>	<b>Number</b>	<b>Progress since last meeting</b>	<b>Number</b>	
<b>High</b>	0	→	1	→	9	10
<b>Medium</b>	4	↓	1	↓	13	21
<b>Low</b>	4	→	0	→	7	11
<b>TOTAL</b>	<b>8</b>		<b>2</b>		<b>32</b>	<b>42</b>

Based on original agreed deadlines, the overall summary position reported to Committee at 31/07/2020 in respect of overdue external audit recommendations classified as Priority Levels 1 and 2 is: -

<b>Overdue External Audit Recommendations</b>		
	<b>Number</b>	<b>Progress since last meeting</b>
<b>2018/19</b>	7	→
<b>2019/20</b>	1	
<b>TOTAL</b>	<b>8</b>	

Key:

- ↑ - Number Increased
- ↓ - Number Decreased
- - Number stayed the same

Dave Thomas questioned why the tracker reports from 2017/18 for Internal Audit, and 2018/19 for External Audit.

Rani Mallison stated that discussions were held with Elaine Matthews to confirm that all External Audits were closed down prior to 2018/19, and that Audit Wales was content with the recommendations that were carried forward into the tracker.

	<p>Mark Taylor questioned the revised implementation date of 31<sup>st</sup> August 2020 on page 2 of Appendix 1. Rani Mallison stated that this will be followed up outside of the meeting.</p> <p>Rani Mallison stated that previously the health board took a blanket approach in response to COVID-19 when re-prioritising outstanding audit recommendations. Following discussions with Internal Audit in the earlier pre-meeting, and recognising the challenges that the health board is still facing due to COVID-19, we need to work with services, managers and teams to understand which actions require implementation to help to respond to COVID-19, and which actions could be de-prioritised to free up capacity. This approach will be raised with the Risk &amp; Assurance Group.</p> <p><b>Action: Board Secretary</b></p> <p>The Committee RECEIVED and NOTED the Audit Recommendation Tracking update, and APPROVED the revised deadlines for implementation outlined in Appendix 1.</p>
ARA/20/59	<p><b>LOSSES AND SPECIAL PAYMENTS ANNUAL REPORT 2019-20</b></p> <p>Pete Hopgood presented the previous circulated paper which provides the Annual Report of Losses and Special Payments for the period 1st April 2019 to 31st March 2020.</p> <p>Pete Hopgood advised that losses and special payments are items that the Welsh Government would not have contemplated when they passed legislation or agreed funds for the NHS; such payments would also include any ex gratia payments made by the THB. By their nature they are items which should be avoidable and should not arise. They are subject therefore to special control procedures and are included within a separate note in the THB's annual accounts.</p> <p>Mel Davies asked if we know our position against other health boards, stating it is difficult to understand the health board's position without a benchmark.</p> <p>Pete Hopgood stated that we could look at previous reports in addition to other health boards to provide a benchmark and measure our position against that benchmark.</p> <p><b>Action: Director of Finance</b></p> <p>Rani Mallison stated that the report only shows part of the position. The Experience, Quality and Safety Committee receives information on claims, Putting Things Right, Personal Injury. Going forward we could provide this information to present a more rounded report. Ian Phillips welcomed Rani's comments.</p> <p><b>Action: Director of Finance</b></p>

