

Audit & Risk Committee

Committee Annual Report 2019-2020

AUDIT & RISK COMMITTEE ANNUAL REPORT 2019-2020

1. FOREWORD

I am pleased to be able to commend to you this annual report, which has been prepared for the attention of the Board and reviews the work of the Committee for the financial year 2019-2020.

During the year, I have been greatly supported by Maria Thomas, Jayne Sadgrove and Dilys Jouvenat who have contributed their considerable knowledge and wide-ranging experience to the Committee. It was also my pleasure to welcome our new Independent Member, Ian Wells to the Audit & Risk Committee, who attended his first meeting in January 2020.

I would like to express my sincere thanks to all the officers of the Committee who have supported and contributed to the work carried out and for their commitment in meeting important targets and deadlines. I also wish to record my appreciation for the support and contribution given by the Internal Audit team at the NHS Wales Shared Services Partnership (NWSSP), by Audit Wales and Local Counter Fraud Services.

Going forward, the Committee intends to continue to pursue a full programme of work covering a wide range of topics and subject areas as part of its long term aim to help further strengthen the governance arrangements of the Health Board.

Paul Griffiths
Chair of the Audit & Risk Committee
Cwm Taf Morgannwg University Health Board (CTMUHB)

2. INTRODUCTION

The Committee's business cycle runs from the closure of the Annual Accounts in one financial year to the next. This reflects its key role in the development and monitoring of the Governance and Assurance framework for Cwm Taf Morgannwg University Health Board (CTMUHB), which culminates in the production of the Accountability Report including the Governance Statement.

The Terms of Reference for the Committee were reviewed and were formally approved by the Board in November 2019, following a change to the Committee's remit to include Risk. The Committee was renamed as Audit & Risk Committee, and became responsible for overseeing the Organisational Risk Register. The Committee also discharged its review of Charitable Funds to the Charitable Funds Committee in November 2019.

Members will be aware that all papers relating to the Committee (unless closed or 'in-committee') are available on the Health Board website: <http://cwmtaf.wales/how-we-work/audit-committee/>

This report sets out the role and functions of the Audit & Risk Committee and summarises the key areas of business undertaken during the year. In addition, the report sets out some of the key issues, which the Committee will be focussing on over the next few years.

3. ROLE, MEMBERSHIP, ATTENDEES AND COMMITTEE ATTENDANCES

3.1 ROLE

The role of the Committee is to advise and assure the Board on whether there are effective arrangements in place – through the design and operation of the Health Board system of assurance – to support it in its decision taking and in discharging the accountabilities for securing the achievement of the Health Board objectives in accordance with the standards of good governance determined for the NHS in Wales.

The Organisation's system of internal control has been designed to identify the potential risks that could prevent Cwm Taf Morgannwg UHB achieving its aims and objectives. It evaluates the likelihood of the risks being realised, considers the impact should they occur, and seeks to manage them efficiently, effectively and economically. Where appropriate, the Committee will advise the Board and the Accountable Officer on where, and how, the assurance framework may be strengthened and developed further.

The Committee's Terms of Reference are reviewed annually and are included within the Standing Orders for the Cwm Taf Morgannwg UHB.

3.2 MEMBERSHIP

The membership of the Audit & Risk Committee comprises of five Independent members, enabling the Committee to provide appropriate scrutiny and assurance to the Board independently of the management decision-making processes.

A summary of the Independent membership during 2019-2020 is outlined in table 1 below:

Table 1 – Composition & Membership of the Audit Committee Apr 2019-March 2020

Name	Period
Members	
Paul Griffiths (Committee Chair & WHSSC Audit lead) Independent Member	Apr 2019 – March 2020
Maria K Thomas Vice Chair / Independent Member	Apr 2019 - March 2020
Jayne Sadgrove Independent Member	Apr 2019 - March 2020
Dilys Jouvenat Independent Member	April 2019 -March 2020
Ian Wells Independent Member	January 2020 – March 2020
Executive Members	
In addition to the members, the following also attended Committee meetings during the 2019-2020:	
Director of Corporate Governance / Board Secretary (from August 2019)	
Executive Director of Finance & Procurement	
Representatives of Internal Audit & Assurance (NHS Wales Shared Services Partnership)	
Representatives of External Audit (Audit Wales)	
Local Counter Fraud Specialist (LCFS)	
Head of Corporate Services / Interim Board Secretary (until August 2019)	
Health Board Chair and Chief Executive (Accounts meeting only)	
Chair and Managing Director of NHS Wales Specialised Services Committee	
Chief Ambulance Services Commissioner	
Other Executive Directors and senior staff as required for specific agenda items.	

3.3 ATTENDEES

The Committee’s work is informed by reports provided by Audit Wales (previously Wales Audit Office), Internal Audit, Local Counter Fraud Services and CTMUHB personnel. Although they are not members of the Committee, auditors and other key personnel are expected to attend each meeting of the Audit & Risk Committee. Invitations to attend the Committee meeting are also

extended, where appropriate and on an 'ad hoc' basis, to specific staff when reports which relate to their specific area of responsibility are being discussed by the Audit & Risk Committee.

