

## Betsi Cadwaladr University Health Board

### Minutes of the Audit Committee held on 15 September 2023, Boardroom, Carlton Court, St Asaph

<b>Present</b>	
<b>Name</b>	<b>Title</b>
Karen Balmer	Independent Member, Chair
Dyfed Jones	Independent Member
<b>In attendance</b>	
Nesta Collingridge	Head of Risk Management
Andrew Doughton	Audit Wales
Dave Harries	Head of Internal Audit
Andrea Hughes	Interim Director of Finance
Nicola Jones	Deputy Head of Internal Audit
Phil Meakin	Interim Board Secretary
Marty McAuley	Deputy Director Corporate Governance / Deputy Board Secretary
Simon Monkhouse	Audit Wales
James Risley	Deputy Executive Medical Director
Carol Shillabeer	Interim Chief Executive Officer
Chris Stockport	Executive Director of Transformation and Planning
Bethan Wassell	Statutory Compliance, Governance & Policy Manager

<b>Agenda item</b>	<b>Action</b>
<b>OPENING BUSINESS</b>	
<p><b>AC23.78 Welcome introductions and apologies</b></p> <p>AC23.78.1 Karen Balmer, Independent Member and Chair (Chair) of the Audit Committee welcomed to the Audit Committee.</p> <p>AC23.78.2 Apologies were received from:</p> <ul style="list-style-type: none"> <li>• Gareth Williams, Independent Member</li> <li>• Russell Caldicott, Interim Executive Director of Finance – Represented by Andrea Hughes Interim Director of Finance</li> <li>• Nick Lyons, Executive Medical Director – Represented by James Risley, Deputy Executive Medical Director</li> <li>• Matt Edwards, Audit Wales</li> <li>• Michelle Phoenix, Financial Audit Manager, Audit Wales</li> </ul>	
<p><b>AC23.79 Declarations of interest on current agenda</b></p> <p>AC23.79.1 There were no declarations of interest noted.</p>	
<p><b>AC23.80 Draft Minutes of the meetings held on the 25 May 2023 and 24 August 2023</b></p>	



<p>AC23.80.1 The Chair noted an amendment in the agenda to update from 2023 to 2024.</p> <p>AC23.80.2 The minutes of the meeting held in May 2023 were confirmed as a true and accurate record of the meeting.</p> <p>AC23.80.3 The minutes of the meeting held in August 2023 were confirmed as a true and accurate record of the meeting.</p> <p><b><u>ACTION:</u> Simon Monkhouse confirmed that his attendance was incorrectly recorded for the August meeting. This is to be updated.</b></p>	MM
<p><b>AC23.81 Action Log</b></p> <p>AC23.81.1 The Board Secretary presented the action point register and invited comments. The Committee reviewed the four open actions on the register.</p> <p>AC23.81.2 The Chair challenges the outstanding action on charitable funds.</p> <p><b><u>ACTION:</u> The Board Secretary progress with the Head of Fundraising.</b></p> <p>AC23.81.3 Action point register was approved.</p>	PM
<b>AC23.82 ITEMS FOR APPROVAL OR ASSURANCE</b>	
<p><b>AC23.83 Special Measures Report</b></p> <p>AC23.83.1 Dr Chris Stockport, Executive Director of Transformation &amp; Strategic Planning led the Committee through the report. The committee were informed that this is the first time that this report style has been presented to Committee.</p> <p>AC23.83.2 Cycle one of special measures has now been completed and the report is presented to the Audit Committee. Many deliverables move in to cycle two with new deliverables that will build on the cycle one success.</p> <p>AC23.83.3 The Chair of the Committee sought clarification on the independence of the Project Management Office (PMO). It was confirmed that whilst the PMO is not independent of the Health Board, the view and assurance that they offer is independent of the view of the lead Executive.</p> <p>AC23.83.4 The Audit Committee discussed the report, its style, content and presentation. The Committee acknowledged that it is clear and easy to read but noted that there was some confusion/lack of clarity on where we are. The Committee cautioned that whilst it was fully understood that this was not intentional the openness and transparency of the reporting was</p>	