	The Committee NOTED the Annual Report on Losses and Special payments covering the period 1st April 2019 to 31st March 2020.												
ARA/20/60	<p><b>INTERNAL AUDIT UPDATE</b></p> <p>Helen Higgs presented the previously circulated report which provides progress with the 2020/21 Internal Audit Plan as recorded at September 2020.</p> <p>Helen Higgs advised that progress against the Plan is as follows:</p> <table border="1" data-bbox="456 528 1430 770"> <tr> <td>Number of audits finalised</td> <td>3</td> </tr> <tr> <td>Number of audits issued at draft</td> <td>1</td> </tr> <tr> <td>Number of audits in progress</td> <td>8</td> </tr> <tr> <td>Number of audits not started</td> <td>10</td> </tr> <tr> <td>Year-end reporting</td> <td>2</td> </tr> <tr> <td><b>Total number of audits in 2020/21 plan</b></td> <td><b>24</b></td> </tr> </table> <p>The Committee RECEIVED and NOTED the Internal Audit Update.</p>	Number of audits finalised	3	Number of audits issued at draft	1	Number of audits in progress	8	Number of audits not started	10	Year-end reporting	2	<b>Total number of audits in 2020/21 plan</b>	<b>24</b>
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ARA/20/61	<p><b>INTERNAL AUDIT REPORTS, 2020-21:</b></p> <p><b>a) COVID-19 Governance Arrangements – Advisory</b></p> <p>This rapid advisory review was requested by the All Wales Finance Directors Group to assess the adjusted financial and overall governance arrangements that were put in place to enable Powys Teaching Health Board ('the health board') to maintain appropriate governance whilst enabling its senior leadership team to respond to the rapidly developing emergency.</p> <p>The Chair stated it is a comprehensive report which is generally very positive.</p> <p>Pete Hopgood stated that in terms of the key priority learning areas identified, most of those actions have been taken forward by the respective areas.</p> <p>Rani Mallison stated that the health board is in the process of preparing it's quarter 3 / 4 plan, and the key areas of learning will be included within the plan. It will be helpful to bring to the next Committee a summary of those key learning areas and to continue to monitor progress of the health board's response to them.</p> <p><b>Action: Board Secretary</b></p> <p>Mel Davies stated that some of those key learning areas will be presented through the Experience, Quality and Safety Committee.</p> <p>Rani Mallison stated this piece of work was merely a desktop exercise and thanked Internal Audit.</p> <p>Pete Hopgood stated that it was a really helpful exercise.</p> <p>Helen Higgs thanked the health board for its staff engagement.</p>												

	<p>Helen Higgs stated that whilst the audit plan has been reduced for this year, the governance review covers a significant number of areas.</p> <p><b>b) Environmental Sustainability Reporting – Not Rated</b></p> <p>Osian Lloyd presented the findings of the review, which sought to provide assurance that operational procedure is compliant with Welsh Government minimum reporting requirements. HM Treasury released a document: 'Public Sector Annual Reports: Sustainability Reporting Guidance 2019-20', which stipulates the importance of all organisations possessing relevant audit or scrutiny arrangements, to ensure that the correct procedures are in place to produce robust data on performance.</p> <p>The report identified one medium priority level recommendation.</p> <p>The Committee RECEIVED and NOTED the update.</p>																		
ARA/20/62	<p><b>COUNTER FRAUD UPDATE</b></p> <p>Pete Hopgood presented the previously circulated report, which provides an update on key areas of work undertaken by the Health Board Local Counter Fraud Specialists since the last meeting. Pete Hopgood advised that Counter Fraud resource was utilised in line with the four Strategic Areas aligned to NHS Counter Fraud Standards as presented below: -</p> <table border="1" data-bbox="443 1099 1430 1556"> <thead> <tr> <th>Strategic Area</th> <th>Resource Allocated</th> <th>Resource Used</th> </tr> </thead> <tbody> <tr> <td>Strategic Governance</td> <td>25</td> <td>3.5</td> </tr> <tr> <td>Inform and Involve</td> <td>40</td> <td>4.5</td> </tr> <tr> <td>Prevent and Deter</td> <td>57</td> <td>5</td> </tr> <tr> <td>Hold to Account</td> <td>106</td> <td>9</td> </tr> <tr> <td><b>TOTAL</b></td> <td><b>228</b></td> <td><b>22</b></td> </tr> </tbody> </table> <p>The Committee Chair stated that this area of work has improved substantially over the last couple of years.</p> <p>Mark Taylor stated that the update provided in Appendix 2 is helpful as it provides a much more succinct position in terms of open cases, and extended his thanks to Matthew Evans for this.</p> <p>Mel Davies agreed that it is a positive report.</p> <p>The Committee RECEIVED and NOTED the update.</p>	Strategic Area	Resource Allocated	Resource Used	Strategic Governance	25	3.5	Inform and Involve	40	4.5	Prevent and Deter	57	5	Hold to Account	106	9	<b>TOTAL</b>	<b>228</b>	<b>22</b>
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ARA/20/63	<p><b>EXTERNAL AUDIT UPDATE</b></p> <p>Elaine Matthews presented the previously circulated report, which provides the an update on current and planned Audit Wales work.</p>																		