3.4 ATTENDANCE AT AUDIT COMMITTEE 2019-2020

During the year, the Committee met on eight occasions, one of which (30 May 2019) was devoted to scrutiny of the Annual Accounts. All meetings were quorate and were well attended as shown in Table 2 below:

Table 2 - Meetings and Member Attendance 2019-2020

In Attendance	1 April 2019	13 May 2019	30 May 2019	15 Jul 2019	3 Sept 2019	28 Oct 2019	20 Jan 2020	25 Feb 2020	Total
Committee Members									
Paul Griffiths (Chair of the Committee)	✓	✓	✓	✓	✓	✓	✓	✓	8/8
Maria Thomas – Vice Chair /Independent Member	✓ (IP)	✓	✓	✓	x	✓	✓	✓	7/8 1(IP)
Jayne Sadgrove – Independent Member	✓	✓	✓	✓	✓	✓	x	✓	7/8
Dilys Jouvenat – Independent Member	✓	x	✓	✓	✓	✓	✓	✓	7/8
Ian Wells – Independent Member (from January 2020)							✓	x	1/2
Wales Audit Office (now Audit Wales)									
Audit Team Representative	✓x3	✓x1	✓x1	✓x1	✓x1	✓x3	✓x1	✓x2	8/8
NWSSP Audit Service									
Head of Internal Audit for the Committee	✓x5	✓x2	✓x1	✓x2	✓x1	✓x2	✓x2	✓x1	8/8
Counter Fraud Services									
Local Counter Fraud Specialist	✓x2	✓x1 (IP)		✓x2		✓x1	✓x1		5/7
Cwm Taf CTUHB									
Marcus Longley Chair			✓						1/1
Allison Williams, Chief Executive			✓						1/1
Steve Webster Executive Director of Finance & Procurement	✓	✓	✓	✓	✓	✓	✓	✓	8/8
Robert Williams Board Secretary/Dir Corporate Services & Governance	x	x	x	x					0/4
Georgina Galletly, Interim Director of Corporate Governance/Board Secretary					✓	x	✓	✓	3/4
Huw Evans Head of Corporate Finance	✓								1/1

In Attendance	1 April 2019	13 May 2019	30 May 2019	15 Jul 2019	3 Sept 2019	28 Oct 2019	20 Jan 2020	25 Feb 2020	Total
Elisabeth Williams	✓	✓ (IP)	✓	✓		✓	✓		6/6 1(IP)
Gwenan Roberts Head of Corporate Services	✓	x	✓	✓	✓	✓			5/6
WHSCC/EASC									
WHSCC	✓x1	✓x2	✓x3	✓x2		✓x2	✓x1		6/6
EASC	x	✓	✓	x		x	x	x	2/7
OBSERVERS									
OBSERVERS	x	✓x1	✓	✓x1	x	✓x1	✓x2	x	5/8

✓* - denotes a suitably appointed Deputy was in attendance

✓** - denotes Board Secretary/Director of Corporate Services & Governance representing

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4. AUDIT COMMITTEE BUSINESS

The Audit & Risk Committee provides an essential element of the Health Board's overall assurance framework. It has operated within its Terms of Reference in accordance with the guidance contained within the NHS Wales Audit Committee Handbook.

The Audit & Risk Committee agenda broadly follows a standard format, comprising of specific sections, which are outlined below:

4.1 Main Areas of Audit & Risk Committee Activity – Part 1

The agenda for each meeting followed a standard format, broken down into the following 5 main parts:

1. Preliminary Matters

This included the apologies for absence, welcome and introductions, declarations of interest, receiving and approving the unconfirmed minutes of the last meeting and receiving the action log.

2. Internal Control and Risk Management

The following standard written reports were received by the Audit Committee and considered accordingly:

- Post Payment Verification Report – End Of Year Update
- Audit Recommendations Tracker
- Medical Equipment and Devices Update Report
- Procurements and Scheme of Delegation Report
- Losses and Special Payments Report
- Financial Control Procedure Medical Variable Pay – Draft Subject to Consultation
- Standing Orders and Scheme of Delegation including the Review of Declarations of Interest received
- 'Draft' 2018/2019 Annual Accounts
- Chief Executive 'Draft' Accountability Report
- Report on the WHSSC / EASC Financial Statements 2018-19
- WHSSC Annual Governance Statement for 2018-19
- EASC Annual Governance Statement for 2018-19
- Financial Accounts of the Cwm Taf UHB 2018-19
- Cwm Taf UHB Accountability Report 2018/19
- Head of Internal Audit Opinion and Annual Report 2018/19
- Response to the Audit Enquiries Checklist 2018/19
- Audit Committee Annual Report 2018/19
- Clinical Audit Forward Plan 2019-2020
- Post Payment Verification 6 Monthly Update report
- Counter Fraud Bribery and Corruption Policy and Response Plan
- Fighting Fraud Strategy
- Updated Audit Committee Terms of Reference
- Update on Model Standing Orders
- SGS External ISO14001 Recertification Audit Report

- Update on Committee Self-Assessment Process
- Revised Board Assurance Framework
- Organisational Risk Register
- Consultant Job Planning Update
- Risk Share from Welsh Risk Pool costs above the national budget and future work on comparative claims costs
- Corporate Governance Arrangements in respect of the response to Covid-19.
- Variation to Standing Orders during Covid-19

3. Charitable Funds

Standard reports were received in respect of activity and balances held within charitable funds up until August 2019. The Audit & Risk Committee played a key role in overseeing the management of charitable funds to enable the Board to carry out its responsibilities as Corporate Trustee to the Cwm Taf NHS Charitable Fund. In fulfilling this role, the Committee requested that management constantly review the use of Funds and review those funds with little or no movement.

