

Audit Committee

Annual Report 2018-2019

AUDIT COMMITTEE ANNUAL REPORT 2018-2019

1. FOREWORD

Following the end of Chris Turner's tenure in December 2018 and my subsequent commencement as Chair of the Audit Committee, 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 2018-2019.

On behalf of the Committee, I extend our heartfelt thanks to Chris Turner for his direction and leadership during his tenure, and wish him well with his ongoing commitments.

During the year, both Chris Turner and I have been greatly supported by both Maria Thomas and Jayne Sadgrove, who have contributed their considerable knowledge and wide-ranging experience to the Committee. It was also my pleasure to welcome our new Independent Member, Dilys Jouvenat to the Audit Committee.

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 the Wales Audit Office (WAO) 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 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 UHB, which culminates in the production of the Annual Governance Statement.

The Terms of Reference for the Committee were reviewed and were formally approved by the Board in July 2018.

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 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 Committee comprises of four 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 2018-2019 is outlined in table 1 below:

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

Name	Period
Members	
Chris Turner (Chair & WHSSC Audit lead) Independent Member	Apr 2018 – Dec 2018
Maria K Thomas Independent Member	Apr 2018 - Mar 2019
Jayne Sadgrove Independent Member	Apr 2018 - Mar 2019
Paul Griffiths (Chair from January 19) Independent Member	Nov 2018 -Mar 2019
Dilys Jouvenat	Aug 2018 – March 2019
Executive Members	
In addition to the members, the following also attended Committee meetings during the 2018-2019:	
Director of Corporate Services & Governance / Board Secretary	
Director of Finance & Procurement	
Representatives of Internal Audit & Assurance (NHS Wales Shared Services Partnership)	
Representatives of External Audit (Wales Audit Office)	
Local Counter Fraud Specialist (LCFS)	
Head of Corporate Services / Interim Board Secretary	
Health Board Chair and Chief Executive (Accounts meeting only)	
Chair and Managing Director of Specialised Services	
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 the Wales Audit Office (WAO), Internal Audit, Local Counter Fraud Services and Cwm Taf CTUHB personnel. Although they are not members of the Committee, auditors and other key personnel are expected to attend each meeting of the Audit 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 Committee.

3.4 ATTENDANCE AT AUDIT COMMITTEE 2018-2019

During the year, the Committee met on seven occasions, one of which (31 May 2018) 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 2018-2019

In Attendance	16 April 2018	8 May 2018	31 May 2018	9 Jul 2018	8 Oct 2018	12 Jan 2019	11 Feb 2019	Total
Committee Members								
Chris Turner (Chair to Oct 2018)	✓	✓	✓	✓	✓			5/5
Maria Thomas – Independent Member	✓	✓	✓	✓	✓	✓	✓	7/7
Jayne Sadgrove (née Dowden) – Independent Member	✓	✓	✓	✓	✓	✓	X	6/7
Paul Griffiths - Independent Member (Chair from Jan 2019)	✓	✓	✓	✓	✓	✓	✓	7/7
Dilys Jouvenat (from Aug 2018)					✓	✓	✓	3/3
Wales Audit Office								
Audit Team Representative	✓x2	✓x2	✓x2	✓	✓	✓x2	✓x2	7/7
NWSSP Audit Service								
Head of Internal Audit for the Committee	✓x3	✓	✓x3	✓x3	✓x2	✓x4	✓x5	7/7
Counter Fraud Services								
Local Counter Fraud Specialist	✓	X	X	✓	✓	✓	X	4/7
Cwm Taf CTUHB								
Marcus Longley Chair	✓	X	✓	✓	✓	X	X	
Allison Williams, Chief Executive	X	X	✓	X	X	X	X	
John Palmer Chief Operating Officer	✓	X	X	X	X	✓	✓	3/7
Ruth Treharne Deputy Chief Executive	✓	X	✓	X	X	X	X	
Jo Davies Director of Workforce & OD	✓	X	X	X	X	✓*	X	
Steve Webster Director of Finance & Procurement	✓	✓	✓	X	✓	✓	✓	6/7
Huw Evans Head of Corporate Finance	✓	✓	✓	✓	✓	✓	X	6/7
Robert Williams Board Secretary/Dir Corporate Services & Governance	✓	✓	✓	✓	X	X	X	4/7
Miss G Roberts Head of Corporate Services	X	X	✓	X	✓	✓	X	3/7
WHSCC/EASC								
WHSCC	✓x2	✓x2	✓x4	✓x2	✓x2	✓x2	X	6/7
EASC	X	✓	✓	X	X	X	X	2/7
OBSERVERS								
OBSERVERS	✓	✓x2	✓	X	X	X	X	

