

## AUDIT, RISK & ASSURANCE COMMITTEE

**CONFIRMED**

### MINUTES OF THE MEETING HELD ON THURSDAY 29 APRIL 2021 VIA MICROSOFT TEAMS MEETING

**Present:**

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

**In Attendance:**

Rani Mallison	Board Secretary
Pete Hopgood	Director of Finance and IT
Helen Higgs	Head of Internal Audit
Osian Lloyd	Internal Audit
Sarah Pritchard	Head of Financial Services
Alison Butler	Audit Wales
Felicity Quance	Internal Audit

**Observers:**

Rhobert Lewis	Independent Member
Ronnie Alexander	Independent Member

**Committee Support:**

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

Matthew Dorrance	Independent Member – Local Authority
Carol Shillabeer	Chief Executive

ARA/21/1	<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/21/2	<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/21/3	<p><b>MINUTES FROM THE PREVIOUS MEETING FOR RATIFICATION</b></p> <p>The minutes of the meeting held on 9 March 2021 were RECEIVED and AGREED as being a true and accurate record.</p>
ARA/21/4	<p><b>MATTERS ARISING FROM PREVIOUS MEETINGS</b></p> <p>There were no matters arising from the previous meeting.</p>
ARA/21/5	<p><b>COMMITTEE ACTION LOG</b></p> <p>The Committee received the action log and the following updates were provided.</p> <p>ARA/20/100: The health board is writing to the two agencies concerned, requesting confirmation that they have the appropriate arrangements in place. Further action will be taken if the agencies fail to respond, and the committee will be updated accordingly.</p> <p>ARA/19/115e: This action has been identified as priority level 3 for implementation and will continue to be tracked via the audit recommendations process.</p> <p>ARA/20/64: To be arranged for 2021-22.</p> <p>ARA/20/116: Action complete.</p> <p>ARA/20/117: Action complete.</p>
ARA/21/6	<p><b>ANNUAL REPORT 2020-21 (DRAFT)</b></p> <p><b>a) SECTION 2: ANNUAL ACCOUNTABILITY REPORT</b></p> <p>Rani Mallison presented the previously circulated paper, which provides the Draft Annual Accountability Report for 2020-21, ahead of its submission to Welsh Government alongside the draft Financial Statements 2020-21. Rani Mallison advised that the purpose of this Accountability Report element of the Annual Report and Accounts is to meet key accountability requirements set by Parliament. The draft Annual Accountability Report 2020-21 is due for submission to Welsh Government by Friday 7 May 2021 and is shared with the Audit, Risk and Assurance Committee for comment.</p>

The final draft will be submitted for the Committee's consideration at its meeting on 8 June 2021, ahead of presentation to Board for adoption on 10 June 2021.

**b) SECTION 3: FINANCIAL STATEMENTS**

Pete Hopgood presented the previously circulated paper, which provides an overview of the Draft Annual Accounts 2020/21 (as at 12 noon on Wednesday 28 April) and explained that the draft and may be subject to further minor changes prior to formal submission to Welsh Government on 30 April.

Pete Hopgood advised that the health board, subject to audit, had achieved its statutory duty and key financial performance target to deliver a breakeven position in relation to the revenue and capital resource limits RRL and CRL).

The health board had missed the administrative target to pay 95% of non NHS invoices within 30 days.

The health board has a statutory duty to ensure that its expenditure does not exceed the funding as allocated (Revenue Resource Limit – RRL) over a 3 year rolling basis. Subject to Audit, the health board has achieved this requirement in 2020/21.

The table below outlines the health board's net expenditure for 2020-21.

**Accounts Extract Statement of Comprehensive Net Expenditure (SOCNE) P. 2:**

	Note	2020-21 £'000	2019-20 £'000
Expenditure on Primary Healthcare Services	3.1	72,405	72,773
Expenditure on healthcare from other providers	3.2	175,974	157,686
Expenditure on Hospital and Community Health Services	3.3	121,014	109,381
		<b>369,393</b>	339,840
Less: Miscellaneous Income	4	(12,879)	(15,328)
<b>LHB net operating costs before interest and other gains and losses</b>		<b>356,514</b>	324,512
Investment Revenue	5	0	0
Other (Gains) / Losses	6	0	0
Finance costs	7	(30)	19
<b>Net operating costs for the financial year</b>		<b>356,484</b>	<b>324,531</b>

The Committee Chair congratulated the finance team on a comprehensive report and for closing the accounts within deadlines and delivering a position as forecast throughout the year, especially considering the difficult times. Pete Hopgood extended this thanks to the whole organisation as a team effort in delivering the financial position for the Health Board and acknowledged the work of Sam Moss, Sarah Pritchard and the wider finance team.