During the year the Committee monitored progress with its managed investment fund to maximise the charitable income received, within agreed ethical investment boundaries.

Charitable Fund balances were received at the meetings held on the 1 April 2019, 15 July 2019, and the 28 October 2019. In November 2019, the Committee handed over responsibility of the overseeing of the management of the charitable funds to the newly formed Charitable Funds Committee.

4. Internal Audit

NHS Wales Shared Services Partnership are the appointed internal auditors to the Health Board and provide an update on progress against the internal audit annual plan of business at each meeting together with finalised reports for each area that was subject to audit.

Each report contained an assessment on the level of assurance provided. Follow-up action was agreed for recommendations raised, which informed future audit plans.

5. External Audit

The Wales Audit Office (now re-branded 'Audit Wales') provide an Audit Position Statement at each meeting, summarising progress against its planned audit work.

4.2. MAIN AREAS OF AUDIT COMMITTEE ACTIVITY – PART 2 HOSTED BODIES

Welsh Health Specialised Services Committee (WHSSC)

Emergency Ambulance Services Committee (EASC)

As the host organisation, WHSSC and EASC (rely on CTMUHB for its Audit & Risk Committee function.

To support the Audit & Risk Committee requirements for the both EASC and WHSSC the Health Board's Audit & Risk Committee is separated into two parts, specifically Part 1 for Health Board business and Part 2 for the Hosted bodies. The relevant officers attend for the relevant components of the meeting.

Paul Griffiths, Independent Member and Chair of the Health Board's Audit & Risk Committee undertakes the role of the "Audit Lead" for WHSSC and reports all matters relating to the audit function to the Joint Committee.

The Director of Corporate Governance / Board Secretary for CTMUHB also attends both parts of the meetings.

The WHSSC and the EASC share the same external and internal audit teams and Local Counter Fraud Services (LCFS) with CTMUHB. All these factors enable CTMUHB to take necessary assurances from the hosted bodies, particularly in relation to the Accounts and the Annual Governance Statement and vice-versa for areas carried out by CTMUHB on behalf of WHSSC/EASC as part of its hosting responsibilities.

The Joint Committee each have approved Governance and Accountability Frameworks including the Standing Orders. These were reviewed and updated during 2019/20.

4.3. WORK/ACTION LOG

In order to monitor progress and any necessary follow up action, in line with recognised 'house style' templates a work log is maintained to capture all agreed actions from the Audit & Risk Committee and Joint Committees. This provides an essential element of assurance both to the Committee and from the Committee to the Board.

5. INTERNAL AUDIT - OVERALL SUMMARY

In overall terms for the year 2019/2020, the Head of Internal Audit opinion provided **Reasonable Assurance** to the Board that arrangements to secure governance, risk management and internal control are suitably designed and applied effectively in the following assurance domains:

- Financial governance and management;
- Corporate governance, risk management and regulatory compliance;

- Strategic planning, performance management and reporting;
- Clinical governance, quality and safety;
- Operational Services and functional management;
- Information governance and security;
- Workforce management; and
- Capital and estates.

The evidence base upon which the overall opinion is formed is as follows:

- An assessment of the range of individual opinions arising from risk-based audit assignments contained within the Internal Audit plan that have been reported to the Audit Committee throughout the year. This assessment has taken account of the relative materiality of these areas and the results of any follow-up audits in progressing control improvements
- The result of audit assignments that have been issued in draft to the organisation before the issue of this opinion, but have yet to be reported to the Audit Committee.
- The results of any audit work related to the Health & Care Standards including, if appropriate, the evidence available by which the Board has arrived at its declaration in respect of the self-assessment for the Governance, Leadership and Accountability module
- Other assurance reviews, which impact on the Head of Internal Audit opinion including audit work performed at other organisations

	<p>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>
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In total, 40 audit reviews were reported to the Audit & Risk Committee during the year.

A breakdown of the internal audits results presented to the Audit & Risk Committee and the Board in 2019-2020 is presented at **Appendix 3** for information.

A breakdown of the Audit results for the Hosted Bodies presented to the Audit & Risk Committee and the Board in 2019-2020 is presented at **Appendix 4** for information.

A number of follow up audits were also undertaken within key assurance areas.

The following internal audit reports were received by the Audit & Risk Committee in:

April 2019

- Internal Audit Progress Report – Audit & Assurance Services
- Directorate Reviews – Summarised Analysis
- Core Financial Systems – Cash Management
- Welsh Risk Pool
- Service Change Plans – Early Cancer Diagnosis Programme
- Patient Experience
- Directorate Review – Primary Care Compliance
- Risk Management
- Risk Management – WHSSC
- Governance Arrangements - WHSSC
- Internal Audit Plan 2019 - 2020

13 May 2019

- Internal Audit Progress Report – Audit & Assurance Services
- Mobile Phone Arrangements
- Commissioning
- Cyber Security
- EASC – Governance & Performance Report
- 2019/2020 Sustainability Report
- 2019/2020 Annual Quality Statement Report
- Draft Annual Report for 2018/19

