

UNCONFIRMED

**DRAFT Minutes of the Audit and Assurance Committee
held on 6 May 2020
Via Skype/Teleconference**

Present:

Gill Lewis Independent Member (Chair)
John Hill Tout Independent Member (Vice Chair HEIW)
Dr Ruth Hall Independent Member

In Attendance:

Dafydd Bebb Board Secretary
Eifion Williams Director of Finance
Martyn Pennell Head of Financial Accounting
Helen Goddard External Audit Manager, Wales Audit Office
Clare James Performance Audit Lead, Wales Audit Office
Helen James Head of Procurement NWSSP
Paul Dalton Head of Internal Audit, NWSSP
Emma Samways Deputy Head of Internal Audit, NWSSP
Martyn Lewis IT Audit Manager, NWSSP
Kenneth Hughes Audit Manager, NWSSP (Observer)
Kay Barrow Corporate Services Manager (Secretariat)

PART 1	PRELIMINARY MATTERS	Action
AAC: 06/05/1.1	Welcome and Introductions	
	The Chair welcomed everyone to the meeting.	
AAC: 06/05/1.2	Apologies for Absence	
	Apologies were received from Craig Greenstock, Counter Fraud Manager (Cardiff & Vale UHB) and Mike Usher, Engagement Director (Wales Audit Office).	
AAC: 06/05/1.3	Declarations of Interest	
	There were no declarations of interest.	
AAC: 06/05/1.4	Minutes of the Meeting held on 1 April 2020	
	The minutes of the meeting held on 1 April 2020 were received and approved as an accurate record of the meeting subject to the following amendment: <ul style="list-style-type: none"> AAC: 01/04/2.3.1 Progress Report including an Update on 2020 Audit Plan and Fee: Last sentence of the fourth paragraph to be 	

	amended so that it reads 'It was noted that WAO was also working with NWSSP to arrange remote access to NHS financial systems to ensure the continuation of the financial auditing of the accounts'.	
AAC: 06/05/1.5	Action Log	
	<p>The Committee received and considered the Action Log from the meeting held on 1 April 2020.</p> <p>Dafydd Bebb advised that the Action Log contained a number of items that had been deferred to a later date because of the decision to streamline meeting agendas to only concentrate on business critical items and those matters related to the COVID 19 Pandemic. These items would be scheduled into the Committee Forward Work Programme once 'business as usual' had resumed. The following verbal updates were received:</p> <ul style="list-style-type: none"> • AAC 27/01/2.1 Independent Review of HEIW's Procurement Systems and Processes: The Committee noted that the review had been paused. This was because the Independent Reviewer had been re-employed within NWSSP Procurement Services to cover the secondment of the Head of Procurement. Due to the increased focus for NWSSP Procurement Services in response to the COVID 19 Pandemic, the review would be picked up as a priority once normal business had resumed. 	
Resolved	The Committee noted the update.	
	<ul style="list-style-type: none"> • AAC 27/01/2.10 Declarations of Interest – Review of Practices within other organisations: Eifion Williams clarified the process within procurement regarding the conflicts of interest process for Procurement Evaluation Panel members. Helen James advised that Procurement Services did not have a robust process to follow up the validation of the completed declarations to authenticate the information being declared. She explained that she would be developing a mechanism to test the validity of the declarations made during the process. <p>The Committee remained concerned in relation to the process for those purchases where Procurement had not been involved and were highlighted as 'not endorsed' in the Committee reporting. Helen James advised that she would undertake a retrospective review of those items reported as 'not endorsed' in relation to any conflicts of interest and provide feedback to the Committee.</p>	
Resolved	<p>The Committee:</p> <ul style="list-style-type: none"> • noted the update • requested feedback from the 'retrospective' review of those items reported as 'not endorsed' in relation to any conflicts of interest. 	HJ
	<ul style="list-style-type: none"> • AAC 01/04/2.2.6 Internal Audit Plan 2020/21: Dafydd Bebb confirmed that he had liaised with Paul Dalton and discussed the prioritisation of the Internal Audit Plan for 2020/21. It was noted that 	

