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**UNCONFIRMED**

**Minutes of the Audit and Assurance Committee**

**held on 21 October 2021 from 10:30 to 12:30**

**Via Zoom**

**Present:**

Gill Lewis Independent Member (Chair)

John Hill-Tout Independent Member (Vice-Chair)

Dr Ruth Hall Independent Member

**In Attendance:**

Dafydd Bebb Board Secretary

Eifion Williams Director of Finance (Part)

Sian Richards Director of Digital

Martyn Pennell Head of Financial Accounting

Paul Dalton Head of Internal Audit (NWSSP)

Emma Samways Deputy Head of Internal Audit (NWSSP)

Kenneth Hughes Audit Manager (NWSSP)

Nigel Price Local Counter Fraud Specialist

Urvisha Perez Senior Auditor (Audit Wales)

Catherine English Corporate Governance Manager (Secretariat)

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| **PART 1** | **PRELIMINARY MATTERS** | **Action** |
| **AAC: 2110/1.1** | **Welcome and Introductions** |  |
|  | The Chair welcomed everyone to the meeting, and the meeting was confirmed as quorate.  The Chair confirmed John-Hill Tout would be stepping down as an Independent Member in January 2022 and thanked him for his contribution to the work of the Audit Committee. The Chair also confirmed Eifion Williams would be stepping down from his role as Director of Finance at the end of the year and thanked him for supporting the Committee throughout his time with HEIW. |  |
| **AAC:**  **2110/1.2** | **Apologies for Absence** |  |
|  | Apologies were received from Helen Goddard, Audit Manager (Audit Wales) and Heidi Phillips, Independent Member. |  |
| **AAC: 2110/1.3** | **Declarations of Interest** |  |
|  | There were no declarations of interest. |  |
| **AAC: 2110/1.4** | **Minutes of the Meeting held on 21 July 2021** |  |
|  | The minutes of the meeting held on 21 July 2021 were receivedand approvedas an accurate record of the meeting subject to the following amendment:  **In Attendance** – Kenneth Hughes *(NWSSP)* |  |
| **Resolved** | The minutes of the meeting held on 21 July 2021 were **received** and **approved** as an accurate record of the meeting subject to the agreed amendment. | **DB** |
| **AAC: 2110/1.5** | **Action Log** |  |
|  | The Committee **received** the action log and **noted** the actions were complete. |  |
| **Resolved** | The Committee **noted** the Action Log. |  |
| **AAC: 2110/1.6** | **Matters Arising** |  |
|  | There were no matters arising. |  |
| **PART 2** | **MATTERS FOR CONSIDERATION** |  |
| **AAC: 2110/2.1** | **Annual Review of Financial Control Procedures** |  |
|  | The Committee received the report.  Introducing the report, Martyn Pennell confirmed that all of the Financial Control Procedures (FCP’s) adopted by HEIW had been reviewed, and amendments were proposed to twelve of the documents to reflect the requirements of the revised Model Standing Financial Instructions (SFI’s) issued by Welsh Government.  It was noted that the SFI’s had been reviewed by the Committee in July but had not yet been adopted by HEIW as there were a number of inconsistencies within the document which were still being discussed with Welsh Government.  Martyn Pennell highlighted that the authorisation approval limit for the Head of Financial Accounting within FCP12 has increased to £4m and assured the Committee this related to the release of payment only and not the approval of expenditure.  It was confirmed that if approved, the amended FPC’s would come into effect on 22 October 2021.  The Committee considered the delay in approving the SFI’s, and it was confirmed the issue related to a contradiction in the approval process for contracts over £1m. It was confirmed that FCP 2 now required the three year-capital plan and annual capital programme to be signed off by the Board. It was explained that while the previous capital budget had been £100,000 and approved by the Executive Team, this budget was likely to increase in future years.  The Committee considered the circumstances in which overseas payments would be made, and it was confirmed these were tightly controlled. |  |
| **Resolved** | The Committee **approved** the proposed amendments to Financial Control Procedures. |  |
| **AAC: 2110/2.2** | **Internal Audit Progress Report** |  |
|  | The Committee received the reports.  In presenting the report, Paul Dalton confirmed that since the last meeting of the Committee, one report had been finalised, fieldwork had been completed for a further report, and fieldwork was ongoing in another area. During the period, the Recruitment Internal Audit Report had been issued receiving 'reasonable' assurance. It was confirmed that the programme of work for 2021/22 was ongoing but that a degree of uncertainty remained as to how the ongoing pandemic would affect the delivery of the plan.  It was noted that due to the assurance coverage provided through Internal Audit and Audit Wales’ previous work on integrated planning arrangements, it had been agreed the focus of the review would shift to business continuity planning.  The Committee noted that the plan as outlined in table 2 of the report, did not include any plans for quarter 4. It was agreed it would be helpful if future reports could include this detail.  Summarising the Recruitment report, Kenneth Hughes confirmed four medium-priority recommendations and two high priority recommendations had been identified. It was noted that the recommendations aimed to help expedite the pre-recruitment process  The Committee stressed the importance of ensuring managers attended appropriate training designed to support them throughout the recruitment process. |  |
| **Resolved** | The Committee **noted** the Internal Audit Progress Report and Recruitment Internal Audit Report for **assurance**. |  |
| **AAC: 2110/2.3** | **Audit Wales Progress Report** |  |
|  | The Committee received the report.  In presenting the report, Urvisha Perez explained it provided an update on current and planned Audit Wales work.  It was confirmed that the audit planning work for the 2021/22 accounts would start in January and that the draft Phase 2 Structured Assessment Report had been issued. It was noted that the set-up meeting for the review of annual commissioning arrangements had taken place and that fieldwork was underway.  Noting the progress of the 2021/22 local project work, the Committee considered the rolling of 2021/22 work into 2022/23 and felt a more detailed action plan was required. |  |
| **Resolved** | The Committee **noted** the Audit Wales Progress Report for **assurance**. |  |
| **AAC: 2110/2.4** | **HEIW Procurement Process Improvement Report - Update** |  |
|  | The Committee received the report.  In presenting the report, Christine Thorne explained it provided a further update on the delivery of the outstanding actions arising from the review of HEIW procurement systems and processes. It was noted that a key risk relating to the completion of the action plan had been the unavailability of local procurement resources caused by long term sickness absence and vacancies across the team. It was confirmed this risk had now been mitigated by staff returning to work.  It was confirmed that the procurement service met with HEIW colleagues during September and October to review the action plan and agree on a revised timetable for completion of the outstanding actions. Both teams continue to work in partnership, and a clearer method for effective communication between the teams has been identified.  Providing an update on the action plan, Christine Thorne confirmed that all of the greyed-out actions have now been completed to the satisfaction of both partners. It was noted that the bi-monthly meetings and quarterly reviews were now diarised, and the first meeting of the bi-monthly meeting had taken place.  The Committee considered the action plan and were pleased with the progress made to date. |  |
| **Resolved** | The Committee **noted** the report for **assurance**. |  |
| **AAC 2110/2.5** | **Procurement Compliance Report** |  |
|  | The Committee received the report.  In presenting the report, Christine Thorne explained the report provided an update on procurement activity undertaken during the period 16 June to 23 September 2021 in accordance with reference to 1.2 of the Standing Financial Instructions.  It was confirmed that there were two Single Tender Actions and two Contract Extensions awarded during the period. It was noted that the Maxinity software contract had been extended to ensure continuity of service while new procurement is undertaken and that the compassionate leadership courses contract with The Kings Fund had been extended at no further cost. |  |
| **Resolved** | The Committee **noted** the report for **assurance**. |  |
| **AAC: 2110/2.6** | **Counter Fraud Progress Report** |  |
|  | The Committee received the report.  Presenting the report, Nigel Price confirmed it provided an update on all NHS Counter Fraud work undertaken for HEIW between 1 July 2021 and 30 September 2021.  It was noted that Counter Fraud had completed 26 days of Counter Fraud work for HEIW against an allocation of 50 days. It was explained that 18 days had originally been allocated for reactive investigatory work, but that as there had been no cases requiring investigation, those days could be re-allocated with the agreement of the Finance Director.  It was confirmed the Counter Fraud presentations were running, and feedback had shown 100% of attendees who had provided feedback felt more comfortable raising counter fraud concerns following the training.  In respect of the National Fraud Initiative, it was confirmed that of the 26 high priority matches initially identified for HEIW, investigations into 23 or those have now concluded, and no further action was required.  It was confirmed that work had started to review the due diligence checks that employment agencies use before supplying staff to HEIW. There are seven agencies currently providing staff to HEIW, and engagement with two of those agencies has now commenced.  The Committee welcomed the due diligence work concerning agency staff and were pleased to note the counter fraud presentations were continuing. |  |
| **Resolved** | The Committee **noted** the Counter Fraud Progress Report and Newsletter for **information**. |  |
| **AAC: 2110/2.7** | **Update on Standing Financial Instructions (SFI’s)** |  |
|  | The Committee received a verbal update.  Martyn Pennell explained that Welsh Government planned to re-issue the appendix to the SFI’s within the next few weeks, confirming the arrangements for notifying and approving contracts. It was confirmed that once received, the revised SFI’s would return to the Committee for approval. |  |
| **Resolved** | The Committee **noted** the update. |  |
| **AAC: 2110/2.8** | **Review of the Board Assurance Framework** |  |
|  | The Committee received the report.  In presenting the report, Dafydd Bebb explained it provided the Committee with an opportunity to review the Board Assurance Framework (BAF) and gave an update on its further development. It was confirmed the BAF had been operational since September 2019.  The Committee considered the BAF and noted the Chair had already provided feedback to the Board Secretary. It was noted that the BAF split Audit Wales into ‘Structure Assessment’ and ‘External Audit’, and it was felt it would be better if both items came under the single heading ‘Audit Wales’. It was confirmed that the inclusion of the strategic risks document had been a recommendation from Audit Wales last year and that this was now included within the updated version of the BAF. |  |
| **Resolved** | The Committee:   * **Reviewed** and **noted** the BAF for assurance; and * **Recommended** the BAF be considered for approval by the Board. | **DB** |
| **AAC: 2110/2.9** | **Information Governance and Information Management Reports** |  |
| **AAC:**  **2110/2.9.1** | **Key Issues Report** |  |
|  | The Committee received the report.  Introducing the report, Dafydd Bebb explained it provided an update on matters considered by the Information Governance and Information Management Group at its meeting on 28 September.  The Committee welcomed the new format report and were pleased to note the progress reported. |  |
| **Resolved** | The Committee **noted** the report for **assurance**. |  |
| **AAC: 2110/2.9.2** | **Information Governance Toolkit Update** |  |
|  | The Committee **received** the report.  In presenting the report, Sian Richards explained it provided an update on the Information Governance Delivery Plan. Following a low-level compliance score in the voluntary submissions in March 2021, an improvement delivery plan was developed with the aim of increasing HEIWs compliance score when the Toolkit submission is completed in March 2022.  It was confirmed that the action plan contained 44 actions. Of these 37 were assessed as completed and green, 5 were amber, and 2 were red. The amber actions continued to be progressed, and were expected to be completed by the end of quarter 2. It was explained the two red actions related to HEIWs internal process for movers and leavers and a system of role-based access.  The Committee welcomed the report and noted the progress made to date. The Committee reiterated the importance of ensuring that leavers with access to internal information systems were removed immediately on them leaving the organisation and noted the need to devise a process for providing assurance around that. |  |
| **Resolved** | The Committee:   * **Noted** the progress made in relation to the activities outlined in the plan for quarter one and quarter two; and * **Noted** the activity planned for quarters three and four. |  |
| **AAC: 2110/2.15** | **Terms of Reference for the Information Governance and Information Management Group** |  |
|  | The Committee received the report.  In presenting the report, Dafydd Bebb explained the Information Governance and Information Management Group (IGIMG) supported the broader information governance function of HEIW and aimed to provide assurance to the Committee in this field. It was confirmed the Terms of Reference had been reviewed and supported by the IGIMG and Executive Team.  The Committee considered and approved the Terms of Reference. |  |
| **Resolved** | **The Committee:**   * **considered** the IGIMG’s Terms of Reference; and * **recommended** they be approved by the Board. | **DB** |
| **AAC: 2110/2.10** | **Review of Declarations of Interest Register** |  |
|  | The Committee received the report.  In presenting the register, Dafydd Bebb highlighted that it was a requirement of the Standing Orders that the Committee review the adequacy of the arrangements for declaring, registering, and handling interests on an annual basis.  It was noted that all members of the Board and Senior Leadership Team, together with budget holders and staff members who may influence the procurement process, were asked to complete a Declaration of Interest form. It was confirmed the register was complete and up to date.  It was highlighted that work is taking place at a national level to develop an All-Wales Declaration of Interest Policy and that it was anticipated this would be in place by July 2022.  The Committee considered the register, and it was confirmed declarations of interest in relation to specific procurement contracts were managed separately by the procurement service. |  |
| **Resolved** | The Committee **noted** the report and appended register for **information**. |  |
| **AAC: 2110/2.11** | **Review of Gifts, Hospitality and Sponsorship Register** |  |
|  | The Committee received the report.  Introducing the report, Dafydd Bebb explained it provided the Committee with an annual update in relation to gifts, hospitality, and sponsorship.  It was confirmed that there were no recorded offers of gifts, hospitality, or sponsorship for the period 1 October 2020 to 30 September 2021, likely due to the COVID-19 pandemic.  The Committee considered the register and stressed the importance of ensuring gifts, hospitality, and sponsorship are declared when normal business resumes. |  |
| **Resolved** | The Committee **noted** the report for **information**. |  |
| **AAC: 2110/2.12** | **Risk Management Policy** |  |
|  | The Committee received the report.  Introducing the report, Dafydd Bebb explained it highlighted the proposed changes to HEIW’s Risk Management Policy. It was confirmed that Internal Audit had recommended that risk assessments of fraud be integrated within the wider risk management framework. In response to this recommendation, the Risk Management Policy had been amended to require the risk of fraud being added as a standard item on directorate risk registers. In subsequent discussions with the acting Counter Fraud Manager, it was agreed that fraud should only appear on a risk register when identified as a risk. Additionally, the Local Counter Fraud Service should be notified of any identified fraud risks as soon as possible. The policy has been updated to reflect those further recommendations. |  |
| **Resolved** | The Committee:   * **Considered** the proposed amendments to HEIW’s Risk Policy; and * **Recommended** the revised policy be approved by the Board. | **DB** |
| **AAC: 2110/2.13** | **Corporate Risk Register** |  |
|  | The Committee **received** the report.    Dafydd Bebb introduced the report noting the Corporate Risk Register (CRR) contained 10 risks in total, 2 red status risks, 7 amber status risks and 1 green status risks. The first red risk relates to cyber-security, and good progress continues to be made in terms of implementing the Cyber Security Implementation Plan.  It was noted that risk 21 had increased in score during the reporting period but continued to be assessed as an amber status. It was confirmed the increased score was a result of problems recruiting to the Senior Information Analyst and Digital Programme Manager posts.  The Committee considered the addition of risk 22, Single Lead Employer Model, to the CRR and its red status. It was confirmed a further update would be provided in-committee.  The Committee supported the removal of the green risk from the Corporate Risk Register. |  |
| **Resolved** | **The Committee:**   * **Noted** the report for assurance; and * **Approved** the removal of the 'green' status risk, risk 17, from the Corporate Risk Register. | **DB** |
| **AAC: 2110/2.14** | **Audit Recommendations Tracker** |  |
|  | The Committee **received** the report.  In presenting the report, Dafydd Bebb explained the Audit Recommendations Tracker (Tracker) contained the current agreed actions in response to the recommendations within audit reports received from Internal Audit and Audit Wales.  It was confirmed the Internal Audit Tracker currently contained 23 recommendations, 11 of which were assessed as 'green'. 10 were assessed are overdue. It was further confirmed that some of the overdue recommendations related to the performance dashboard, where there has been a demonstrable increase in focus in this area following the appointment of the Director of Planning, Performance and Corporate Services. It was clarified that several of the overdue recommendations related to the governance arrangements of our Category A groups, and work in this area was ongoing.  It was confirmed the Tracker in respect of the Audit Wales recommendations also included 3 external audit recommendations, 2 of which were green and one which was not yet due.  The Committee reviewed the Tracker, and it was confirmed Internal Audit were satisfied with progress to date. |  |
| **Resolved** | The Committee:   * **noted** the report; and * **agreed** the green recommendations, which had been assessed as completed, be removed from the Tracker. | **DB** |
| **PART 3** | **FOR INFORMATION** |  |
| **AAC: 2110/3.1** | **Joint Escalation and Intervention Arrangements** |  |
| **Resolved** | The Committee **noted** the paper. |  |
| **PART 4** | **CLOSE** |  |
| **AAC:**  **2110/4.1** | **Any Other Business** |  |
|  | None |  |
| **AAC:**  **2110/4.2** | **Date of Next Meeting** |  |
|  | The date of the next meeting to be held on Wednesday 2 February 2022 at 10am either via Microsoft Teams or HEIW Meeting Room 1, Ty Dysgu, Nantgarw. |  |

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**Gill Lewis (Chair) Date:**