15 July 2019

- Internal Audit Progress Report – Audit & Assurance Services
- Water Safety
- Health and Care Standards Review
- Prince Charles Hospital Redevelopment Follow Up Review
- Handover of Care at Emergency Departments Follow Up – Health Board related Recommendations
- Directorate Review Surgery – Management Arrangements
- Directorate Review Surgery – Compliance
- Directorate Review Radiology – Management Arrangements
- Directorate Review Radiology – Compliance
- Freedom of Information Review

28 October 2019

- Internal Audit Progress Report – Audit & Assurance Services
- Retention of Staff Follow Up
- Data Quality 2018/19
- Consultant Job Planning
- Primary Care Cluster Plans
- Carbon Reduction Commitment
- Information Governance – WHSSC
- Review of Cardiac Directorate - WHSSC

20 January 2020

- Internal Audit Progress Report – Audit & Assurance Services
- Estates Maintenance Systems
- Raising Concerns (Follow-Up)
- Pathology Directorate Review – Management Arrangements
- Pathology Directorate Review – Compliance
- Nurse Staffing Levels (Wales) Act
- Digitisation
- Prince Charles Redevelopment Financial Management Audit
- Information Governance – Medical Records Management

25 February 2020

- Internal Audit Progress Report – Audit & Assurance Services
- Welsh Risk Pool Review
- Medical Equipment & Devices at Princess of Wales Hospital
- Medical Equipment and Devices Follow Up Review

6. EXTERNAL AUDIT

6.1 Audit Wales Audit Wales (previously Wales Audit Office) provide a progress report at each meeting, covering both probity and performance audits. The audit strategy, audit letters and statements of responsibilities were received and the ISA260 report was approved as part of the Accounts approval process.

The following performance reports and management responses were also discussed during the year, with attendance from UHB Officers where considered appropriate:

- Wales Audit Office (WAO) Progress Report (at each meeting)
- Wales Audit Office – Audit Plan for 2019/2020
- Wales Audit Office Structured Assessment 2018
- WAO Update on progress with 2018/19 Accounts Audit
- Terms of Reference Joint Review of Quality Governance by Wales Audit Office and Healthcare Inspectorate Wales
- Wales Audit Office Clinical Coding Update
- Wales Audit Office Report – Structured Assessment 2019
- Wales Audit Office Report – Annual Audit Report 2019
- Wales Audit Office Report – Implementing the Wellbeing of Future Generations Act
- Wales Audit Office Report – Audit Plan 2020
- Wales Audit Office Report – Primary Care Services in Wales

6.2 Approval of the Annual Accounts

A special meeting of the Audit Committee was convened on 30 May 2019 to scrutinise the 2018-2019 Annual Accounts prior to approval by the Health Board including the letter of representation to Auditors and the Annual

Governance Statement. The 2018-2019 Annual Accounts were scrutinised and approved by the Board on 30 May 2019. The meeting also scrutinised the Accounts and Statements for 2018-2019 from the Emergency Ambulance Services Committee (EASC) and the Welsh Health Specialised Services Committee (WHSSC).

7. PRIVATE MEETING WITH AUDITORS

In line with recognised good practice a private meeting between Audit Committee members, Internal Audit, External Audit and the Local Counter Fraud Specialist can be held as and when required. This provides an opportunity for free and frank discussion. This process will continue for 2020-2021.

8. LINKS WITH OTHER COMMITTEES

8.1 Other Sub Committees

The Audit & Risk Committee has close links with the Quality & Safety Committee and other Committees of the Board. Through either specific meetings or the regular Independent Member meetings there is an opportunity for Committee Chairs to support the work of each of the Committees they Chair, share learning and avoid duplication. All Committee Chairs have access to Committee Highlight Reports to the Board.

The minutes of all Audit & Risk Committee meetings were included in the public Health Board papers and the Chair of the Audit & Risk Committee provided a report to the Board after each meeting via the Committee Highlight Report.

9. LOCAL COUNTER FRAUD SERVICES

The work of the Local Counter Fraud Services is undertaken to help reduce and maintain the incidence of fraud (and/or corruption) within CTMUHB to an absolute minimum.

Regular reports were received by the Committee to monitor progress against the agreed Counter Fraud Plan.

The Health Board took the opportunity of the Bridgend Transfer to move to commissioning its Counter Fraud service from Swansea Bay UHB, and at the same expanded the size of the Counter Fraud team beyond the increase purely needed for the increased size of the organisation. This was to provide increased capacity to meet the growth in demand for investigations and to increase the level of pro-active work. The size of the Counter Fraud team is now fully comparable with that of other large Health Boards.

In 2019/20 the Counter Fraud Team delivered the counter fraud message to 586 staff via face to face presentations and eLearning representing around 5% of the total workforce. Together with Counter Fraud Services (CFS) Wales

colleagues counter fraud investigations undertaken on behalf of the Health Board into potential fraud offences resulted in 3 criminal convictions and the application of 8 civil sanctions. This investigation work led to the recovery of £95,645 of Health Board funds.

The Health Board showed good compliance with NHS Counter Fraud Standards with work throughout the year being able to demonstrate, on a RAG rated basis, Green ratings across three of the four strategic areas of Inform and Involve, Hold to Account and Strategic Governance. The remaining area, Prevent and Deter, was rated as Amber; work plan actions have been agreed to improve this area for 2020/21.