<p>paramount.</p> <p>AC23.83.5 The Committee discussed why this could appear to have less clarity and noted that there were not as many deliverables and again, agreed that it was clear that there is no intention to mislead but that reporting needs to be clear.</p> <p>AC23.83.6 The Board Secretary gave an update on recruitment and the timeline that is expected to be followed:</p> <ul style="list-style-type: none"><li>• Vice chair recruitment closes on 3 October 2023</li><li>• Independent Member (IM) interviews are taking place on 4 October 2023</li></ul> <p>AC23.83.7 The Board Secretary reminded that the appointments were led by Welsh Government. The other IMs will be appointed in Q4. The current term of office will end on 29 February 2023. Interviews are scheduled for 15 January, and the Committee noted the potential risk and that all five IM could be lost through the process and the Health Board would be back in the same position as previously.</p> <p><b><u>ACTION:</u> The Board Secretary to find the appropriate feedback route to highlight the concerns from the Committee.</b></p> <p>AC23.83.8 The Board Secretary noted that we had re-established 8 committees but that we need to look at the deliverables in more details and the transition needs to avoid ambiguity. The Committee agreed and recognised the need for an audit work plan.</p> <p><b><u>ACTION:</u> The Board Secretary to facilitate an annual work plan for the Committee with the Chair of the Committee.</b></p>	<p>PM</p> <p>PM</p>
<p><b>AC23.84 Review and approval of framework: Risk Framework</b></p> <p>AC23.84.1 The Interim Chief Executive and Head of Risk Management presented the risk framework to the Committee.</p> <p>AC23.84.2 A Board Development session was held on the 24 of August 2023 to determine the 2023/24 risk appetite and discuss the approach to risk management, in order to inform the risk management framework.</p> <p>AC23.84.3 The framework has moved from being quite procedural to now being more streamlined.</p> <p>AC23.84.4 A significant change is the role of the executive team taking on more of the accountability and escalation and de-escalation of risks, as opposed to the Risk Management Group. This allows for a more agile corporate risk register. There is much more emphasis on the Executives as</p>	

<p>individuals and as a team to review the strategic risks of the of the Health Board.</p> <p>AC23.84.5 The Chair thanked the corporate team for the progress made and the ongoing development of RM02.</p> <p>AC23.84.6 The Committee suggested that the following changes were made:</p> <ul style="list-style-type: none"> <li>• Risk Appetite: further describe the cautious appetite in relation to financial control</li> <li>• Reputational risk: seek is the correct status but the definition may not be correct</li> <li>• Risk Strategy needs to have context of learning and continuous improvement</li> <li>• Add further details on the three lines of defence.</li> <li>• More emphasis on continuous learning</li> </ul> <p><b><u>ACTION:</u> The Board Secretary to review and make the changes</b></p> <p>AC23.84.7 The Chair confirmed that further work was needed in the glossary to articulate what Risk Appetite is, what risk management is and what our Risk Management Framework is.</p>	<p>PM</p>
<p><b>AC23.85 Review and Approval of Standing Orders</b></p> <p>AC23.85.1 The Board Secretary presented the standing orders and explained the legislative requirement for them to be reviewed and maintained. These are from Welsh government all Health Boards have been asked to update the model ones.</p> <p>AC23.85.2 The Board Secretary conformed that these are seen in conjunction with the scheme of reservation and delegation of the Board and how they are a key part of our financial special measures action plan.</p> <p>AC23.85.3 The updated revisions will be presented to the next audit committee those revisions can then to go to the next board meeting for approval.</p> <p>AC23.85.4 The Chair informed the Officers that this was a fundamental key control, particularly in our current environment and with such a financial challenge ahead.</p> <p>AC23.85.5 The Interim Director of Finance confirmed some of the challenges ahead and the amount of work taken to get the improvements that had been achieved so far.</p>	



<p>AC23.85.6 The Committee also recognised that there had been some significant breaches in terms of standing orders and standing financial instructions and that the prevention of these in the future has to become a priority focus for the Committee.</p> <p>AC23.85.7 The Finance Director conformed that to help prevent this in the future, people would receive training on standing orders, SFI and procurement training.</p> <p>AC23.85.8 The Committee was assured by the work to date.</p>	
<p><b>AC23.86 Implementation Plan Update on Declaration of Gifts and Hospitality</b></p> <p>AC23.86.1 The Board Secretary explained the requirement to establish and maintain a system for the declaration, recording and handling of health board officers' interests and the register of gifts, hospitality and sponsorship.</p> <p>AC23.86.2 A position of partial assurance and stepped approach to improvements on previous position was noted but further work ahead. A new system launched on 31 August 2023 and further engagement and training needed in the next quarter to improve the compliance.</p> <p>AC23.86.3 The Health Board has a duty under the Bribery Act to ensure that there are proper systems in place to prevent bribery within the Health Board and must be demonstratable that these are in place.</p> <p>AC23.86.4 The Committee noted that the only defence to section 7 of the Bribery Act is to show that there are good processes in place. As such regular undertaking of audits to show that the system is effective, as well as testing our staff.</p> <p>AC23.86.5 The progress is noted but further assurance is required.</p> <p><b><u>ACTION:</u> The Board Secretary to report back in January on progress and compliance.</b></p>	PM
<p><b>AC23.87 Audit Tracker Update</b></p> <p>AC23.87.1 The Head of Risk Management presented the report noting that there were a number of high and overdue actions from audits.</p> <p>AC23.87.2 The Committee recognised the work that had been undertaken to date to get to this position but confirmed that overdue or delayed recommendations are unacceptable.</p>	



AC23.87.3 The Committee recognised that these were legacy issues and noted the improved governance that the Board Secretary had put in place with executive monthly oversight.

