

Governance Arrangements

Internal Audit Report

Health Education & Improvement Wales 2018/19

March 2019

NHS Wales Shared Services Partnership

Audit and Assurance Services

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1. Introduction and Background

In line with the 2018/19 Internal Audit Plan for Health Education and Improvement Wales ('HEIW' or 'the organisation') a review of the organisation's governance arrangements was undertaken. The review sought to provide assurance to the HEIW Audit Committee that there are effective processes in place to manage any governance risks.

HEIW was established as the first Special Health Authority on 5 October 2017 and commenced trading on 1 October 2018. It has bought together three key organisations for health: the Wales Deanery; NHS Wales's Workforce Education and Development Services (WEDS); and the Wales Centre for Pharmacy Professional Education (WCPPE).

HEIW Regulations 2017 provides that HEIW must make standing orders for the regulation of its proceedings and business. The standing orders translate the statutory requirements set out in legislation into day to day operating practice. They form the basis upon which HEIW's governance and accountability framework is developed and, together with the adoption of the HEIW's Values and Standards of Behaviour framework, are designed to ensure the achievement of the standards of good governance set for health organisations in Wales.

The relevant lead for the review was the Board Secretary.

2. Scope and Objectives

The overall objective of the audit was to evaluate and determine the adequacy of the systems and controls in place in relation to the organisations governance arrangements. The review sought to provide assurance to the Audit Committee that risks material to the system's objectives were managed appropriately.

The areas that the review sought to provide assurance on are:

- The Board and its committees have clear roles with a terms of reference, with consideration given to the committee size and attendance profile and the remit of each committee mapped to the organisations' responsibilities.
- Committees are operating effectively, in line with their terms of references, with appropriate agendas and reports, minutes accurately reflecting the meetings and meetings suitably scheduled. Consideration has been given as to how the committee's effectiveness will be reviewed and monitored.
- Information is received and circulated in good time.
- Action logs are generated for each committee with a process of review in place.

- The overall committee structure is mapped to show the communication channels within the organisation and the links to external parties.
- Committee structures allow for appropriate discussion in public and private sessions.

3. Associated Risks

The potential risks considered in the review were as follows:


- A lack of clear, consistent strategic direction, accountability and leadership with respect to governance.
- Gaps in committee coverage.
- Lack of accurate, complete and timely data to support decision making across the organisation.
- Items are inappropriately discussed in public and private sessions of committees, risking confidentiality or transparency.
- The organisation is not meeting its legislative responsibilities.

OPINION AND KEY FINDINGS

4. Overall Assurance Opinion

We are required to provide an opinion as to the adequacy and effectiveness of the system of internal control under review. The opinion is based on the work performed as set out in the scope and objectives within this report. An overall assurance rating is provided describing the effectiveness of the system of internal control in place to manage the identified risks associated with the objectives covered in this review.

The level of assurance given as to the effectiveness of the system of internal control in place to manage the risks associated with established controls for governance arrangements is **Substantial** assurance.

RATING	INDICATOR	DEFINITION
Substantial Assurance		<p>The Board can take substantial assurance that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Few matters require attention and are compliance or advisory in nature with low impact on residual risk exposure.</p>

There are Standing Orders in place detailing the regulation of HEIW's proceedings and business including the terms of reference of the Board, which were approved at the Board meeting in October 2018. The

organisation has established an Audit & Assurance Committee and a Remuneration and Terms of Service Committee with both having terms of reference that are aligned to the standard terms of reference that the organisation has adopted.

The Board have met on three occasions with all meetings being fully quorate and matters of a strategic nature being discussed. The Audit & Assurance Committee and the Remuneration & Terms of Service Committee are both providing reports into the Board and their meetings have been quorate. It was evident that the information being sent to the Members of the meeting was provided on a timely basis and since January the agendas, previous meeting minutes and papers were available on ibabs.





Action logs are being produced following each Board and Audit & Assurance Committee meeting and assigning the actions appropriately and updates are provided on the actions. There were actions recorded from the Remuneration & Terms of Service Committee and these will be discussed within the meeting in April.

There are public and private sessions held for the Board and Audit & Assurance Committee.

The overall level of assurance that can be assigned to a review is dependent on the severity of the findings as applied against the specific review objectives and should therefore be considered in that context.