Accounts and performance audit work are considered, and information is also provided on the Auditor General's wider programme of national value-for-money examinations and the work of our Good Practice Exchange (GPX).  
Elaine Matthews advised on the following audit work that is currently underway: -

Topic and relevant Executive Lead	Focus of the work
Structured Assessment 2020 Executive Lead – Chief Executive	Our annual structured assessment is one of the main ways in which the AGW discharges his statutory requirement to examine the arrangements NHS bodies have in place to secure efficiency, effectiveness and economy in the use of their resources. In the context of Covid-19, this work will examine governance arrangements, managing financial resources and operational planning.
Orthopaedic services – follow up Executive Lead – Medical Director	This review will examine the progress made in response to our 2015 recommendations. The findings from this work will inform the recovery planning discussions that are starting to take place locally and help identify where there are opportunities to do things differently as the service looks to tackle the significant elective backlog challenges.
Review of WHSSC Executive Lead – Chief Executive Officer	This work will use aspects of our structured assessment methodology to examine the governance arrangements of WHSSC. Our findings will be summarised into a single national report.
Test, Track and Protect Executive Lead – Director of Public Health	In response to the Covid-19 pandemic, this work will take the form of an overview of the whole system governance arrangements for Test, Track and Protect, and of the Local Covid-19 Prevention and Response Plans for each part of Wales.

Dave Thomas stated that Grant Thornton has one piece of work to complete in respect of funds held on trust which will be completed in the Autumn. After this period, all audit work will be undertaken by Audit Wales.

Elaine Matthews advised that the Structured Assessment work is progressing, and that the collaborative work with Internal Audit went well. Some interviews were undertaken jointly, and this has helped to inform the findings of the review.

Dave Thomas stated that this approach mirrors what has been undertaken across the whole of Wales, to provide the Committee with assurance that this work is fully joined up.

The Committee RECEIVED and NOTED the External Audit Update.

ARA/20/64

**POST PAYMENT VERIFICATION ANNUAL REPORT 2019/20**

Amanda Legge presented the previously circulated report, which provides a summary of PPV work undertaken in 2019/20.

Amanda Legge advised that PPV work was stood down due to COVID-19, but that this work is to be reinstated on 1<sup>st</sup> October 2020.