	<p>Internal Audit would progress the audit work where practicably possible.</p> <p>In relation to whether the delivery of the Internal Audit Plan for 2020/21 should be added onto the Corporate Risk Register, it was noted that following discussions with Internal Audit it was deemed too early in the financial year for this to be added as a risk. However, the position would be monitored and reported to the Committee as part of the Internal Audit progress update.</p>	
Resolved	The Committee noted the update.	
	<ul style="list-style-type: none"> • AAC 01/04/2.8 Procurement Compliance Report: This matter would be picked up later in the agenda under item 2.3 – minute reference AAC 06/05/2.3 Procurement Compliance Annual Report 2019/2020. 	
AAC: 06/05/1.6	Matters Arising	
	There were no matters arising from the previous meeting.	
PART 2	MATTERS FOR CONSIDERATION	
AAC: 06/05/2.1	Internal Audit:	
AAC: 06/05/2.1.1	<p>Information Governance: General Data Protection Regulation (GDPR) Internal Audit Report</p> <p>The Committee received the report.</p> <p>In presenting the report, Martyn Lewis highlighted the scope and focus of the audit had been to evaluate and determine the adequacy of the systems and controls in place in order to enable compliance with GDPR. The overall assessment for the review was that of reasonable assurance. The findings from the review highlighted one issue that was classified as a weakness in the system control/design and four issues classified as weaknesses in the operation of the designed system/control. There were five recommendations, one high priority, two medium priorities and two low priorities.</p> <p>There were a number of areas of good practice highlighted during the review, which included an action plan in place to drive GDPR compliance that was based on the ICO 12 step programme. However, compliance with online and face to face training was low, and the Information Asset Register was still in development.</p> <p>In answer to a query regarding the low compliance with training, it was highlighted that compliance with statutory and mandatory training was an issue for HEIW especially for the medical directorate. There are a number of focussed initiatives in place to address this which include additional Information Governance training sessions to be rolled out to staff once 'business as usual' had been resumed.</p>	

	<p>Concerns were raised around the impact and risks due to an incomplete Information Asset Register. It was noted that work was progressing to complete the Register.</p> <p>Concerns were raised in relation to the recruitment of a permanent Information Governance Officer. It was clarified that two rounds of recruitment had taken place but there were not suitable candidates due to the special skill set required. A review of the job description and person specification had been undertaken in preparation for a third recruitment round. It was emphasised that the current secondee would remain on secondment to HEIW until an appointment has been secured.</p> <p>The Committee was pleased with the reasonable assurance rating but recognised that there were a number of areas for improvement.</p>	
Resolved	The Committee noted the report.	
AAC: 06/05/2.1.2	<p>IT Review Internal Audit Report</p> <p>The Committee received the report.</p> <p>In presenting the report, Martyn Lewis advised that this was a follow up of the IT Baseline Review undertaken during April 2019. The overall assessment for the review was that of reasonable assurance. The findings from the review highlighted four issues classified as weaknesses in the operation of the designed system/control. There were four recommendations, three medium priorities and one low priority.</p> <p>It was noted that there was good practice identified during the review. However, work had been paused on the development of the Digital Strategy awaiting the recruitment of the new post of Director of Digital. It was emphasised that without an agreed Digital Strategy, caution was required in relation to decision-making around new technologies that may not suit the longer term Information and Communications Technology (ICT) objectives.</p> <p>Concerns were raised in relation to the progressing the areas identified with low resources and the risk implications. It was confirmed that the recruitment into the roles would be progressed as soon as practicably possible.</p> <p>It was clarified that Internal Audit routinely undertake a follow-up of the recommendations at around 3-4 months from the issue of the final report.</p> <p>The Committee received reassurance that Martyn Lewis was the national Internal Audit Lead for ICT and was therefore kept aware of any areas of concern.</p>	
Resolved	The Committee noted the report.	
	Martyn Lewis left the meeting.	