	<p>Mark Taylor asked what budgetary / planning consequence will fallout from the WHSSC increase &gt;£4m (in 20/21).</p> <p>Pete Hopgood advised that this was included in the financial plan assumptions for 2020/21. The plan for 21/22 includes the assumption that the WHSSC agreement will be in line with and as agreed by the WHSSC Joint Committee. Any in year variation is managed in line with overall risks and opportunities and as reported to Board.</p> <p>Pete Hopgood advised that the Committee is asked to note the draft accounts ahead of submission to Welsh Government by 30 April 2021. Audit of the accounts, which has already begun, will continue ahead of presentation of the final accounts to the Committee next month for approval, before presentation to Board.</p> <p>The Committee RECEIVED and NOTED sections 2 and 3 of the Draft Annual Report 2020-21, ahead of submission to Welsh Government.</p>
ARA/21/7	<p><b>COVID-19 FINANCIAL CONTROL PROCEDURE</b></p> <p>Pete Hopgood presented the previously circulated paper, which provides the committee with the latest iteration / updated 'FCP Covid-19 Decision Making &amp; Financial Governance', highlighting the changes from the previous approved version.</p> <p>Pete Hopgood advised that this is the latest version of the Covid Financial Control Procedure and has been updated to reflect the latest governance and decision making arrangements in relation to the ongoing Covid 19 Pandemic response.</p> <p>Ian Phillips questioned the controls behind advanced payments, and whether we are treating trusted suppliers differently to new suppliers.</p> <p>Pete Hopgood advised this is a national approach considering ways to improve our payment processes to ensure timeliness whilst maintain strong controls. It is a robust process with levels of scrutiny, and the health board is complying with this national arrangement.</p> <p>The Committee APPROVED the current version (#6) of the FCP.</p>
ARA/21/8	<p><b>AUDIT RECOMMENDATION TRACKING</b></p> <p>Caroline Evans presented the previously circulated report which provides an overview of outstanding audit recommendations, and the re-prioritisation for implementation of these audit recommendations during the COVID-19 pandemic.</p> <p>Caroline Evans advised that future updates on progress of the re-prioritised recommendations will be presented to the Audit, Risk and Assurance Committee on the basis outlined in the re-prioritised approach, as follows: -</p>

Priority level 1	<ul style="list-style-type: none"> <li>Action(s) within the Q3/4 Winter Protection Plan are dependent on implementation of this recommendation</li> <li>Delivery of the Board's agreed Strategic Priorities are dependent on implementation of this recommendation</li> <li>High risk to patient or staff safety / wellbeing identified</li> <li>Prioritised Compliance with legal requirement / statutory duty identified</li> </ul>	All outstanding recommendations to be implemented by 31 <sup>st</sup> March 2021, except for recommendations with original agreed deadlines that exceed this date.
Priority level 2	<ul style="list-style-type: none"> <li>Action(s) within the Q3/4 Winter Protection are not supported by implementation of this recommendation</li> <li>Low risk to patient or staff safety / wellbeing identified</li> <li>Compliance with legal requirement / statutory duty identified</li> </ul>	All outstanding recommendations to be implemented during quarters 1 and 2, and by 30 <sup>th</sup> September 2021, with the exception of recommendations with original agreed deadlines that exceed this date.
Priority level 3	<ul style="list-style-type: none"> <li>Action(s) within the Q3/4 Winter Protection are not supported by implementation of this recommendation</li> <li>No risk to patient or staff safety / wellbeing identified</li> <li>No legal / compliance issues identified</li> </ul>	All outstanding recommendations to be implemented during quarters 2 and 3, and by 31 <sup>st</sup> December 2021, with the exception of recommendations with original agreed deadlines that exceed this date.