As part of its work, the Counter Fraud Department has a regular annual programme of raising fraud awareness within the Health Board for which a number of days are then allocated and included as part of an agreed Counter Fraud Work-Plan which is signed off, by the Health Board's Executive Director of Finance & Procurement, on an annual basis.

As part of that planned area of work, regular fraud awareness sessions are arranged and then held with various staff groups at which details on how and to who fraud can be reported are outlined.

In addition to this and in an attempt to promote an Anti-Fraud Culture within the Health Body, a quarterly newsletter is produced which is then available to all staff on the Health Board's Intranet and all successful prosecution cases are also publicised in order to obtain the maximum deterrent effect.

10. ASSURANCE TO THE BOARD

The Audit & Risk Committee provides an essential element of the overall governance framework for the organisation and has operated within its Terms of Reference and in accordance with the guidance contained in the NHS Wales Audit Committee Handbook.

10.1 Internal Control & Risk Management - In addition to the audit reports received by the Committee during the reporting period, a wide range of internally generated 'governance' reports/papers were produced for consideration by the Audit & Risk Committee including, by way of example:

10.2 Annual Governance Statement - During 2019-2020, the Health Board produced its Annual Governance Statement, which explains the processes and procedures in place to enable the Health Board to carry out its functions effectively. The Statement was produced following a review of CTMUHB's governance arrangements undertaken by the Executive Board and the Board Secretary/Director of Corporate Services & Governance. The Statement brings together all disclosures relating to governance, risk and control for the organisation.

10.3 Tracking of Audit Recommendations

The Committee has increased the focus on tracking the implementation of agreed audit recommendations and the clarity of reporting of this, which achieved improvement during the year and laid the foundations for the further improvements now being made in 2020/21.

10.4 Audit Committee Effectiveness Survey - A Committee Effectiveness Survey was undertaken in 2019-2020 to obtain feedback from Committee members on potential areas for development.

The statements used in the survey were devised in accordance with the guidance outlined within the NHS Audit Committee Handbook.

11. CONCLUSION AND FORWARD LOOK

The Audit & Risk Committee in discharging its scrutiny and assurance role on behalf of the Board considers that on the basis of the risk based work completed by the Committee during 2019-2020, that there are effective measures in place **and that there are no outstanding issues that the Audit & Risk Committee wishes to bring to the attention of the Board.**

The Directors have been held to account and have responded positively in dealing with any concerns raised by the Auditors and the Audit & Risk Committee.

This Annual Report will be supplemented by the annual self-assessment process, which will be undertaken via Survey Monkey, which reviews the individual and collective function of the Committee against the NHS Audit Committee Handbook best practice guidance and helps to inform the work of the Committee going forward.

The Committee is committed to continuing to develop its function and effectiveness and intends seeking further assurance in 2020-2021 in respect of:

- The Risk Management Improvement Plan including the new format of the Organisational Risk Register and the outputs from the Board Development session in relation to the risk appetite.
- Reviewing audit outcomes following COVID reviews and ensure actions are taken as a result of learning.
- Clarifying the assurance requirements of its hosted organisations to the CTMUHB through the development of an assurance framework.
- Fully enacting and utilising the Board Assurance Framework.
- Maintaining and strengthening the effectiveness of the Audit Tracker, including seeking and implementing best practice and incorporating further audits in relation to the Delivery Unit and Targeted Intervention.

- Discharging effectively the Board approved Committee Terms of Reference.
- Reviewing the effectiveness of the application of the revised Standing Orders and Scheme of Delegation.
- Increased reporting in relation to Declarations of Interest forms for the organisation.
- Ensuring all parties discharge their responsibilities appropriately as outlined within the Audit Charter.
- Continue to strengthen processes and resources in place to prevent and respond to fraud activity.

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AUDIT & RISK COMMITTEE TERMS OF REFERENCE

Appendix 2

INTRODUCTION

The Cwm Taf Morgannwg University Health Board (CTMUHB) Standing Orders provide that “The Board may and, where directed by the Welsh Government must, appoint Committees of the Board either to undertake specific functions on the Board’s behalf or to provide advice and assurance to the Board in the exercise of its functions. The Board’s commitment to openness and transparency in the conduct of all its business extends equally to the work carried out on its behalf by committees”.

In accordance with Standing Orders (and the CTMUHB scheme of delegation), the Board shall nominate annually a committee to be known as the Audit and Risk Committee. The detailed terms of reference and operating arrangements set by the Board in respect of this committee are set out below.

CONSTITUTION AND PURPOSE

The Committee will function in accordance with the NHS Audit Committee Handbook as appropriate.

The Committee will also consider issues in respect of the roles and responsibilities of Committees hosted by the CTMUHB on behalf of NHS Wales as appropriate. These are the Welsh Health Specialised Services Committee and the Emergency Ambulance Services Committee. The meeting will be split into two parts with Cwm Taf Morgannwg CTMUHB business and hosted Committee business discussed and recorded separately.

The purpose of the Committee is to advise and assure the Board on whether effective arrangements are in place – through the design and operation of the Health Board system of risk and assurance – to support it in its decision taking and in discharging the accountabilities for securing the achievement of the Health Board objectives in accordance with the standards of good governance determined for the NHS in Wales.

Where appropriate, the Committee will advise the Board and the Accountable Officer on where, and how, its system of assurance may be strengthened and developed further.

