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University Health Board

**CYFARFOD BWRDD IECHYD PRIFYSGOLN ANEURIN
BEVAN/ANEURIN BEVAN UNIVERSITY HEALTH BOARD
MEETING**

**MINUTES OF THE AUDIT RISK & ASSURANCE
COMMITTEE**

DATE OF MEETING	Tuesday 09 July 2024
VENUE	Microsoft Teams

PRESENT	Iwan Jones - Independent Member, Committee Chair Dafydd Vaughan - Independent Member Neil Patrick – Independent Member
IN ATTENDANCE	Nicola Prygodzicz – Chief Executive (<i>left at 10:30</i>) Rani Dash - Director of Corporate Governance Rob Holcombe - Director of Finance and Procurement Estelle Evans - Head of Financial Services & Accounting Nicola Tillings – Interim Head of Counter Fraud (<i>left at 10:05</i>) Bryony Codd – Head of Corporate Governance (<i>left at 11:00</i>) Tracy Daszkiewicz – Director of Public Health (<i>joined at 11:00 – left at 11.15</i>) Sarah Simmonds - Director of Workforce & OD (<i>left at 10:50</i>) Julie Chapelle - Assistant Director of Workforce (<i>left at 10-:50</i>) Hannah Capel – Assistant Director Strategic Capital (<i>joined at 11:00 – left at 11.15</i>) Stephen Chaney –Head of Internal Audit (<i>joined at 10:15</i>) Sara Utley – Performance Audit Lead, Audit Wales Julie Rees – Finance Audit Manager, Audit Wales Angharad Clements – Auditor, Audit Wales (<i>left at 10:35</i>) Lucy Windsor – Head of Corporate Risk and Assurance (Secretariat)
Apologies	Richard Clark– Independent Member, Committee Vice Chair

ARAC 0907/1	Preliminary Matters
ARAC 0907/1.1	Welcome and Introductions The Chair welcomed everyone to the meeting.
ARAC 0907/1.2	Apologies for Absence Apologies were noted.
ARAC 0907/1.3	Declarations of Interest There were no declarations of interest raised to record.



ARAC 0907/1.4	<p>Minutes of the previous meeting The minutes of the meeting held on the 22 May 2024 were agreed as a true and accurate record.</p>
ARAC 0907/1.5	<p>Committee Action Log The Committee reviewed the action log, noting actions completed, actions in progress, and actions not yet due.</p> <p>Rob Holcombe (RH), Director of Finance, recommended that Action ARAC 2105/3.4 Infected Blood Inquiry be completed. He noted that the action had been discussed with Audit Wales and that the accounts had already included the necessary information in respect of any costs incurred.</p> <p>The Committee AGREED that completed actions could be removed from the Action Log.</p>
ARAC 0907/1.5.1	<p>Job Planning Assurance Note Sarah Simmonds (SS), the Director of Workforce & OD, and Julie Chapelle (JC), the Assistant Director of Workforce, attended the meeting on behalf of the Medical Director. They were there to address any questions or concerns regarding the Assurance Note provided.</p> <p>The Committee raised concerns about the job planning compliance target, emphasising that the aim should be 100% compliance with exceptions. SS had stated that the national target for compliance was 85%, aligning with the PADR target designed for staff on extended periods of leave. JC had indicated that the plan going forward was to achieve the 85% goal by the end of the year. In areas where there was no long-term absence but still not 100% compliance, targeted intervention would be implemented.</p> <p>It was agreed that the Committee would receive detailed updates on progress towards full compliance.</p>
ARAC 0907/2	ITEMS FOR APPROVAL / RATIFICATION / DECISION
ARAC 0907/2.1	<p>Closing Position for Q1 2024/25 Audit Recommendations Rani Dash (RD) Director of Corporate Governance provided the Committee with an update on the audit recommendations as of 30 June 2024. RD requested approval of the closing position of the 109 recommendations outlined below:</p> <ul style="list-style-type: none"> • 42 recommendations sought revised deadlines, • 9 recommendations had been completed, • 8 recommendations remained overdue.



Concerns were raised regarding recommendations that had been repeatedly delayed and revised. The Committee requested that any recommendations requiring more than two revised deadlines should be accompanied by a detailed assurance report. RD agreed to include detailed assurance reports as an appendix in future reports for any recommendations that required an extension to the deadline, exceeding the threshold of two previous requests. In addition, would request additional information from the Executive Leads regarding the status of the eight that remained outstanding, as well as the two high priority recommendations related to the 2017 Medical Devices report and circulate to the Committee.

ACTION: Head of Corporate Risk and Assurance

The Committee **APPROVED** the closing position of the Completed recommendations. In respect of the revised deadlines the Committee **APPROVED** all requests except for the two high priority medical devices on the basis that they were high priority from 2017 and had been 4 times previous requests to the deadline. The committee sought further assurance to understand the issues encountered in closing the actions.

ARAC 0907/2.2

Audit Recommendation Tracking Procedure

Rani Dash (RD), the Director of Corporate Governance, presented the Committee with the updated Audit Recommendation Tracking Procedure. She mentioned that the procedure had been revised due to concerns regarding audits that had involved multiple directors. The Procedure had been strengthened to ensure a more rigorous end-to-end process, which included the handling of management responses and audits to ensure quality assurance and a robust sign-off process.

There was a request to add additional wording on page 6 of the procedure 'management responses' to address the prevention of future occurrences.

ACTION: Director of Corporate Governance / Head of Corporate Risk and Assurance

The Committee sought clarification on how the Health Board addressed audit points on the tracker that are beyond its scope, specifically those related to national audits such as IT. While there was an appetite to include those recommendations in the Tracker for awareness, it was agreed that a more effective approach was necessary, to avoid unnecessary monitoring. RD agreed to discuss with Internal and External Audit and for the Procedure to include a mutually agreed approach. The



	<p>Procedure would come forward to the next Committee meeting for approval of the inclusions.</p> <p>ACTION: Director of Corporate Governance</p> <p>The Committee APPROVED the Audit Recommendation Tracking Procedure in principle but would officially sign it off following the inclusion of the actions agreed.</p>
<p>ARAC 0907/2.3</p>	<p>Capital Assets and Charges FCP</p> <p>Rob Holcombe (RH), Director of Finance, informed the Committee of the changes to the Capital Assets and Charges FCP, stating that the changes were in response to internal audit recommendations.</p> <p>The process had been updated to include divisional general managers signing off on asset disposal forms, resulting in greater ownership and control over delegated assets.</p> <p>The Committee was informed that most of the audit's untracked assets had been resolved, leaving only two with a net book value of under £4k. The remaining items were identified through disposal procedures and team discussions.</p> <p>The Chair suggested that any asset sales be notified and approved by the Finance team prior to the transaction. RH would consider the request for a future iteration of the FCP.</p> <p>The Committee APPROVED changes to the Capital Assets and Charges FCP.</p>
<p>ARAC 0907/3</p>	<p>ITEMS FOR DISCUSSION</p>
<p>ARAC 0907/3.1</p>	<p>Counter Fraud Functional Standard Return Declaration</p> <p>Nicola Tillings (NT), Interim Head of Counter Fraud presented the report.</p> <p>The Committee noted the positive counter fraud performance report, which showed a successful year with good levels of recoveries. NT stated that work would continue to manage new referrals with a stronger focus on the comprehensive risk assessment process across all at-risk areas within the Health Board.</p> <p>The Committee ENDORSED the Counter Fraud Functional Standard Return Declaration</p>
<p>ARAC 0907/3.2</p>	<p>Post Payment Verification Annual Report 2023/24</p> <p>Amanda Legge (AL) Post Payment Verification Manager presented the Committee with the Annual Report and proposed work programme for 2024/24.</p>



	<p>Rob Holcombe (RH) Director of Finance queried whether there had been any trends and operational impact on care homes due to General Medical Services still following pandemic specifications. AL responded to say that there had been issues but action had been put in place for resolution, including updated guidance to be sent to all GP practices in Wales.</p> <p>The Committee NOTED the Post Payment Verification Annual Report 2023/24 and the proposed work for 2024/25.</p>
<p>ARAC 0907/3.3 &3.4</p>	<p>Review of the Health Boards Annual Report, Overview & Performance section (Part 1) and Accountability Report, Including Annual Governance Statement (Part 2)</p> <p>Rani Dash (RD), Director of Corporate Governance, informed the Committee that the Health Board's Annual Accounts needed to be submitted to Welsh Government (WG) as a consolidated document by 15 July 2024. The final documents would be presented to the Board for approval on 11 July 2024.</p> <p>RD advised that Parts 1 and 2 had been shared with Audit Wales and the Welsh Government for review, noting that there had been no material changes to either report.</p> <p>The Committee welcomed the report and acknowledged the significant effort in creating a well-written and balanced document. Members also expressed their gratitude for the substantial work accomplished by all teams across the Health Board.</p> <p>The Committee NOTED the report and ENDORSED the Final Accounts for Board Approval.</p>
<p>ARAC 0907/3.5</p>	<p>Review Final Accounts and Financial Statements (Part 3) – To include losses and special payments.</p> <p>Estelle Evans (EE), Head of Financial Services & Accounting presented the Committee with an overview of Part 3 of the Health Board's Annual Report, final accounts, final statements, losses, and special payments.</p> <p>The paper identified changes in the accounts from the draft to the audited final version. Most of the adjustments were minor, except for a £12k adjustment due to underpayment of remuneration to an Independent Member. The adjustment, despite being immaterial to the primary accounts, had an impact on the remuneration report. A deficit of £49.766m was recorded in the final accounts, which was an increase from the draft deficit of £49.754m.</p>



	<p>An additional modification to the Medical Pay award was noted, however due to the timing the amendment it would not affect the 2023/24 accounts but would be reflected in the 2024/25 final annual accounts.</p> <p>There was a discussion concerning the Bevan Health and Wellbeing Centre project, particularly its impairment charges and two limited internal audit reports. It was proposed that a thorough evaluation be undertaken to understand the impairment charges and learn from the difficulties encountered, especially with the supply chain partner. Nicola Prygodzicz (NP), CEO, suggested a deep dive and utilising the Welsh Government's gateway reviews to apply lessons learned to future projects. Further scrutiny would be referred to the Finance and Performance Committee.</p> <p>ACTION: Secretariat</p> <p>The Committee thanked the Finance Team and Audit Wales for their significant contribution in developing and finalising the accounts.</p> <p>The Committee NOTED the report and ENDORSED the Final Accounts for Board Approval.</p>
<p>ARAC 0907/3.6</p>	<p>Audit of Accounts (ISA 260) including Letter of Representation</p> <p>Julie Rees (JR), Finance Audit Manager, Audit Wales provided an overview of the Audit of Accounts noting Audit Wales intended to issue an unqualified financial statement opinion. The regularity opinion would be qualified due to the Health Board's failure to achieve its three-year break-even target. The three-year deficit, which encompassed adjustments, was £86.359m.</p> <p>The committed NOTED the report.</p>
<p>ARAC 0907/3.7</p>	<p>To Agree a Recommendation to the Board in respect of the audited annual report and accounts</p> <p>The Audit, Risk and Assurance Committee recommended that the Board:</p> <ul style="list-style-type: none"> • RECEIVE the Audit Wales Audit of Accounts Report (2023/24) • APPROVE the Annual Report and Accounts 2023/24, which includes: <ol style="list-style-type: none"> 1. The Performance Report; 2. The Annual Accountability Report; and 3. The Financial Statements • APPROVE the Letter of Representation; and



	<ul style="list-style-type: none"> • AUTHORISE the Chair, Chief Executive Officer, and Director of Finance & Procurement, to sign the documents where required.
ARAC 0907/3.8	<p>External Audit Progress Report 2024/25 Sara Utley (SA), Audit Wales, presented the Committee with an overview of the 2024/25 External Audit progress report.</p> <p>The Committee was informed that the Charitable Funds Audit was scheduled for November with the intention of completing mid-December. The Committee NOTED the report.</p>
ARAC 0907/3.9	<p>Audit Wales Community Pharmacy Data Matching Report Sara Utley (SU), Audit Wales, provided a summary of the report, highlighting that the pilot examined community pharmacy risks, particularly those associated with expensive items, specials, and higher-cost formulations. While the pilot yielded valuable data, it was decided that neither the pilot nor the tool would be implemented. No recommendations were issued but three questions were posed to evaluate health board's current practices and to promote improvements in community pharmacy spending and cost reduction.</p> <p>Rob Holcombe (RH), Director of Finance, agreed to contact the Health Board's Lead for Medicines Management and request that the Health Board's responses to the three questions be presented at a future Committee meeting to discuss how the Health Board intended to address the concerns raised. ACTION: Director of Finance / Secretariat</p> <p>The Committee NOTED the Report.</p>
ARAC 0907/3.10	<p>Head of Internal Audit Opinion 2023/24 The Committee was informed that the Head of Internal Audit Opinion Annual Report 2023/24 concluded with Reasonable Assurance, noting 27 audits had been completed with 5 concluding Limited Assurance.</p> <p>Progress was noted against key risk areas, showing positive control within completed work, and governance arrangements were strengthened, establishing a more robust control framework across the Health Board.</p> <p>The Committee NOTED the Report</p>
ARAC 0907/3.10.1	<p>Internal Audit Progress Report including 2024/25 Internal Audit Work Plan Stephen Chaney (SC), Head of Internal Audit, provided a summary of the Internal Audit Progress Report noting all audits</p>



for 2023/24 had been completed and work had started on the 2024/25 audit plan.

Rob Holcombe (RH), the Director of Finance, queried the Health Board's involvement in internal audits of Shared Services and broader organisational structures. He suggested conducting a follow-up payroll management audit of Shared Services to ensure the accuracy of payments. Additionally, he highlighted the importance of a follow-up review of the Joint Commissioning Committee (JCC).

Rani Dash (RD), Director of Corporate Governance, informed the Committee that work was ongoing in respect of the governance structure in relation to the host body and the JCC and highlighted the appointment of a Transition Director to assist with embedding the new arrangements.

The Committee **NOTED** the Internal Audit Progress Report and the 2024/25 Internal Audit Work Plan for Assurance.

ARAC 0907/3.11

To Receive Internal Audit Reports

Stephen Chaney (SC) - Head of Internal Audit, provided the Committee with an overview of the following reports.

Bevan Health and Wellbeing Centre – Limited Assurance

The Chair raised concerns about recurring issues in projects and sought assurance that these issues would not persist in future projects. Hannah Capel (HC) Assistant Director of Strategic Planning reassured the Committee by informing them of the new approach being implemented to standardise and track capital project management going forward and the introduction of sanctions for poor performing contractors.

The Committee requested that a set of local KPIs should be introduced alongside national KPIs in order to prevent occurrence of historical issues.

Regional Partnership Board (RPB): Financial Controls Limited Assurance

SC highlighted the current processes and challenges in handling payments by the Health Board on behalf of the RPB. Despite adherence to Health Board SFIs and thorough testing ensuring proper transaction handling, the non-standard nature of certain transactions and unclear procedural definitions had caused issues.

The cessation of advance payments and the progression of a Memorandum of Understanding with the RPB, along with the



Health Board commissioned governance review, all aimed to clarify roles, responsibilities, and procedures. These steps were expected to enhance alignment, transparency, and efficiency in financial processes moving forward.

Decarbonisation – Limited Assurance

The Committee was informed that governance structures, initiatives, and decarbonisation awareness had improved but achieving the mandated level of decarbonisation remained challenging without adequate funding and supportive measures. The Committee questioned the management response to recommendation 3C, particularly the Health Board's initial non-agreement and its impact on Wellbeing of Future Generations Act compliance. RH explained that financial constraints prevented the comprehensive plan from using external consultants. He acknowledged that the REFIT programme could be an opportunity to improve energy efficiency and decarbonisation.

RH agreed to change the Health Board's response to "agreed in principle" instead of "not agreed," indicating ongoing consideration of the audit recommendation and a willingness to reassess the decision as circumstances permit.

ACTION: Head of Internal Audit

LINC Programme - Reasonable Assurance

The Committee expressed concern about the challenges regarding the LINC programme and its associated risks in recognition of the multiple projects and the Health Board's capacity to manage the multiple concurrent projects. This was followed up with further concerns surrounding the lack of Health Board involvement in the planning and design phase which could impact functionality and overall project progress.

The Committee requested a detailed report be scheduled for a future Committee meeting to better understand the status of the programme and address the concerns raised. Rani Dash (RD) requested that the concerns be raised at the Board meeting on 17 July 2024 with a request for a detailed report to be provided to the Committee.

Intra-Site Patient - Reasonable Assurance

The Committee noted the report. No questions or concerns were raised.

Theatres (Stock) - Reasonable Assurance

RH raised a concern regarding Recommendation 3.1, specifically the scope of reporting which was confined to the spending area



	<p>and emphasised the necessity for broader scrutiny and oversight, particularly at the Directorate Management Team level. He noted that even seemingly minor discrepancies could have significant financial implications and suggested a follow-up review would be beneficial. In addition, he suggested that the response be revisited to include a more detailed approach that could potentially enhance its effectiveness. SC agreed to either use the follow-up of high-priority recommendations to review processes or conduct a follow-up review later in the 2024/25 audit year.</p> <p>Financial Controls – Substantial Assurance The Committee noted the report. No questions or concerns were raised.</p> <p>Flexible Working - Advisory The Committee noted the report. No questions or concerns were raised.</p> <p>The Committee NOTED the audit reports for Assurance.</p>
<p>ARAC 0907/3.12</p>	<p>Committee Risk & Assurance Report Rani Dash (RD) Director of Corporate Governance presented the Committee with an overview of the Risk and Assurance Report.</p> <p>The Chair questioned the effectiveness of actions in reducing the strategic risks. RD acknowledged the concerns and stated the actions being taken are effectively addressing the risks, but given the nature of the risks, scores and risk levels won't necessarily reduce quickly. However, the Committee should be able to a reasonable level of assurance that the actions are mitigating the risks' likelihood and consequences.</p> <p>The Committee NOTED the Report for Assurance.</p>
<p>ARAC 0907/3.12</p>	<p>Committee Programme of Business Rani Dash (RD) Director of Corporate Governance presented the Committee with an overview of the Forward work Programme and noted the Committee was on track in receiving updates against its delegated areas of responsibility.</p> <p>The Committee NOTED the Report for Assurance</p>
<p>ARAC 0907/4</p>	<p>Items for Information</p>
	<p>Nothing Received.</p>
<p>ARAC 0907/5</p>	<p>Other Matters</p>
<p>ARAC 0907/5.1</p>	<p>Items to be Brought to the Attention of the Board and Other Committees</p>



	<ul style="list-style-type: none"> Finance and Performance Committee to receive a report on impairment charges for the Bevan Health & Wellbeing Centre and lessons learnt (including items raised from the 2 limited audits).
ARAC 0907/5.2	Any Other Urgent Business Nothing reported.
ARAC 0907/5.3	Date of the next meeting; Tuesday 02 September 2024