AC23.87.4 The Chair recognised the work that had been undertaken to get to this stage and thanked the team, and made it clear about future expectations. This was the benchmark and it needed to be continually improved upon.

AC23.87.5 The Board Secretary confirmed that these would be presented to each Committee.

AC23.87.6 The Committee re-iterated the need for assurance and oversight of actions and how this can be triangulated so they are all assured.

AC23.87.7 The Committee noted the progress made to date.

### **AC23.88 Policy on Policies**

AC23.88.1 The Board Secretary presented the report highlighting some of the key changes to the policy.

AC23.88.2 There is greater delegation with the policy being clear about what is reserved for the Board. The things that generally are reserved for the Board are areas where there is a particular legislative framework around them.

AC23.88.3 The Board agreed that this needed to be dynamic and reviewed to make sure that it was being effective. The Committee agreed on the need to be assured and to test that the things we believe to be happening actually are. It was noted that there was an ambition to streamline the numbers of policies, by utilizing standard operating procedures and protocols.

AC23.88.4 The Board approach to prioritising the outstanding policies which are due for review was highlighted. The executive team agreed that we would identify a policy lead. A priority for the policy and a timescale for completion.

AC23.88.5 The Committee noted the work to be done and the Chief Executive set expectations that this could take 12-18 months to recover the position.

AC23.88.6 The Committee approved the new route for approving and managing policies and noted the plan to address the backlog of policy reviews.



## **AC23.89 Financial Control and Single Tender Actions Summary**

AC23.89.1 The Interim Deputy Executive Director Finance presented an overview of the current financial position and the report providing an update on the first five months of 2023/24 (April 23 to August 23) on conformance with the Health Board's Standing Orders (SOs), incorporating Standing Financial Instructions (SFIs) and Scheme of Reservation and Delegation of Powers (SoRD), in relation to Single Tender Waivers and Losses payments.

AC23.89.2 The Health Board has a planned deficit of £134.2m. The expenditure run rate is materially above plan, with a Year-to-Date deficit at Month 5 of £20.3m.

AC23.89.3 There is a requirement for a formal Financial Recovery Plan, which will be presented to the next Board Meeting. Executive led actions designed to mitigate the pressures are being progressed.

AC23.89.4 The Finance Director gave an overview of some of the mitigating actions being considering to control and reduce expenditure. It is expected that the Welsh Government will ask NHS Wales to seek to further improve upon the planned deficit position.

AC23.89.5 The Committee reviewed the single tender waivers and noted the emergence of more 3 + 1 + 1 type contracts. The Committee highlighted one for a system and it should have been tendered about 15 years ago, but they've been going annually to keep this system going. One of the gaps in the information being collected is the cumulative spend is not shown.

AC23.89.6 The Committee confirmed its position, the need for openness and transparency, the importance of following procurement rules in line with SFIs and ensuring value for money.

AC23.89.7 The Committee discussed its approach to fraud prevention and how they will be assured when single tender waivers cannot be used to circumnavigate our procurement controls.

AC23.89.8 The expectation of the Committee is that single tender waivers should be few and far between. Going forward, as set out in the SFIs the Committee reserves the right to require the budget holder/director to attend and explain the reason for breaching the SFIs.



## AC23.90 Internal Audit Progress Report

AC23.90.1 The progress report was presented to the Audit Committee, noting that it was the first time reporting 100% of the reports turned around, from management response to draft report within 20 working days.

AC23.90.2 It was noted that despite this progress the Health Board remains an outlier as other organisations are working to 15. The Committee had discussed this in May 2023 and decided to stay at 30 and review later in the cycle as arrangements are more embedded. It was agreed that this would be something to aspire to in the new financial year.

AC23.90.3 There were 14 reviews that were finalized, with nine of those are from 2022/23. The fourteen were rated as follows:

- Substantial assurance (green) – two;
- Reasonable assurance (yellow) – three;
- Limited assurance (amber) – seven;
- No assurance (red) – one; and
- Advisory (grey) – one

AC23.90.4 Contracted patient activity – Quality & Safety arrangements No assurance and four high level recommendations.

AC23.90.5 The Committee highlighted the Public Interest Report from the Public Services Ombudsman for Wales detailing the investigation of a complaint against the Health Board for the care and management of a Health Board patient. It was presented at the November 2022 Quality Safety and Experience Committee (QSE) and referred to in the subsequent Board meeting.

AC23.90.6 The Chair instructed that the Ombudsman's review is an action from this meeting, is circulated to the Committee and for them to review and consider if they are assured.