Based on the re-prioritised approach, the overall summary position in respect of overdue audit recommendations is: -

Overdue Internal Audit Recommendations					
	2017/18	2018/19	2019/20	2020/21	TOTAL OUTSTANDING
	Number	Number	Number	Number	Number
<b>Priority 1</b>	0	0	0	6	6
<b>Priority 2</b>	5	2	19	3	29
<b>Priority 3</b>	1	0	20	1	22
<b>Not Yet Prioritised</b>	0	0	1	5	6
<b>TOTAL</b>	<b>6</b>	<b>2</b>	<b>40</b>	<b>15</b>	<b>63</b>

Overdue External Audit Recommendations				
	2018/19	2019/20	2020/21	TOTAL OUTSTANDING
	Number	Number	Number	Number
<b>Priority 1</b>	0	0	0	0
<b>Priority 2</b>	2	1	4	7
<b>Priority 3</b>	1	1	2	4
<b>Not Yet Prioritised</b>	0	0	6	6
<b>TOTAL</b>	<b>3</b>	<b>2</b>	<b>12</b>	<b>17</b>

Ian Phillips requested that the Committee is able to see more detail in the appendices.

**Action: Board Secretary**

	<p>Mark Taylor stated that the lack of progress around fire safety is a concern.</p> <p>Rani Mallison advised that this has been escalated to the chief executive, and that daily discussions are ongoing to resolve site management responsibilities, which will enable us to progress the recommendations. Rani Mallison suggested that a specific update on fire safety is presented to the next Committee.</p> <p><b>Action: Director of Workforce &amp; OD</b></p> <p>The Committee RECEIVED and NOTED the Audit Recommendation Tracking update.</p>
ARA/21/9	<p><b>HEAD OF INTERNAL AUDIT OPINION 2020-21</b></p> <p>Helen Higgs presented the previously circulated report which sets out the Head of Internal Audit Opinion together with the summarised results of the internal audit work performed during the year. The report also includes a summary of audit performance and an assessment of conformance with the Public Sector Internal Audit Standards.</p> <p>As a result of the continued impact of COVID-19 our audit programme has been subject to significant change during the year. In this report we have set out how the programme has changed and the impact of those changes on the Head of Internal Audit opinion.</p> <p>Helen Higgs advised that 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 with low to moderate impact on residual risk exposure until resolved.</p> <p>The Committee Chair thanked Helen and Osian for all of their hard work, informing the Committee that this is their last meeting as they will be moving to Swansea Bay University Health Board.</p> <p>Helen Higgs thanked health board colleagues for their continued engagement throughout all of the audit work.</p> <p>The Committee RECEIVED and NOTED the Head of Internal Audit Opinion 2020-21.</p>
ARA/21/10	<p><b>INTERNAL AUDIT REPORTS, 2020-21:</b></p> <p><b><u>SUBSTANTIAL ASSURANCE</u></b></p> <p><b>a) FREEDOM OF INFORMATION FOLLOW-UP</b></p> <p>Osian Lloyd presented the previously circulated report, and advised that the purpose of this follow up review was to assess whether the health board has implemented the Internal Audit recommendations made following our review of FoI in 2019/20.</p> <p>The scope of this follow-up review does not provide assurance against the full review scope and objectives of the original audit. The 'follow-up review opinion' provides an assurance level against the implementation of the agreed action plan only.</p>

Helen Higgs advised that the review did not identify any further recommendations for implementation.

### **REASONABLE ASSURANCE**

#### **b) PROGRESS AGAINST REGIONAL PLANS**

Osian Lloyd presented the previously circulated report, and advised that the overall objective of this review was to carry out an assessment of the health board's engagement with and contribution to progressing the South Wales Programme (SWP), including the development of the Grange University Hospital as a Specialist Centre for Critical Care (SCCC). Helen Higgs advised that the review identified two medium priority recommendations.

#### **c) GRIEVANCE PROCESS**

Osian Lloyd presented the previously circulated report, and advised that the objective of the review was to assess the adequacy of the arrangements in place for the management of the grievance process. We have considered the length of time to resolve, including appointing independent managers where required, tracking and communicating progress and whether the health board is doing all that it can to avoid delays.

Helen Higgs advised that the review identified one medium priority recommendation.

Mark Taylor stated that the review is process driven, and questioned whether there is any feedback in respect of culture.

Rani Mallison stated that culture will be a key focus for the Board over the coming months.

#### **d) FOLLOW UP REVIEW OF 2019/20 'NO' AND 'LIMITED' ASSURANCE REPORTS**

Helen Higgs presented the previously circulated report, and advised that they tested a sample of recommendations, focusing on those rated high and medium priority and recorded as being implemented, to provide assurance on progress with implementation. Reliance is placed on the health board's monitoring mechanisms, principally the Audit Recommendations Tracker, to scrutinise implementation of the remaining recommendations raised within these reviews, in particular any that are overdue.

Helen Higgs advised that the review did not identify any further recommendations for implementation.

Mark Taylor stated that the Deprivation of Liberty Safeguards (DoLS) report is informative, but stressed that we need to follow up the impact over time of the transition to Liberty Protection Safeguards, which will replace DoLS.

Rani Mallison stated that an oversight group has been established, and an update from the group can be requested to be presented to the Performance and Resources Committee.

**Action: Director of Nursing & Midwifery**

	<p>The Committee RECEIVED and NOTED the update.</p>
ARA/21/11	<p><b>DRAFT ANNUAL GOVERNANCE PROGRAMME 2021/22</b>  Rani Mallison presented the previously circulated report, which presents present the draft Annual Governance Programme for 2021/22. The Annual Governance Programme outlines key governance priorities, informed by internal audit, external audit and the board’s review of its effectiveness. Rani Mallison advised that the Annual Governance Programme includes detailed actions for implementation. These actions are to be led by the Board Secretary and will, in part, be delivered in partnership with relevant members of the Board. Progress will be reported to the Audit, Risk &amp; Assurance Committee, in-line with the Committee’s role in assuring the Board on governance, risk and assurance arrangements.</p> <p>The Committee RECEIVED and APPROVED the Draft Annual Governance Programme.</p>
ARA/21/12	<p><b>DRAFT COMMITTEE WORK PROGRAMME 2021/22</b>  Rani Mallison presented the previously circulated report, which provides the Committee with its draft work programme for 2020-21, ahead of presentation to the Board for approval. 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 APPROVED the Draft Committee Work Programme 2021/22.</p>
ARA/21/13	<p><b>IM&amp;T CONTROL AND RISK ASSESSMENT AUDIT REPORT</b>  Helen Higgs presented the previously circulated report. The objective of the audit was to establish the processes and mechanisms in place for management of IG/ICT within the organisation. The review sought to provide a baseline picture of the organisation’s status and provides suggestions for areas of improvement or future development.</p> <p>Helen Higgs advised that as this is a baseline review they have not allocated an assurance rating. Observations and recommendations have been provided to facilitate change and improvement, and to focus audit work in the future.</p> <p>Ian Phillips advised that he has received clarity of the processes that are in place.</p> <p>The Committee RECEIVED and NOTED the Audit Report.</p>
ARA/21/14	<p><b>PROCURING WELL-BEING IN WALES REVIEW</b>  Pete Hopgood presented the previously circulated report. Working in partnership with Cardiff University, research was undertaken to establish the extent to which the Well-Being of Future Generations Act has been</p>



	<p>informing commissioning and procurement decisions across all 44 public bodies in Wales since 2016 (when the Act came into force).</p> <p>Pete Hopgood advised that evidence gathered in the research and Review phases (for the nine public bodies subject to the Review) included exploration of issues around leadership, embedding the Act, the impact of the Future Generations Report (May 2020) and the impact of Covid-19.</p> <p>The Committee RECEIVED and NOTED the Review.</p>
ARA/21/15	<p><b>ITEMS TO BE BROUGHT TO THE ATTENTION OF THE BOARD AND OTHER COMMITTEES</b></p> <ul style="list-style-type: none"> <li>• Head of Internal Audit Opinion 2020-21</li> </ul>
ARA/21/16	<p><b>ANY OTHER URGENT BUSINESS</b></p> <p>There was no other urgent business for discussion. The Chair thanked Helen Higgs and Osian Lloyd for all of their hard work and wished them well for the future, and declared the meeting closed at 3.13 pm.</p>
ARA/21/17	<p><b>DATE OF NEXT MEETING</b></p> <p>8 June 2021, 10:00 am, Microsoft Teams</p>