✓* - denotes a suitably appointed Deputy was in attendance

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

4. AUDIT COMMITTEE BUSINESS

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

4.1 Main Areas of Audit 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:

- Draft 2017/18 Annual Accounts
- CEO Draft Accountability Report including Remuneration Report
- Report on WHSSC/EASC Financial Statements 2017/18
- WHSSC Annual Governance Statement 2017/18
- EASC Annual Governance Statement 2017/18
- Report on Financial Accounts of the UHB 2017/18
 - Final Draft Annual Accounts 2017/18
 - Final Draft Remuneration Report
 - Audit of the Financial Statements (ISA 260) Draft Report
- Cwm Taf UHB Accountability Report 2017/18
- Head of Internal Audit Opinion and Annual Report 2017/18
- Response to the Audit Enquiries Checklist 2017/18
- Procurements and Scheme of Delegation Report
- Audit Recommendations Tracker
- Losses and Special Payments Report
- Standard of Behaviours Report
- Clinical Audit & Effectiveness Plan 2018/19 (and summary progress against the 2017/18 plan)
- Annual report of the Audit Committee 2017/18 (including Self-Assessment Checklist & Review of the Committee Terms of Reference)
- Update on Internal Audit Recommendations Tracker
- WHSSC Corporate Risk Assurance Framework
- EASC Committee Risk Register
- Post Payment Verification Report
- Wales Audit Office Closure Report – Review of Public Health Wales

3. Charitable Funds

Standard reports were received in respect of activity and balances held within charitable funds. The Audit Committee plays 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 16 April 2018, 9 July 2018, 8 October 2018, and the 14 January 2019.

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 (WAO) 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 (the latter established in April 2014) rely on Cwm Taf University Health Board (CTUHB) for its Audit Committee function, following a review and restructuring of its arrangements during 2013.

To support the Audit Committee requirements for the both EASC and WHSCC the Health Board's Audit 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 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 Services and Governance / Board Secretary at Cwm Taf 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 Cwm Taf CTUHB. All these factors enable Cwm Taf 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 Cwm Taf on behalf of WHSSC/EASC as part of its hosting responsibilities.

In March 2014, the Joint Committee's approved the revised Governance and Accountability Framework for both WHSCC and EASC including the Standing Orders. These were reviewed and updated during 2018/19.

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 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 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:


- Corporate Governance, Risk Management & Regulatory Compliance
- Strategic Planning, Performance Management and Reporting
- Finance Governance and Management
- Clinical Governance, Quality and Safety
- Information Governance and Information Technology (IT) security
- Operational services and functional management
- Workforce management
- Capital and Estates Management

However, the Capital Estates management domain was allocated 'limited assurance', as two out of the four reviews undertaken in the domain during the year were given a 'limited assurance' rating. These reviews related to water safety (final report), and to the capital project for the redevelopment of Prince Charles Hospital.

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 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, 34 audit reviews were reported to the Audit Committee during the year.

A breakdown of the internal audits results presented to the Audit Committee and the Board in 2018-2019 is presented at **Appendix 4** for information.

A breakdown of the Audit results for the Hosted Bodies presented to the Audit Committee and the Board in 2018-2019 is presented at **Appendix 5** 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 Committee in:

April 2018

- Internal Audit Progress Report – Audit & Assurance Services
- Internal Audit Annual Audit Plan 2018/19
- Risk Management
- Performance Management Monitoring & Reporting
- Governance Arrangements for Hosted Bodies
- Information Management and Technology Strategy
- Core Financials
- Scheme of Delegation
- WAST Handover of Care at Emergency Departments

8 May 2018

- Internal Audit Progress Report – Audit & Assurance Services
- E Rostering
- Private and Overseas Patients
- Governance Arrangements with Local Authorities and Third Sector
- Fire Management
- 'Draft' Head of Internal Audit Opinion and Annual Report 2017/18