**ACTION: Circulate Ombudsman's review and add to the next agenda.**

AC23.90.7 Recruitment of Substantive and Interim Executive and Senior Posts (ESP) Substantial assurance received with two medium recommendations

AC23.90.8 Planned Care Recovery and Transformation Group There was limited assurance given due to the has not met since December 2022, we are therefore unable to confirm that it is fulfilling its responsibility to provide assurance to the Health Board and Welsh Government that the planned care programme is being successfully implemented.

PM



AC23.90.9 Data analysis – Triangulation of data Limited assurance report with 3 high level recommendations. It was highlighted that there was no evidence of issues escalated, and there was no regular report. The Committee were assured that there is now a revised programme waiting formalisation, and an inaugural meeting to launch the program is planned before the end of July.

AC23.90.10 The Chief Executive conformed that the meeting had taken place and that she had chaired the meeting. Further strengthening of the programme is being undertaken to make it clearer on what's the start, the middle and the end.

AC23.90.11 Performance management and accountability arrangements

Limited assurance with 2 high level and 1 medium level recommendation. Key feedback included:

- There is a process in place to collection of data, but it's a lot, quite a few different areas, but there's no documented standard in terms of validating that thing to make sure it's correct.
- no follow up with those improvement actions to make sure that they were actually making a difference.
- That things are improving and in terms of accountability meetings, they've been sporadic over the last couple of years

AC23.90.12 The Committee noted that a lot of actions that gone past the deadlines and with no updates or changes

AC23.90.13 The Chief Executive offered some assurance. There is an Integrated Performance Framework due to go to the board at the end of the month that will outline how we approach performance in the organization and find it hard to operate without one. It will take some time to fully mature.

AC23.90.14 There is an Executive Delivery Group for integrated performance. Reviewing the integrated performance, so not just about finance or just about quality, but lining all those domains up and seeing what's what but that covering all of our business, not just the directly provided service, but Directorate Corporate Directorate.

AC23.90.15 The Chair sought clarification on the report, the action tracker and determination whether actions are still relevant. Progress is being made on the tracker,

AC23.90.16 Board Assurance Framework (BAF) & Risk Management Limited assurance report with four high level recommendations and one medium recommendation.



<p>AC23.90.17 The Committee discussed the escalation and de-escalation risk, noting that the new framework covers that. The role of the executive team is also strengthened in the risk management framework.</p> <p>AC23.90.18 The BAF and Risk Register are now under a single point of leadership, thereby removing the false separation.</p> <p><u>AC23.90.19 Hergest Unit Notice of Contravention (NoC) Action Plan</u> Limited assurance report with one high level recommendation.</p> <p><u>AC23.90.20 Clinical Audit – Tier 1 National Audits</u> The timescale for delivery of actions was made clear to all, but realistic timescales are also needed when it is not possible to deliver things. The Chief Executive Officer agreed and the tracker will be updated of any new dates through the Board Secretary.</p> <p><b><u>ACTION:</u> Board Secretary to review the dates of any recommendations.</b></p> <p>AC23.90.21 The Committee:</p> <ul style="list-style-type: none"><li>noted the Audit Universe/Rolling plan and the risks identified for consideration for 2024/25</li><li>received the progress report and approved the recommendation to defer one review from the plan.</li></ul>	<p>PM</p>
<p><b>AC23.92 Audit Wales (external audit) progress reports</b></p> <p>AC23.92.1 Audit Wales gave an overview of progress made against the audit plan which the Committee were assured on.</p> <p>AC23.92.2 The Committee noted charitable funds timeline difference to main accounts and thanked Audit Wales for the report.</p>	
<p><b>AC23.93 National Audit Report for information</b></p> <p>AC23.93.1 This was a national report covered across sectors, the key point from it around digital inclusion is thinking about in terms of new services and service provision.</p> <p>AC23.93.2 The Committee noted that there was no management response yet but noted the report. Digitally enabled services have a role but need to be inclusive for those most vulnerable to ensure they can access digitally enabled services.</p>	



<p>AC23.93.3 The Chair noted for health care particularly, that's obviously a very relevant area but not all of the report was such as development.</p> <p>AC23.93.4 Through discussion it was agreed that the information section should be added to the Exec team agenda and that therefore Dylan Roberts, as the executive lead, can note and digest and make sure that we recognize the work and in the work that we're doing on this.</p> <p><b><u>ACTION:</u> The Board Secretary to add digital inclusion to the Executive agenda and update the Audit Committee through the matter arising.</b></p>	PM
<b>AC23.95 CLOSING BUSINESS CLOSING BUSINESS</b>	
<p>AC23.95.1 The date of the next meeting – 16 November 2023.</p> <p>AC23.95.2 Noted that the Committee would now be bi-monthly.</p> <p>AC23.95.3 The Chair thanked everyone who had contributed.</p>	