SCOPE AND DUTIES

Internal Control and Risk Management

The Committee shall review the establishment and maintenance of an effective system of internal control and risk management. In particular, the Committee will review the adequacy of:

- all risk and control related disclosure statements (in particular the Annual Governance Statement), together with any accompanying Head of Internal Audit statement, external audit opinion or other appropriate independent assurance, prior to endorsement by the Board;
- the structures, processes and responsibilities for identifying and managing clinical and non-clinical risks facing the organisation;
- the Health Board's Organisational Risk Register and the adequacy of the scrutiny of strategic risks by assigned Committees;
- the Board Assurance Framework;
- the policies for ensuring that there is compliance with relevant regulatory, legal and code of conduct and accountability requirements.
- the operational effectiveness of policies and procedures
- the effectiveness of risk identification, management, escalation and monitoring
- the policies and procedures for all work related to fraud and corruption as set out in the National Assembly for Wales Directions and as required by NHS Protect and the Counter Fraud and Security Management Service.
- proposed changes to the Standing Orders, Scheme of Delegation, Standing Financial Instructions and Financial Control Procedures.
- the circumstances associated with each occasion where Standing Orders or Standing Financial Instructions are waived.
- matters relating to counter fraud work.

The Committee will also:

- Receive and determine action in response to the declaration of Board member and other officers interests in accordance with advice received from the Director of Governance / Board Secretary;

- Approve individual cases for the write off of losses or making of special payments above the limits of delegation to the Chief Executive and officers;
- Review all losses and special payments;
- Retrospectively assure any purchase / expenditure above the delegated financial limit of the Chief Executive.

Internal Audit

The Committee shall:

- consider the proposals for accessing internal audit services via a shared services arrangement (where appropriate), the audit fee and any questions of resignation and dismissal;
- review the internal audit programme, consider the major findings of internal audit investigations, ensure co-ordination between the Internal and External Auditors and ensure all management responses to recommendations are appropriate and timely;
- ensure that the Internal Audit function is adequately resourced and has appropriate standing within the organization;
- assure itself that IA complies with the requirements of the public sector internal audit standards.
- Monitor the timely implementation by management of agreed audit recommendations.

Clinical Audit

- Ensure where appropriate and in line with the Audit Committee Handbook that the CTMUHB has a Clinical Audit Programme in place and the outcomes of Clinical Audit provide internal assurance to the Board.

External Audit

The Committee shall consider the work carried out by key sources of external assurance, in particular but not limited to the Health Board external auditors, is appropriately planned and co-ordinated and that the results of external assurance activity complements and informs (but does not replace) internal assurance activity.

The Committee will:

- from time to time, consider and make any necessary representations to the Auditor General for Wales on his appointment of an engagement partner;

- discuss with the External Auditor, in line with the agreed audit plan, before the audit commences, the nature and scope of the audit, and ensure coordination, as appropriate, with other External Auditors in the local health economy and with Internal Audit;
- review External Audit reports, including value for money reports and annual audit letters, together with the management response;
- Monitor the timely implementation by management of agreed audit recommendations;
- Receive a report from the Auditor General for Wales / Wales Audit Office on the results of his audit of the annual accounts before recommending adoption of those accounts to the Accountable Officer and the Health Board.

Financial Reporting

The Committee shall review the annual financial statements before submission to the Board, focusing particularly on:

- changes in, and compliance with, accounting policies and practices;
- major judgemental areas;
- significant adjustments resulting from the audit;
- compliance with legal requirements;
- review any material mis-statements identified during the Audit.

Charitable Funds (until the first meeting of the Charitable Funds Committee)

The Committee will:

- Ensure that the CTMUHB policies and procedures for charitable funds investments are followed and make decisions involving the sound investment of charitable funds in a way that both preserves their capital value and produces a proper return consistent with prudent investment and ensuring compliance with:
 - Trustee Act 2000
 - The Charities Act 1993
 - The Charities Act 2006
 - Terms of the fund's governing documents
 - Annual Reporting to the Trustees
- Receive at least twice per year reports for ratification from the Director of Finance on investment decisions and action taken through delegated powers upon the advice of the CTMUHB's investment adviser if appropriate.

- Oversee and monitor the functions performed by the Director of Finance and procurement as defined in Standing Financial Instructions.
- Monitor the progress of any associated Charitable Appeal Funds.
- Monitor and review the CTMUHB scheme of delegation for Charitable Funds expenditure and set and reflect in Financial Control Procedures the approved delegated limits for expenditure from Charitable Funds.

DELEGATED POWERS

Although the Board has delegated authority to the Committee for the exercise of certain functions as set out within these terms of reference, it retains overall responsibility and accountability for ensuring the quality and safety of healthcare for its citizens through the effective governance of its organisation.

The Audit & Risk Committee has a key role in assisting the Board to fulfil its oversight responsibilities in areas such as the Health Board's financial reporting, internal control systems, risk management systems and the internal and external audit functions.

AUTHORITY

The Committee is authorised by the Board to:

- investigate or have investigated any activity within its Terms of Reference and in performing these duties shall have the right, at all reasonable times, to inspect any books, records or documents of the CTMUHB. It may seek relevant information from any:
 - Employee (and all employees are directed to cooperate with any reasonable request made by the Committee); and
 - Any other Committee, sub Committee or group set up by the Board to assist it in the delivery of its functions.
- obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary, subject to the Board's budgetary and other requirements;
- by giving reasonable notice, require the attendance of any of the officers or employees and auditors of the Board at any meeting of the Committee.
- approve policies relevant to the business of the Committee as delegated by the Board.

Sub Committees

The Committee may, subject to the approval of the Health Board, establish sub Committees or task and finish groups to carry out on its behalf specific aspects of Committee business. At this stage, no sub Committees/task and finish groups have been established.

ACCESS

The Head of Internal Audit and the Auditor General for Wales and his representatives shall have unrestricted and confidential access to the Chair of the Audit & Risk Committee at any time, and the Chair of the Audit Committee will seek to gain reciprocal access as necessary.

The Committee will meet with Internal and External Auditors and the nominated Local Counter Fraud Specialist without the presence of officials on at least one occasion each year.

The Chair of Audit & Risk Committee shall have reasonable access to Executive Directors and other relevant senior staff.

MEMBERSHIP

Members:

A minimum of **(4)** members, comprising

Chair Independent Member of the Board

Vice Chair Independent Member of the Board

Members Two Independent Members of the Board (one of which should be a member of the Quality & Safety Committee).

The Chair of the Health Board shall not be a member of the Audit & Risk Committee.

Attendees:

- Executive Director of Finance & Procurement
- Director of Corporate Governance / Board Secretary (Executive Lead for Risk)
- Head of Internal Audit
- Local Counter Fraud Specialist
- Representative of the Auditor General for Wales

- The Chief Executive and Chair shall be invited to attend at least annually to discuss the process for assurance that supports the Annual Governance Statement and at the meeting to discuss the Accounts. The Director of Finance for WHSSC and Committee Secretary will normally attend the meetings of the Audit Committee. The Director of Specialised and Tertiary Services and the Chair of the Welsh Health Specialised Services Committee shall be invited to attend at least annually to discuss the process for assurance that supports the Annual Governance Statement and at the meeting to discuss the Accounts.
- The Emergency Ambulance Services Commissioner and the Chair of the Emergency Ambulance Services Committee shall be invited to attend at least annually to discuss the process for assurance that supports the Annual Governance Statement and at the meeting to discuss the Accounts.
- Other Directors may be invited to attend when the Committee is discussing areas of risk or operation that are the responsibility of that Director.

By Invitation:

- Other Directors / Health Board Officers may be invited to attend when the Committee is discussing areas of risk or operation that are the responsibility of that Director.
- The Committee may also co-opt additional independent external members from outside the organisation to provide specialist skills, knowledge and experience.

Secretariat

The Director of Governance / Board Secretary will determine the secretarial and support arrangements for the Committee.

Member Appointments

The membership of the Committee shall be determined by the Board, based on the recommendation of the CTMUHB Chair – taking account of the balance of skills and expertise necessary to deliver the Committee’s remit and subject to any specific requirements or directions made by the Welsh Government.

The Independent Member who is the nominated Audit Lead for WHSSC and EASC must be a member of the Audit Committee.

Members shall be appointed for a maximum of 3 consecutive years before formally reviewing their role on the Committee. During this time a member may resign or be removed by the Board.

The Board shall ensure succession planning arrangements are in place.

Support to Committee Members

The Director of Corporate Governance / Board Secretary, on behalf of the Committee Chair, shall:

- Arrange the provision of advice and support to committee members on any aspect related to the conduct of their role; and
- Co-ordinate the provision of a programme of organisational development for committee members as part of the overall Health Board's Organisational Development programme developed by the Executive Director of Workforce & Organisational Development.

COMMITTEE MEETINGS

Quorum

A quorum shall be two Independent Members one of whom must be the Chair or in the absence of the Chair, the Vice Chair or an Independent Member who will be nominated to Chair the Committee.

Frequency of Meetings

Meetings shall be held no less than four times a year, and otherwise as the Chair of the Committee deems necessary. The External Auditor or Head of Internal Audit may request a meeting if they consider that one is necessary.

The Committee will arrange meetings to fit in with key statutory requirements during the year consistent with the CTMUHB's annual plan of Board Business.

Withdrawal of Individuals in Attendance

The Committee may ask any or all of those who normally attend but who are not members to withdraw to facilitate open and frank discussion of particular matters.

Circulation of Papers

The Director of Governance / Board Secretary will ensure that all papers are distributed at least 7 calendar days in advance of the meeting.

REPORTING AND ASSURANCE ARRANGEMENTS

The Committee Chair shall:

- report formally, regularly and on a timely basis to the Board on the Committee's activities. This includes verbal updates on activity and the submission of written highlight reports throughout the year;
- bring to the Board's specific attention any significant matters under consideration by the Committee;

- ensure appropriate escalation arrangements are in place to alert the CTMUHB Chair, Chief Executive or Chairs of other relevant committees of any urgent/critical matters that may affect the operation and/or reputation of the UHB.

The Committee shall provide a written, annual report to the Board on its work in support of the Annual Governance Statement specifically commenting on the adequacy of the assurance arrangement, the extent to which risk management is comprehensively embedded throughout the organisation, the integration of governance arrangements and the appropriateness of self-assessment activity against relevant standards. The report will also record the results of the Committees self-assessment and evaluation.