July 2018

- Internal Audit Progress Report – Audit & Assurance Services
- Directorate Review – Anaesthetics, Critical Care & Theatres – Management Arrangements
- Directorate Review – Anaesthetics, Critical Care & Theatres – Compliance
- Health and Care Standards
- Environmental Sustainability Reporting
- Annual Quality Statement
- Joint Advisory Group – Accreditation – Follow Up

October 2018

- Internal Audit Progress Report – Audit & Assurance Services
- General Data Protection Regulation (GDPR)
- Performance Management – Follow Up
- Carbon Reduction Commitment
- Governance Arrangements of Board Committees
- Directorate Reviews – Facilities – Compliance
- Draft – Directorate Reviews – Facilities – Management Arrangements
- WHSSC Internal Audit Report – High Cost Drugs
- WHSSC Internal Audit Report – Network Boards and Advisory Groups

January 2019

- Internal Audit Progress Report – Audit & Assurance Services
- Retention of Staff
- Directorate Reviews: Facilities – Management Arrangements
- Raising Concerns
- Wellbeing of Future Generations Act (Wales) 2015
- Continuing Healthcare
- EASC - Non-Emergency Patient Transport Follow Up

February 2019

- Internal Audit Progress Report – Audit & Assurance Services
- Internal Audit Report – Common issues identified within Directorate Reviews
- Management of Major Capital (CLOSED)
- Medical Equipment & Devices – Limited Assurance
- IT Systems
- Directorate Review – Primary Care Management Arrangements
- Mandatory Training
- Management of Absence Target
- Private & Overseas Management – Follow Up

During 2018-2019 one audit was deferred:

- Consultant Job Planning

6. EXTERNAL AUDIT

6.1 Wales Audit Office (WAO)

The Wales Audit Office (WAO) provided 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 Annual Report 2017
- Draft Structured Assessment Report 2017 and Management Response
- Wales Audit Office Annual Audit Plan for 2018/19
- Wales Audit Office Report and Management/Welsh Government Response – NWIS
- WAO Update on Progress with 2017/18 Accounts Audit
- Picture of Primary Care in Wales – National Report – Info only
- Wales Audit Office Review of Emergency Ambulance Services Commissioning (Closure Report)
- Wales Audit Office – Structured Assessment 2018
- Wales Audit Office – Primary Care Report
- Wales Audit Office – Annual Audit Report
- Wales Audit Office Report – All Wales Review on Follow Up Outpatients Not Booked
- Wales Audit Office – All Wales Review on Radiology Services
- Wales Audit Office – Recent Publication Agency Staff in Wales

6.2 Approval of the Annual Accounts

A special meeting of the Audit Committee was convened on 31 May 2018 to scrutinise the 2017-2018 Annual Accounts prior to approval by the Health Board including the letter of representation to Auditors and the Annual Governance Statement. The 2017-2018 Annual Accounts were scrutinised and approved by the Board on 31 May 2018. The meeting also scrutinised the Accounts and Statements for 2017-2018 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 was held on the 16 April 2018, between Audit Committee members, Internal Audit, External Audit and the Local Counter Fraud Specialist. This provided an opportunity for free and frank discussion. No issues of concern arose from the meeting.

8. LINKS WITH OTHER COMMITTEES

8.1 Other Sub Committees

The Audit Committee has close links with the Quality, Safety and Risk Committee and the three Committee Chairs meet with the Board Chair and Vice Chair, along with Chairs of other Board Committees, to form the Integrated Governance Committee. The Integrated Governance Committee met on three occasions during the period of this report, on the 26 April 2018, 30 August 2018 and the 20 December 2018. This ensured that the work of the three Committees supported each other and avoided duplication of effort.

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

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 Cwm Taf Morgannwg UHB to an absolute minimum.

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

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 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 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 Committee including, by way of example:

10.2 Annual Governance Statement - During 2018-2019, 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 - During the reporting period, the Committee gave specific attention to the audit results relating to new areas of activity and to areas of general concern. Nevertheless, the Committee has continued focus on the timely implementation of audit recommendations.

During the reporting period, the Committee reviewed ongoing progress against recommendations, and noted any areas of concern. The Committee explored the possible options for adopting a more sophisticated and user friendly tracker system for future use.