AAC: 06/05/2.1.3	<p>Draft Head of Internal Audit Opinion and Annual Report 2019/2020</p> <p>The Committee received the draft report.</p> <p>In presenting the report, Paul Dalton emphasised that the report was the draft position and followed the same format as the previous year. The report also contributed to the assurance required by the Accountable Officer and was a key element of the Annual Governance Statement. He advised that sufficient audit work had been completed to comply with requirements of the Public Sector Internal Audit Standards.</p> <p>The overall draft Head of Internal Audit Opinion was that of reasonable assurance. This was based on the completion of 11 out of the 12 audits within the Plan. It was noted that as a result of the COVID 19 Pandemic the medical training commissioning review had not been completed but the work undertaken was used to inform the overall opinion.</p> <p>A number of internal audits had been undertaken for other NHS organisations for services relevant to HEIW and these related to services delivered by NWSSP and NWIS. Paul Dalton explained that a review of the audit reports had been undertaken and that there were no matters of materiality to draw to the attention of HEIW.</p> <p>In terms of the low compliance with the post audit questionnaires, it was highlighted that due to the reporting cycle and issue of reports, the rate of compliance should increase as the questionnaires are returned.</p> <p>The Committee was content with the report however, asked that the content of the report be reviewed and amended to reflect the finalisation of the GDPR report and to amend the penultimate paragraph in section 3 to reflect the update provided.</p> <p>The Committee thanked Internal Audit for their work in support of HEIW.</p>	
Resolved	<p>The Committee:</p> <ul style="list-style-type: none"> • noted the draft report • requested that the content of the final report to be amended to reflect the amendments be made as detailed above. • requested that the Board Secretary and Head of Internal Audit work through the detail of the delivery of the Internal Audit Plan for 2020/21. 	<p style="text-align: center;">PD</p> <p style="text-align: center;">DB/PD</p>
AAC: 06/05/2.2	<p>National Assembly for Wales Accountability and Audit Report</p>	
	<p>The Committee noted that this agenda item did not apply to the reporting of the draft accounts and would be presented at the final accounts meeting on 26 May 2020.</p>	
AAC: 06/05/2.3	<p>Procurement Compliance Annual Report 2019/2020</p>	
	<p>The Committee received the annual report.</p>	

	<p>In presenting the report, Helen James advised that the report presented the annual position in relation to procurement activity undertaken for the period 1 April 2019 to 31 March 2020. It was highlighted that the numbers of 'not endorsed' items was reducing. This was mainly due to the roll out of a programme of procurement training sessions to raise awareness of the process to be followed in HEIW. However, it was highlighted that there were two areas that were repeating offenders who were not following the prescribed process.</p> <p>Eifion Williams informed the Committee that the Independent Review of Procurement systems and practices within HEIW had been triggered due to a number of areas of concern in relation to procurement practices within two departments. Helen James advised that as a priority she would be arranging to meet with both departments to enable a better understanding of the reasons for not following the prescribed processes. This would also be an opportunity to reinforce the messages about the governance and compliance requirements for the acquisition of goods and services and the implications of not doing so.</p> <p>The Committee was content with the report and would continue to keep under review any 'not endorsed' items reported.</p>	
Resolved	The Committee noted the report.	
AAC: 06/05/2.4	Senior Information Risk Owner (SIRO) Annual Report 2019/2020	
	<p>The Committee received the Annual Report.</p> <p>In presenting the Annual Report, Dafydd Bebb advised that there was an error in the report on page 3. There was reference to 'limited' assurance for the Information Governance: General Data Protection Regulation (GDPR) Internal Audit Report however, this report was assessed as 'reasonable' assurance and had been discussed earlier on the agenda.</p> <p>An overview of the report was provided and it was confirmed that the compliance rate for Freedom of Information (FOI) requests was 95% and for Data Subject Access Requests (DSAR) it was 100%. Good progress was being made in relation to the completing the actions within the Information Governance Work Plan. The focus for 2020/21 was to include addressing the recommendations arising from the Internal Audit GDPR report and the information governance aspects highlighted in the Wales Audit Office's Structured Assessment. This would include the completion of the Information Asset Register; increased training and awareness; and to build on the policies and procedures.</p> <p>In relation to cyber security, it was highlighted that this remains an 'assessed' red risk on the Corporate Risk Register. Work has continued to improve security and reduce vulnerabilities. An appointment to the role of Head of Cyber Security had been made with the successful candidate due to take up post effective from 1 July 2020. The focus for 2020/21 would include the development of a Cyber Security Strategy; increase</p>	