The Board may also require the Committee Chair to report upon the activities at public meetings or to community partners and other stakeholders, where this is considered appropriate e.g. where the Committee's assurance role relates to a joint or shared responsibility.

The Director of Governance / Board Secretary, on behalf of the Board, shall oversee a process of regular and rigorous self-assessment and evaluation of the Committee's performance and operation.

RELATIONSHIP WITH THE BOARD AND ITS COMMITTEES / GROUPS

Although the Board has delegated authority to the Committee for the exercise of certain functions as set out within these terms of reference, it retains overall responsibility and accountability for the safety, security and use of information to support the quality and safety of healthcare for its citizens through the effective governance of the Organisation.

The Committee is directly accountable to the Board for its performance in exercising the functions set out in these terms of reference.

The Committee, through its Chair and members, shall work closely with the Board's other Committees and Groups to provide advice and assurance to the Board through the:

- Joint planning and co-ordination of Board and Committee business: and
- Sharing of information

In doing so, contributing to the integration of good governance across the Organisation, ensuring that all sources of assurance are incorporated into the Board's overall risk and assurance framework.

The Committee shall embed the corporate goals and priorities through the conduct of its business, and in doing and transacting its business shall seek assurance that adequate consideration has been given to the sustainable development principle and in meeting the requirements of the Well-Being of

Future Generations Act.

APPLICABILITY OF STANDING ORDERS TO COMMITTEE BUSINESS

The requirements for the conduct of business as set out in the UHB's Standing Orders are equally applicable to the operation of the Committee, except in the following areas:

- Quorum

CHAIR'S ACTION ON URGENT MATTERS

There may, occasionally, be circumstances where decisions which normally be made by the Committee need to be taken between scheduled meetings. In these circumstances, the Committee Chair, supported by the Director of Corporate Governance as appropriate, may deal with the matter on behalf of the Board, after first consulting with one other Independent Members of the Committee. The Director of Corporate Governance must ensure that any such action is formally recorded and reported to the next meeting of the Committee for consideration and ratification.

Chair's urgent action may not be taken where the Chair has a personal or business interest in the urgent matter requiring decision.

REVIEW

These Terms of Reference shall be adopted by the Audit & Risk Committee at its first meeting and subject to review at least on an annual basis thereafter, with approval ratified by the Health Board.

List of Internal Audits Undertaken within Cwm Taf UHB 2019-2020 and Assurance Ratings

	Internal Audit Assignment	Assurance Rating 2018-2019
1	Core Financial Systems	Substantial
2	Welsh Risk Pool	Substantial
3	Prince Charles Hospital Redevelopment Follow Up Review	Substantial
4	Freedom of Information	Substantial
5	Carbon Reduction Commitment Energy Efficiency Scheme	Substantial
6	Welsh Risk Pool – Concerns and Compensation Claims	Substantial
7	Service Change Plan – Early Cancer Diagnosis Programme	Reasonable
8	Patient Experience	Reasonable
9	Directorate Reviews – Compliance – Primary Care	Reasonable
10	Risk Management	Reasonable
11	Mobile Phones	Reasonable
12	Commissioning	Reasonable
13	Sustainability Reporting	Reasonable
14	Annual Quality Statement	Reasonable
15	Water Safety	Reasonable
16	Health & Care Standards Review	Reasonable
17	Directorate Review – Surgery – Management Arrangements	Reasonable
18	Directorate Review – Surgery - Compliance	Reasonable
19	Directorate Review – Radiology – Management Arrangements	Reasonable
20	Directorate Review – Radiology - Compliance	Reasonable
21	Primary Care Cluster Plans	Reasonable
22	Estates Maintenance Systems	Reasonable
23	Raising Concerns – Follow Up	Reasonable
24	Directorate Review – Pathology – Management Arrangements	Reasonable
25	Directorate Review – Pathology - Compliance	Reasonable

26	Nurse Staffing Levels (Wales) Act 2016	Reasonable
27	Records Digitisation	Reasonable
28	Prince Charles Development Financial Management Audit	Reasonable
29	Information Governance Arrangements – Community & Mental Health Services	Reasonable
30	Medical Equipment and Devices at Princess of Wales Hospital	Reasonable
31	Medical Equipment and Devices – Follow Up (Cwm Taf University Health Board area)	Reasonable
32	Cyber Security	Limited
33	Retention of Nursing Staff – Follow Up	Limited
34	Data Quality – Patient Pathway Appointment Management Process	Limited
35	Consultant Job Planning	Limited

	Substantial Assurance Rating	6
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	Reasonable Assurance Rating	25
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	Limited Assurance Rating	4
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	Total	35
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**NB – the above does not include the internal audit ratings for the reviews undertaken for the hosted bodies.*

List of Internal Audits Undertaken 2019-2020 and Assurance Ratings within

**The Welsh Health Specialised Services Committee (WHSCC)
&
the Emergency Ambulance Services Committee (EASC)**

	Internal Audit Assignment	Assurance Rating 2019-2020
<u>Welsh Health Specialised Services Committee (WHSCC)</u>		
1	Risk Management	Reasonable
2	Governance Arrangements	Reasonable
3	Information Governance Review	Reasonable
4	Cardiac Services Review	Reasonable
<u>Emergency Ambulance Services Committee (EASC)</u>		
1	Governance and performance arrangements	Reasonable