10.4 Audit Committee Effectiveness Survey - A Committee Effectiveness Survey was undertaken in 2018-2019 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 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 2018-2019, that there are effective measures in place **and that there are no outstanding issues that the Audit 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 Committee.

The Health Board is required by Welsh Government to remain within the:

- Revenue Resource Limit
- Capital Resource Limit

And both these targets were met.

Overall, the financial performance of the Health Board represents a very significant achievement given the difficult financial environment in which the Health Board operates. Substantial savings have been delivered and expenditure has been appropriately controlled within the Board's objective of ensuring that the quality of care is a central part of the financial plan.

This Annual Report will be supplemented by the annual self-assessment questionnaire, 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 2019-2020 in respect of:

- Strengthening the reporting and monitoring of top organisational risks (following discussion at a Board Development session in relation to the risk appetite of the Board and also comprehensively reviewing the risk register)
- Fully enacting and utilising the Board Assurance Framework
- Maintaining and strengthening the effectiveness of the Audit Tracker, including seeking and implementing best practice
- Discharging effectively the Board approved Committee Terms of Reference
- Reviewing the effectiveness of the application of the revised Standing Orders and Scheme of Delegation
- Monitoring the delivery of the Investment Strategy for Charitable Funds
- Improving the timeliness and completion of the 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.



AUDIT COMMITTEE TERMS OF REFERENCE

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 organisation 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 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 Board hereby resolves to establish a Committee of the Board to be known as the Audit Committee (The Committee).

The Committee is an independent member committee of the Board and has no executive powers, other than those specifically delegated in these Terms of Reference. The Committee will function in accordance with the NHS Audit Committee Handbook.

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 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.

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 key risks facing the organisation;
- 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 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, Standing Financial Instructions and Financial Control Procedures;
- the circumstances associated with each occasion where Standing Orders or Standing Financial Instructions are waived.

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 Corporate Services & 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

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.

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 can seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee;
- 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.

MEMBERSHIP

The Committee shall be appointed by the Board from amongst the Non-Officer Members of the Health Board and shall consist of not less than 4 members.

The Committee may also co-opt additional independent external members from outside the organisation to provide specialist skills, knowledge and experience.

The Health Board shall appoint the Chair of the Committee.

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

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

The Director of Finance and appropriate Internal and External Audit representatives shall normally attend meetings. However, at least once a year, the Committee will meet privately with the External and Internal Auditors without any Executive Director or officer present. The opportunity to meet with Auditors privately will be available at each meeting.

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.

The Health Board Local Counter Fraud Specialist will attend meetings of the Committee.

The Head of Internal Audit and the External Auditor shall have unrestricted direct access to the Chair of 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.

The Board shall ensure succession planning arrangements are in place.

Support to Committee Members

The Director of Corporate Services & 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.

COMMITTEE MEETINGS

Quorum

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

Frequency of Meetings

Meetings shall be held not less than four times a year. 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 Corporate Services & Governance / Board Secretary will ensure that all papers are distributed at least one calendar week 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, the submission of committee minutes and written reports.
- 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 Corporate Services & 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

The Chair of the Audit Committee and the Director of Finance as the Executive Lead will meet with their counterparts on the Clinical Governance Committee, Corporate Risk Committee Finance & Performance Committee and the Mental Health Act Monitoring Committee as part of the Integrated Governance Committee on a quarterly basis to plan the agenda and agree what issues are being considered by each Committee and the timescales involved.

The Committee, through the Committee Chair and members, shall maximise cohesion and integration across all aspects of governance and assurance through the:

- joint planning and co-ordination of Board and Committee business; and
- sharing of information, as appropriate.

The Committee shall embed the UHB's corporate standards, priorities and requirements, e.g. equality and human rights through the conduct of its business.

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

REVIEW

These Terms of Reference shall be adopted by the Audit Committee at its first meeting and subject to review at least on an annual basis thereafter.

For review in July 2020.

AUDIT COMMITTEE: SELF ASSESSMENT CHECKLIST**Status Key:** 1 = must do 2 = should do 3 = could do**(Audit Committee Self Assessment Checklist from the Audit Committee Handbook Pages 53-63)**

Status	Issue	Yes	No	N/A	Comments / Action
	Composition, Establishment and Duties				
1	Does the Audit Committee have written terms of reference that adequately define the Committee's role in accordance with Welsh Government guidance?	✓			
1	Have the terms of reference been adopted by the Board?	✓			
1	Are the terms of reference reviewed annually to take into account governance developments (including good governance principles) and the remit of other committees within the organisation?	✓			
1	Has the Committee been provided with sufficient membership, authority and resources to perform its role effectively and independently?				
2	Are changes to the Committee's current and future workload discussed and approved at Board level?	✓			
1	Are Committee members independent of the management team?	✓			
1	Does the Committee report regularly to the Board?	✓			
1	Has the Chair of the Committee a prior understanding of, or received training in, finance and internal control or other relevant expertise?	✓			
1	Are new members provided with induction?				
1	Does the Board ensure that members have sufficient knowledge of the organisation's business to identify key risk areas and to challenge both line management and the auditors on critical and sensitive matters?				

Status	Issue	Yes	No	N/A	Comments / Action
1	Does the Committee prepare an annual report on its work and performance in the preceding year for consideration by the Board?	✓			
1	Does the Committee assess its own effectiveness periodically?	✓			
	Meetings				
1	Has the Committee established a plan of matters to be dealt with across the year?	✓			
1	Does the Committee meet sufficiently frequently to deal with planned matters and is enough time allowed for questions and discussions?				
1	Does the Committee's calendar meet the Board's requirements and financial and governance calendar?	✓			
2	Are Committee papers distributed in sufficient time for members to give them due consideration?				
2	Are Committee meetings scheduled prior to important decisions being made?	✓			
2	Is the timing of Committee meetings discussed with all the parties involved?				
	Compliance with the law and regulations governing the NHS				
1	Does the Committee review assurance and regulatory compliance reporting processes?	✓			
3	Has the Committee formally assessed whether there is a need for the support of a "Company Secretary" role or its equivalent?				
3	Does the Committee have a mechanism to keep it aware of topical, legal and regulatory issues?	✓			

Status	Issue	Yes	No	N/A	Comments / Action
Internal Control and Risk Management					
1	Has the Committee formally considered how it integrates with other committees that are reviewing risk e.g. risk management and clinical governance?	✓			
1	Has the Committee formally considered how its work integrates with wider performance management and standards compliance?	✓			
1	Has the Committee reviewed the robustness and effectiveness of the content of the organisation's system of assurance?				
1	Has the Committee reviewed the robustness and content of the draft Annual Governance Statement before it is presented to the Board?	✓			
1	Has the Committee reviewed the robustness and content of the draft Annual Quality Statement before it is presented to the Board?	✓			
2	Has the Committee reviewed whether the reports it receives are timely and have the right format and content to enable it to discharge its internal control and risk management responsibilities?	✓			
1	Has the Committee reviewed the robustness of the data behind reports and assurances received by itself and the Board?				
1	Is the Committee satisfied that the Board has been advised that assurance reporting is in place to encompass all the organisation's responsibilities?	✓			
1	Is the Committee's role in reviewing and recommending to the Board the Annual Report and Accounts clearly defined?	✓			
1	Does the Committee consider the Auditor General's report to those charged with governance including proposed adjustments to the accounts?	✓			

Status	Issue	Yes	No	N/A	Comments / Action
1	Is there clarity over the timing and content of the assurance statements received by the Committee from the Head of Internal Audit?	✓			
Internal Audit					
1	Is there a formal 'charter' or terms of reference, defining Internal Audit's objectives, responsibilities and reporting lines?	✓			
1	Is the Charter or terms of reference approved by the Committee and regularly reviewed?	✓			
2	Are the key principles of the terms of reference set out in the Standing Orders/ Standing Financial Instructions?	✓			
1	Does the Committee review and approve the Internal Audit plan at the beginning of the financial year?	✓			
1	Does the Committee approve any material changes to the plan?	✓			
2	Are audit plans derived from clear processes based on risk assessment with clear links to the system of assurance?	✓			
1	Does the Audit Committee receive periodic reports from the Head of Internal Audit?	✓			
1	Do these reports inform the Audit Committee about progress or delays in completing the audit plan?	✓			
3	Has the Committee established a process whereby it reviews any material objection to the plans and associated assignments that cannot be resolved through negotiation?	✓			
2	Does the Committee effectively monitor the implementation of management actions from audit reports?	✓			
1	Does the Head of Internal Audit have a direct line of reporting to the Committee and its chair?	✓			