	<p>training and awareness and achievement of the Cyber Essentials Plus Certification.</p> <p>The Committee considered the report and was content that it was a fair reflection of the current position. Although, it was highlighted that for clarity it would be helpful for the SIRO and Board Secretary to be reflected as one individual throughout the report to avoid any confusion.</p>	
Resolved	The Committee approved the report.	
AAC: 06/05/2.5	Review of Draft Accounts 2019/2020	
	<p>The Committee received the draft accounts for 2019/2020.</p> <p>In presenting the draft account, Eifion Williams explained that whilst Welsh Government had revised the timetable for the submitting of the Annual Accounts due to the COVID 19 Pandemic, HEIW had met the original submission date of 28 April 2020. He thanked both Martyn Pennell and Rhiannon Beckett for their hard work in meeting this deadline.</p> <p>In presenting the draft accounts, Eifion Williams highlighted the following points:</p> <ul style="list-style-type: none"> • £213.020m net operating costs for the financial period (page 2); • £84k underspend on revenue budget at year end (page 22) and that HEIW had met its financial duty to break-even against its Revenue Resource Limit over the period; • Balanced its capital allocation at £95k (page 22) and that HEIW had met its financial duty to break even against its Capital Resource Limit over the period; • Property, plant and equipment £2.595m (page 4); • Cash and equivalents £7.465m (page 4); • In terms of Liabilities, an entry for provisions of £(130), shown on page 4, related to a Welsh Government requirement to show the undertaken annual leave for dental and pharmacy trainees in the Community that could not be accounted for in any other NHS organisation. This was because these particular trainees would be transferring to HEIW for 2020/21 and that it was deemed that HEIW was the correct organisation for the reporting of this provision. • Total assets employed £3.767m which was no change from the previous year; • The creditor payment target was achieved at 95.2% for the reporting period (page 23); • The key targets for external scrutiny were those in Section 2 Financial Duties Performance. <p>The Committee was considered the draft accounts.</p> <p>It was clarified that Welsh Government would be providing the funding in this year's allocation to allow the Pharmacy Software retendering during 2020/21.</p>	

	The Committee wished to formally express their thanks to the Finance Team for their hard work in delivering the draft accounts despite working remotely.	
Resolved	The Committee: <ul style="list-style-type: none"> • noted the content of the draft accounts for 2019/2020; • requested that their thanks be passed to the Finance Team. 	EW
PART 3	CLOSE	
AAC: 06/05/3.1	Any Other Business	
AAC: 06/05/3.1.1	<p>Annual Report and Annual Accounts Timetable Revisions</p> <p>Helen Goddard informed the Committee that Welsh Government was deferring the laying of all Health Accounts until early July 2020. It was emphasised that whilst HEIW was scheduled to meet the initial annual accounts submission deadline of the end of May 2020, the remainder of NHS Wales were not due to submit their final accounts until the revised deadline submission date of 30 June 2020. It was clarified that HEIW should not submit their accounts at the end of May 2020 in case other NHS organisations find accounting issues that could impact on HEIW's reported position and requirement amendment.</p> <p>It was suggested that the Committee use the Final Accounts Meeting scheduled for 26 May 2020 to review the final accounts and to consider the draft Annual Governance Statement, Statement of Directors Responsibilities and Remuneration Report. A further meeting of the Committee would be held on 23 June 2020 to approve the Final accounts, Annual Governance Statement, Statement of Directors Responsibilities and Remuneration Report and recommend for submission to the Board on 25 June 2020.</p> <p>Dafydd Bebb informed the Committee that further guidance had been received from Welsh Government that required the additional reporting of COVID 19 related matters. He advised that due to this late change in the required content for the draft Annual Governance Statement, it would be a late paper submission for the next meeting. This was because it was to be considered by the Executive Team on 20 May 2020 in readiness to be filed with Welsh Government on 22 May 2020.</p> <p>Helen Goddard advised that the WAO would require sight of the draft Annual Governance Statement as it was required to inform the ISA 260 reporting.</p> <p>Paul Dalton advised that Internal Audit would also require sight of the draft Annual Governance Statement.</p>	
Resolved	The Committee: <ul style="list-style-type: none"> • noted the position; • agreed that Dafydd Bebb submit an early draft Annual Governance Statement to WAO and Internal Audit; 	DB

	<ul style="list-style-type: none"> • agreed to the later submission date for the draft Annual Governance Statement to Committee members on 22 May 2020; • agreed to the later submission date for the WAO ISA 260 to Committee members on 22 May 2020; • requested that a further Committee meeting be arranged for the afternoon of 23 June 2020 as detailed above. 	DB DB DB
AAC: 06/05/3.2	Date of Next Meeting	
	<p>The Committee noted the arrangements for the following meetings: Final Accounts Meeting scheduled for 26 May 2020 at 10.00am would be used to review the final accounts and to consider the draft Annual Governance Statement, Statement of Directors Responsibilities and Remuneration Report.</p> <p>A further meeting of the Committee would be held on 23 June 2020 in the afternoon to approve the Final accounts, Annual Governance Statement, Statement of Directors Responsibilities and Remuneration Report and recommend for submission to the Board on 25 June 2020.</p>	

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Gill Lewis (Chair)

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Date:

