



**GIG**  
CYMRU  
**NHS**  
WALES

Bwrdd Iechyd Prifysgol  
Caerdydd a'r Fro  
Cardiff and Vale  
University Health Board

# **Annual Report of Audit and Assurance Committee 2020/21**

## 1.0 INTRODUCTION

In accordance with best practice and good governance, the Audit Committee produces an Annual Report to the Board setting out how the Committee has met its Terms of Reference during the financial year.

## 2.0 MEMBERSHIP

The Committee membership is a minimum of three Independent Members one of which must have financial experience and one of whom must be a member of the Quality, Safety and Experience Committee. During the financial year 2020/21 the Committee comprised three Independent Members. In addition to the Membership, the meetings are also attended by the Director of Finance (Lead Executive), Director of Corporate Governance, Head of Internal Audit, Local Counter Fraud Specialist and a Representative of External Auditor (Audit Wales). Other Executive Directors will attend as required by the Committee Chair. The Committee may also co-opt additional independent 'external' members from outside the organisation to provide specialist skills, knowledge and expertise.

The Chair of the Board is not a Member of the Committee but attends at least annually after agreement with the Committee Chair.

## 3.0 MEETINGS AND ATTENDANCE

The Committee met seven times during the period 1 April 2020 to 31 March 2021. This is in line with its Terms of Reference.

At least two members must be present to ensure the quorum of the Committee, one of whom should be the Committee Chair or Vice Chair.

The Audit Committee achieved an attendance rate of 90% (80% is considered to be an acceptable attendance rate) during the period 1<sup>st</sup> April 2020 to 31<sup>st</sup> March 2021 as set out below:

	21.04.20	28.05.20	29.06.20	07.07.20	08.09.20	12.11.20	09.02.21	Attendance
John Union (CC)	✓	✓	✓	✓	✓	✓	✓	100%
Eileen Brandreth (VC)	✓	✓	✓	✓	✓	✓	✓	100%
Dawn Ward (I.M. until 31/01/21)	✓	✓	✓	X	✓	✓	X	71%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>66%</b>	<b>100%</b>	<b>100%</b>	<b>66%</b>	<b>90%</b>

## 4.0 TERMS OF REFERENCE AND WORKPLAN

The Terms of Reference and work plan are to be reviewed and approved by the Committee on 09 February 2021 and be approved by the Board on 25<sup>th</sup> March 2021.

## **5.0 WORK UNDERTAKEN**

During the financial year 2020/21 the Audit and Assurance Committee reviewed the following key items at its meetings:

### **PRIVATE AUDIT AND ASSURANCE COMMITTEE**

#### **APRIL, MAY, JUNE, JULY, SEPTEMBER, NOVEMBER 2020 & FEBRUARY 2021**

Papers presented to the private session of the Audit and Assurance Committee are as follows:

- Counter fraud Progress Report
- Procurement Compliance Report
- Workforce and Organisational Development Compliance Report

### **PUBLIC AUDIT AND ASSURANCE COMMITTEE – SET AGENDA ITEMS**

#### **April 2020 - March 2021**

- **Internal Audit Progress and Tracking Report & Internal Audit Plan 2020/21**

Internal Audit Reports were submitted to each of the Audit and Assurance Committee meetings with the exception of 29<sup>th</sup> June 2020 (which related to the Health Board's accounts). The reports presented provided details relating to outcomes, key findings and conclusions from the finalised Internal Audit assignments and specific detail relating to progress against the Audit Plan and any updates that occurred within the plan.

18 reports presented during the year 12 of which were from the 2019/20 Internal Audit Plan and a further 6 from the 2020/21 plan

From the 2019/20 plan 5 reports received a substantial rating, 7 a reasonable rating. Please refer to **Appendix 3** which provides an overview of internal audit reports presented to the Committee, as well as an overview of Committee matters for the year **Appendix 1 & 2**.

A Draft Internal Audit plan for 2020/21 has been developed following meetings and correspondence with the Health Board's Executive Directors, Chief Executive, and Chairman and also with the Clinical Board Directors of Operations. The draft plan was planned to be submitted to the Management Executive Team for comment. However, due to changes to the focus of the Management Executive Team in the current climate, the draft plan was issued to the Director of Governance for sharing with the Executive Directors where possible.

Following the delay in commencing delivery of the Internal Audit Plan, due to the COVID-19 situation, there were no audits completed in time for presentation to the July Audit Committee meeting.

However, at the time work had commenced on a small number of audits and the outcome of these audits, along with the others planned to be completed within Q2

were reported to the September and November meetings of the Audit and Assurance Committee.

The 20/21 Internal Audit plan was formally approved by the Audit & Assurance Committee at the April 2020 meeting. It was however noted that the content of the plan and the proposed timing of individual audits, would be subject to adjustment to reflect the Health Board's changing risk profile and the availability of key management and staff during the COVID-19 pandemic.