Status	Issue	Yes	No	N/A	Comments / Action
2	Is internal audit free of any scope restrictions and, if not, what are they and who establishes them?	✓			
2	Is Internal Audit free from any operating responsibilities or conflicts that could impair its objectivity?	✓			
2	Has the Committee determined the appropriate level of detail it wishes to receive from Internal Audit?	✓			
1	Does the Committee hold periodic private discussions with the Head of Internal Audit?	✓			
2	Does the Committee review the effectiveness of Internal Audit and the adequacy of staffing and resources within Internal Audit?				
2	Has the Committee evaluated whether internal audit complies with the <i>Public Sector Internal Audit Standards</i> ?				
3	Has the Committee agreed a range of Internal Audit performance measures to be reported on a routine basis?	✓			
1	Does the Committee receive and review the Head of Internal Audit's annual report and opinion?	✓			
2	Is there appropriate cooperation with the Auditor General's representatives and inspectorate bodies?	✓			
2	Are there any quality assurance procedures to confirm whether the work of the Internal Auditors is properly planned, completed, supervised and reviewed?				
External Audit					
1	Do the Auditor General's representatives present their audit plans and strategy to the Committee for consideration?	✓			

Status	Issue	Yes	No	N/A	Comments / Action
2	Has the Committee satisfied itself that audit work not relating to the financial statements work is adequate and appropriate?				
2	Does the Committee receive and monitor actions taken in respect of prior years' reviews?				
2	Does the Committee consider the Auditor General's annual audit letter?	✓			
1	Does the Committee consider the Auditor General's use of resources conclusion?	✓			
1	Does the Committee hold periodic private discussions with the Auditor General's representatives?	✓			
2	Does the Committee assess the quality and effectiveness of external audit work (both financial and non-financial audit)?				
3	Does the Committee require assurance from the Auditor General about the policies for ensuring independence and compliance with staff rotation requirements?				
3	Does the Committee review the nature and value of non-statutory work commissioned by the organisation from the Auditor General?				
Clinical Audit					
1	Is the Committee clear about where clinical audit assurances are received and monitored?	✓			
2	When the Audit Committee receives and monitors clinical audit assurances does it: <ul style="list-style-type: none"> Review the clinical audit plan at the beginning of each year? Confirm that clinical audit plans are derived from clear processes based on risk assessment with clear links to the system of assurance? 	✓ ✓			

Status	Issue	Yes	No	N/A	Comments / Action
	<ul style="list-style-type: none"> • Receive periodic reports from the person responsible for clinical audit? • Effectively monitor the implementation of management actions from clinical audit reports? • Ensure that person responsible for clinical audit has a direct line of access to the Committee and its Chair? • Hold periodic private discussions with the person responsible for clinical audit? • Review the effectiveness of clinical audit and the adequacy of staffing and resources available for clinical audit? • Evaluate clinical audit against the Annual Delivery Framework? • Confirm that there are quality and safety assurance procedures in place to confirm whether the work of clinical auditors is properly planned, completed, supervised and reviewed? • Confirm that there are terms of reference for clinical audit that define its objectives, responsibilities and reporting lines? • Review clinical audit's terms of reference regularly? 		✓		
	Counter fraud				
1	Does the Committee approve the counter fraud work plan at the beginning of the financial year?	✓			
1	Does the Committee satisfy itself that the work plan adequately covers each of the four generic areas, (which include the 7 steps) defined in NHS counter fraud policy?	✓			