	<p>Rani Mallison stated that it would be helpful for PPV to attend a pre-meeting of the Committee, to provide a broader understanding of the purpose of the PPV service, and to advise how they can give assurance to the Committee of an anti-fraud culture.          Ian Phillips agreed that this would be really helpful.  <b>Action: Director of Finance / Board Secretary</b></p> <p>The Committee RECEIVED and NOTED the Post Payment Verification Annual Report 2019-20.</p>			
<p>ARA/20/65</p>	<p><b>EXTERNAL AUDIT REPORTS:</b></p> <p><b>a) Effectiveness of Counter-Fraud Arrangements, PTHB &amp; Management Response</b></p> <p>Elaine Matthews presented the previously circulated report, which provides detail of the review undertaken of Counter-Fraud Arrangements in the Welsh Public Sector: An Overview for the Public Accounts Committee.          Elaine Matthews advised that three areas for improvement were identified within the review:</p> <table border="1" data-bbox="375 936 1484 1236"> <tr> <td data-bbox="375 936 1484 1003"> <p><b>Counter-fraud training</b>            I1 Implement mandatory counter-fraud training for some or all staff groups.</p> </td> </tr> <tr> <td data-bbox="375 1003 1484 1137"> <p><b>Counter-fraud staff capacity</b>            I2 Consider the Local Counter-Fraud Specialist capacity required to resource required levels of proactive and investigative work, including staff training, and build in resilience to the team.</p> </td> </tr> <tr> <td data-bbox="375 1137 1484 1236"> <p><b>Recording and monitoring of economic fraud risk</b>            I3 Implement consistency in the recording and monitoring of economic fraud risk in line with the Health Board’s risk management policy and strategy.</p> </td> </tr> </table> <p>Mark Taylor questioned whether it was recommended that the health board should employ more staff.          Dave Thomas stated that it should be kept under review, and that Powys is reasonably well-staffed at the moment.</p> <p>Pete Hopgood stated there is a typo in the Management Response for recommendation I2, which reads that the health board does not accept the recommendation. Pete advised this is incorrect, and the health board does accept this recommendation.</p> <p>Rani Mallison stated that the recommendations and management responses will feed into the Audit Recommendation Tracker.</p> <p><b>b) ‘Raising Our Game’ Tackling Fraud in Wales Report of the Auditor General Wales</b></p> <p>Dave Thomas presented the previously circulated report, which provides detail of the review that focused on ‘Ensuring that the arrangements for preventing and detecting fraud in the Welsh public sector are effective’. The report examines seven ‘key themes’ that all</p>	<p><b>Counter-fraud training</b>            I1 Implement mandatory counter-fraud training for some or all staff groups.</p>	<p><b>Counter-fraud staff capacity</b>            I2 Consider the Local Counter-Fraud Specialist capacity required to resource required levels of proactive and investigative work, including staff training, and build in resilience to the team.</p>	<p><b>Recording and monitoring of economic fraud risk</b>            I3 Implement consistency in the recording and monitoring of economic fraud risk in line with the Health Board’s risk management policy and strategy.</p>
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	<p>public bodies need to focus on in raising their game to tackle fraud more effectively:</p> <ul style="list-style-type: none"> <li>• leadership and culture;</li> <li>• risk management and control frameworks;</li> <li>• policies and training;</li> <li>• capacity and expertise;</li> <li>• tools and data;</li> <li>• collaboration; and</li> <li>• reporting and scrutiny.</li> </ul> <p>Dave Thomas advised that the report includes a total of 15 recommendations for improvement which are addressed to all public bodies in Wales within the Auditor General’s remit.</p> <p>The Committee RECEIVED and NOTED the External Audit Reports.</p>
ARA/20/66	<p><b>FRAUD THREATS TO THE NHS FROM COVID-19</b></p> <p>Pete Hopgood presented the previously circulated report, which states that the impact of COVID-19 on fraud within the NHS has already been highlighted in the NHSCFAs <i>Intelligence Report: Fraud threats to the NHS from COVID-19 April 2020 and multiple other previous updates</i>. However, the landscape of fraud changes so rapidly that additional updates have been quickly commissioned to highlight further emerging threats, vulnerabilities and enablers of fraud.</p> <p>Pete Hopgood advised that:</p> <ul style="list-style-type: none"> <li>• £1.21 Billion of the NHS budget was lost to fraud last year</li> <li>• 12,964,809 cases of COVID-19 globally</li> <li>• £342 Billion public sector funding increase in response to COVID-19</li> </ul> <p>Rani Mallison stated that herself and Pete Hopgood discussed this with Len Cozens prior to him leaving post as Head of Local Counter Fraud Services. It was agreed to bring any fraud alerts to the attention of the Committee.</p> <p>Ian Phillips stated that it is helpful to be sighted on this.</p> <p>The Committee RECEIVED and NOTED the report.</p>
ARA/20/67	<p><b>COMMITTEE WORK PROGRAMME 2020-21</b></p> <p>Rani Mallison advised that the work programme has been developed in-line with respective terms of reference, the Board’s Assurance Framework and Corporate Risk Register. The work programme will be reviewed routinely at each meeting.</p> <p>The Committee RECEIVED and NOTED the Committee Work Programme.</p>
ARA/20/68	<p><b>ITEMS TO BE BROUGHT TO THE ATTENTION OF THE BOARD AND OTHER COMMITTEES</b></p> <ul style="list-style-type: none"> <li>• COVID-19 Governance Review</li> </ul>

ARA/20/69	<p><b>ANY OTHER URGENT BUSINESS</b></p> <p>There was no other urgent business for discussion, and the Chair declared the meeting closed at 11.32 am.</p>
ARA/20/70	<p><b>DATE OF NEXT MEETING</b></p> <p>03 November 2020, 1:30 pm, Microsoft Teams</p>