A first round of adjustments to the plan was formally approved by the Audit Committee in July. However, due to the impact of the pandemic to date and the likelihood of continued disruption through the winter, it was anticipated that the current revised plan would not be delivered. It was therefore proposed that a number of additional audits were removed from the plan. These reflected areas of lower risk or where the Health Board had identified that work couldn't progress at that time. Full details of the proposed updated Internal Audit plan were provided within Appendix of the November 2020 meeting.

- **Audit Wales Progress Reports**

The Audit Wales Progress Reports provide the Audit Committee with an update on current and planned Audit Wales work. 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 Good Practice Exchange (GPX).

**July 20** – Audit Wales advised the Committee that they were working very closely with Internal Audit and the Director of Corporate Governance to discuss progress on the Structured Assessment, governance, internal audit and KPMG work to ensure that Audit Wales were not placing additional burdens on the UHB. Audit Wales confirmed they would ensure that their work and the work of Internal Audit was aligned and advice would be taken on board from KPMG when made available. They advised that the governance review of WHSSC was now reinstated, a survey would be sent to Chief Executives and Health Board Chairs, and once those tasks had been completed a draft report would be circulated.

**September 20** – Update provided to the Committee with regards to the work undertaken for the Structured Assessment for 2020. It was explained how the approach had been adapted this year to consider governance arrangements, managing financial resources, and operational planning in the context of Covid-19. Audit Wales had worked closely with Internal Audit to coordinate work as much as possible to minimise the burden placed on the UHB and to provide added value from sharing work. This had resulted in a draft report being prepared and issued for consideration with a feedback meeting scheduled for the end of the month.

In regards to TTP a national high level piece of work would be undertaken, which would look at the whole systems governance arrangements, as well as the local Covid-19 response plans. Field work was currently underway and the Executive Director Public Health was also interviewed as part of the process, being the regional

lead for Cardiff and Vale. Audit Wales aimed to publish the report and its findings by October 2020.

For work in relation to Covid-19 learning and good practice exchange, a learning project was established to share learning during the pandemic and public bodies were encouraged to share information and new ways of working via a dedicated landing page on their website in various output forms such as blogs and articles.

**November 20** - key issues from the regular update were reported. Audit Wales highlighted within the report work currently underway and plans for the reports to be submitted to the February meeting. Two of the projects related to local pieces of work:

- Follow-up of previous IM&T recommendations
- Follow-up of operating theatres audit;

The other pieces of work were National pieces of work and mentioned that the Orthopaedic Services – follow-up would come with a supplementary output to set out the local position of each Health Board.

There was also a Follow-up of radiology services, this was an additional piece of work to be taken up locally which AW.

- **Declarations of Interest including Declarations of Interest and sign off in relation to Ysbyty Calon Y Ddraig**

As agreed by the Audit & Assurance Committee an update on Declarations of Interest, Gifts, Hospitality and Sponsorship would be provided to each Audit Committee for information. From the April 2020 Committee meeting the Committee were informed that the back log of forms had been added to the register, so the report was fully up to date which was positive. The Director of Corporate Governance mentioned that due to the current pandemic, all communications regarding declarations of interest had stopped, however the team were still monitoring declarations that were being received, and to date, nothing had been received which raised concern. A further update was provided in July 20 that outlined the end of year position and that Declarations of Gifts, Hospitality & Sponsorship had now moved to Risk & Regulation. The Director of Corporate Governance advised the Committee that communication around declarations would be reinstated and the team would look to see continued development within this area.

In relation to donations received during COVID-19, the Charitable Funds Committee had received a comprehensive list of all donations received to ensure there was appropriate governance around donations received and the Bale Donation was going to be discussed at the Special Board of Trustee meeting at the end of July 2020. From September the number of declarations had been very low compared to the last report where good numbers of declarations had been received throughout the year and progress made on previous years. The reason for the lower numbers were due to the fact that the end of year chasers had not been sent due to Covid-19, this was usually done at the end of April but had been deferred to October, by which time the numbers should start to increase. At that point 109 Declarations had been received for the year

2020/21. Whilst it was accepted that this number would need to improve, assurance was provided to the Committee from the significant increase in returns since September's Committee meeting and the predicted increases expected over the coming months following the implementation of the Risk and Regulation Team's Communications Plan

- **Regulatory Compliance Tracking Report including Ysbyty Calon Y Ddraig**

In January 2019 the organisation received a report on Legislative and Regulatory Compliance which provided a 'limited' assurance rating and made seven recommendations. These recommendations were all accepted by the Director of Corporate Governance. Four of the ratings were classed as high priority and three were rated as medium priority. The purpose of the Regulatory Compliance Tracking report was to provide Members of the Committee with assurance on the implementation of recommendations which had been made by Internal Audit by means of an internal audit recommendation tracking report.