Status	Issue	Yes	No	N/A	Comments / Action
1	Does the Committee approve any material changes to the plan?	✓			
2	Are counter fraud plans derived from clear processes based on risk assessment?				
1	Does the Audit Committee receive periodic reports from the Local Counter Fraud Specialist?	✓			
2	Does the Committee effectively monitor the implementation of management actions arising from counter fraud reports?	✓			
1	Does the Local Counter Fraud Specialist have a right of direct access to the Committee and its Chair?	✓			
1	Does the Committee review the effectiveness of the local counter fraud service and the adequacy of its staffing and resources?	✓			
1	Does the Committee receive and review the Local Counter Fraud Specialist's annual report of counter fraud activity and qualitative assessment?	✓			
1	Does the Committee receive and discuss reports arising from quality inspections by NHS Protect?				
Annual accounts and disclosure statements					
1	Is the Committee's role in the approval of the annual accounts clearly defined?	✓			
2	Is a Committee meeting scheduled to discuss proposed adjustments to the accounts and issues arising from the audit?	✓			
1	Does the Committee specifically review: <ul style="list-style-type: none"> Changes in accounting policies? Changes in accounting practice due to changes in accounting standards? Changes in estimation techniques? Significant judgements made? 	✓ ✓ ✓ ✓			

Status	Issue	Yes	No	N/A	Comments / Action
3	Does the Committee review the draft accounts before the start of the audit?	✓			
1	Does the Committee ensure it receives explanations as to the reasons for any unadjusted errors in the accounts found by the Auditor General's representatives?	✓			
1	Does the Committee receive and review a draft of the organisation's Annual Governance Statement?	✓			
1	Does the Committee receive and review a draft of the organisation's Annual Quality Statement?		✓		
2	Does the Committee receive and review a draft of the organisation's Annual Report?	✓			
Other issues					
3	Has the Committee considered the costs that it incurs; and are the costs appropriate to the perceived risks and the benefits?				
2	Has the Committee reviewed its performance in the year for consistency with its: <ul style="list-style-type: none"> • Terms of reference? • Programme for the year? 				
3	Does the Annual Report and Accounts of the organisation include a description of the Committee's establishment and activities?	✓			

List of Internal Audits Undertaken within Cwm Taf UHB 2018-2019 and Assurance Ratings

	Internal Audit Assignment	Assurance Rating 2018-2019
1	Governance Arrangements of Board Committees	Substantial
2	Core Financial System	Substantial
3	Sustainability Reporting	Substantial
4	Carbon Reduction Commitment	Substantial
5	Directorate Review – Primary Care Management Arrangements – Performance & Plan	Substantial
6	Directorate Review – Primary Care Management Arrangements – Risk & Governance	Reasonable
7	Directorate Review – Primary Care Management Arrangements – Workforce	Reasonable
8	Annual Quality Statement (AQS)	Reasonable
9	Mandatory Training	Reasonable
10	Management of Absence Target	Reasonable
11	Directorate Review – Facilities Compliance	Reasonable
12	General Data Protection Regulations (GDPR)	Reasonable
13	IT Strategy Review	Reasonable
14	Governance Arrangements for Hosted bodies	Reasonable
15	Risk Management	Reasonable
16	Scheme of delegation	Reasonable
17	Governance arrangements with third sector partnerships and local authorities	Reasonable
18	Healthroster	Reasonable
19	Capital and Estates – Fire Safety	Reasonable
20	ACT directorate – compliance	Reasonable
21	ACT directorate management arrangements – performance and planning	Reasonable
22	Health and care standards	Reasonable
23	JAG Accreditation – Follow Up	Reasonable
24	Performance Management– Follow up	Reasonable
25	Well-being of Future Generations Act (2015)	Reasonable

26	Continuing Healthcare	Reasonable
27	Private and Overseas Patients – Follow Up	Reasonable
28	IT Continuity	Reasonable
29	Performance Management Follow Up	Reasonable
30	Private and Overseas Patients	Limited
31	Retention of Staff	Limited
32	Raising Concerns	Limited
33	Medical Equipment and Devices	Limited
34	Directorate Review – Facilities Management Arrangements – Management of Major Capital – Prince Charles Hospital	Limited

	Substantial Assurance Rating	5
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	Reasonable Assurance Rating	24
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	Limited Assurance Rating	5
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	Total	34
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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 2018-2019 and Assurance Ratings within

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

	Internal Audit Assignment	Assurance Rating 2018-2019
<u>Welsh Health Specialised Services Committee (WHSCC)</u>		
1	High Cost Drugs	Reasonable
2	Review of network groups and advisory boards	Reasonable
3	Risk Management	Reasonable
4	Governance arrangements	Reasonable
<u>Emergency Ambulance Services Committee (EASC)</u>		
1	Governance and performance arrangements	Reasonable
2	EASC WAO Follow Up Report	Not rated