Good progress had been made on the development of a Legislative and Regulatory Tracker and the follow up internal audit report provided an assurance rating of 'reasonable' so there was still some work to be done to ensure that the tracker was fit for purpose in providing assurance to the Audit Committee and the Board.

In April the Director of Corporate Governance confirmed that all trackers were up to date until COVID-19 and advised the Committee that there were no visits ongoing at that time, there were planned visits for June / July, however it was anticipated that these would not take place.

The overall number of outstanding recommendations had increased from 212 individual recommendations to 226 for the period March 2020 to June 2020. However, it could also be demonstrated that some actions were completed during the period.

In July it was reported that a review of all outstanding recommendations had been undertaken since the last meeting of the Audit Committee where the Internal Audit tracker had been presented (March 2020). Each Executive Lead had been sent the recommendations made by Internal Audit which fell within their remits of work. In addition to this the audits undertaken during the financial period 2019/20 had also been added to the tracker and progress reported.

In September 2020 the committee were made aware that work would be undertaken to improve the Regulatory and Legislative Compliance Tracker by the new Risk and Regulation Team which comprised a Head of Risk and Regulation plus two Risk and Regulation Officers. The onset of Covid-19 had temporarily stalled the Risk and Regulation Team's progress but the Committee were advised that the additional capacity secured would, moving forward, mean that there was capacity to further develop the Tracker in addition to supporting the roll out of the Departments Risk Management plans. The tracker continued to be updated throughout the organisation and reported to the Audit Committee at each meeting. Based on the information

contained within the tracker there had been a further 21 inspections reported since the 3rd March 2020 (including inspections that had taken place prior to the 3rd March but had not previously been reported).

Following onto the November meeting a further 9 inspections had been reported, including inspections that had taken place prior to the Committee but had not previously been reported. Inspections undertaken by the Community Health Council, which had not previously been included in the Regulatory and Legislative Tracker had also been added.

- **Internal Trackers and External Trackers**

The reports and trackers provided Members of the Audit and Assurance Committee with assurance on the implementation of recommendations which had been made by Internal Audit or Audit Wales by means of an internal / external audit recommendation tracking report and were able to view progress and improvements made from the Limited Assurance rating to Reasonable Assurance rating.

- **Losses and Special Payments**

As defined in the Standing Financial Instructions, the Audit and Assurance Committee is required to approve the write off of all losses and special payments within the delegated limits determined by Welsh Government. To assist the Audit and Assurance Committee with this task, the UHB has established a losses and special payments panel, under the chairmanship of the Director of Finance (delegated to The Deputy Director of Finance). This panel meets twice yearly and is tasked with considering the circumstances around all such cases and to make appropriate recommendations to the Committee.

The Panel met on 13 May 2020 and considered the period for the second part of the year. The Assessment section of the report made a number of recommendations. The Committee was advised that losses were included in the financial accounts for final sign off. The Interim Finance Director advised the Committee that there was a big number for Clinical Negligence Claims which related not to cost but the size of the loss. The large figure for ex-gratia payments was highlighted and the £250,000.00 relating to stock right off across areas, the Committee was advised that this figure was £461,000.00 the preceding year so was not out of sync with past years.

The Interim Finance Director informed the committee that as the connected losses were so large, this was not within the delegated authority of the Health Board to approve and therefore it had gone to Welsh Government who had approved the losses. This would therefore come to a future Committee for noting as it related to the new financial year.

On 23rd October 2020 the Interim Finance Director referred to the assessment area of the report that sets out those items which were recommended for write off.

The Interim Director of Finance highlighted 2 items:

**Bad Debt Write-Offs** –this item was particularly small for the first 6 months of the year as they had stopped referring to the debt collection agency given the hardship people were feeling during the pandemic, but the process would now restart.

**Treforest Flood** – by the time the process had been completed there was over £2,000,000 in damages. As this was above the delegated limit of the Audit committee this was sent to Welsh Government for specific approval which was granted.

## **6.0 REPORTING RESPONSIBILITIES**

The Committee has reported to the Board after each of the Audit and Assurance Committee meeting by presenting a summary report of the key discussion items at the Audit Committee. As per the Committee's Terms of Reference the report is presented by the Committee Chair in which he must:

- 1) Report formally, regularly and on a timely basis to the Board and the Accountable Officer on the Committee's activities. This includes verbal updates on activity and the submission of Committee minutes and written reports throughout the year;
- 2) Bring to the Board and the Accountable Officer's specific attention any significant matters under consideration by the Committee;
- 3) Ensure appropriate escalation arrangements are in place to alert the UHB Chair, Chief Executive (and Accountable Officer) or Chairs of other relevant committees of any urgent/critical matters that may affect the operation and/or reputation of the UHB.

## **7.0 OPINION**

The Committee is of the opinion that the draft Audit and Assurance Committee Report 2020/21 is consistent with its role as set out within the Terms of Reference and that there are no matters that the Committee is aware of at this time that have not been disclosed appropriately.

**John Union**

**Committee Chair**