5. Assurance Summary

The summary of assurance given against the individual objectives is described in the table below:

Assurance Summary					
1	Board and its committees have clear roles with a terms of reference				✓
2	Committees are operating effectively, in line with their terms of reference				✓
3	Information is received and circulated in good time				✓
4	Action logs are generated for each committee				✓
5	Overall committee structure is mapped to show the communication channels				✓
6	Committee structures allow for appropriate discussion in public and private sessions				✓

* The above ratings are not necessarily given equal weighting when generating the audit opinion.

Design of Systems/Controls

The findings from the review have highlighted one issue that is classified as a weakness in the system control/design for governance arrangements.

Operation of System/Controls

The findings from the review has highlighted no issues that are classified as weaknesses in the operation of the designed system/control for governance arrangements.

6. Summary of Audit Findings

In this section, we highlight areas of good practice that we identified during our review. We also summarise the findings made during our audit fieldwork. The detailed findings are reported in the Management Action Plan (Appendix A).

Objective 1: The Board and its committees have clear roles with a terms of reference, with consideration given to the committee size and attendance profile and the remit of each committee mapped to the organisations' responsibilities

We note the following areas of good practice:

- Standing Orders have been produced and were ratified by the Board at the meeting in October 2018 and included within them are the terms of reference of the Board.
- The Audit & Assurance Committee and Remuneration & Terms of Service Committee (RATS) report into the Board. There are Standard Terms of Reference and operating arrangements for the Committees of the Board and these have been utilised for the Audit & Assurance Committee and the Remuneration & Terms of Service Committee.
- The Audit & Assurance Committee terms of reference aligns to the terms of reference of other health bodies.

We did not identify any findings under this objective.

Objective 2: Committees are operating effectively, in line with their terms of references, with appropriate agendas and reports, minutes accurately reflecting the meetings and meetings suitably scheduled. Consideration has been given as to how the committee's effectiveness will be reviewed and monitored.

We note the following areas of good practice:

- The Standing Orders confirms that the Board Secretary will produce an Annual Plan of Board business.
- The Board agenda was adequate with a number of standing items such as Chair and Chief Executives reports, and Finance Report.
- To date the Audit & Assurance Committee has met at least quarterly in line with its terms of reference. The meetings are aligned with Board meetings enabling them to send reports of their meeting to the Board.
- The RATS committee has met with a frequency in line with its terms of reference.

We did not identify any findings under this objective.

Objective 3: Information is received and circulated in good time

We note the following areas of good practice:

- The terms of reference recorded within the Standing Orders confirms that 'Board members shall be sent an Agenda and a complete set of supporting papers at least 7 calendar days before the formal Board meeting.' We have confirmed that this was the case for the Board meetings that have happened so far.
- The Audit & Assurance Committee meeting papers were sent to the Independent Members 7 days prior to the meetings.
- There have been two meetings for the RATS committee and the papers were sent 7 days in advance for the meeting in November.

We did not identify any findings under this objective.

Objective 4: Action logs are generated for each committee with a process for review in place

We note the following area of good practice:

- There is an action log in place for the Board and Audit & Assurance Committee detailing the matters, lead and status. Evidence was seen of the actions being discussed and closed at the subsequent meetings.

We did not identify any findings under this objective.

Objective 5: The overall committee structure is mapped to show the communication channels within the organisation and the links to external parties

We identified the following finding:

- Whilst the committee structure and the communication flow is not mapped pictorially, the Standing Orders and terms of reference for each committee do outline the relationship between the committees.

We did not identify any findings under this objective.

Objective 6: Committee structures allow for appropriate discussion in public and private sessions

We note the following areas of good practice:

- The terms of reference for the Board and the Audit & Assurance Committee outline that as much formal business should be conducted in public as possible. However, there is the provision for private sessions to be held. To date, the organisation conducted the majority of its business during public sessions of these committees but has also utilised private sessions as necessary.
- We note that the Corporate Risk Register was included within the Chief Executive's report that was discussed at the Board meeting in

November 2018, which complies with the terms of reference of reporting any decisions to the public session of the Board.

We did not identify any findings under this objective.

7. Summary of Recommendations

The audit findings and recommendations are detailed in Appendix A together with the management action plan and implementation timetable.

A summary of these recommendations by priority is outlined below.

Priority	H	M	L	Total
Number of recommendations	0	0	1	1

Finding 1- Committee structure (Control Design)	Risk
<p>The flow of information through the committees is documented within the terms of reference for each committee.</p> <p>However, there is no pictorial representation of the committees, the communication channels between them, other advisory groups, and external parties. Given that the organisation is new and developing, and many staff have moved from other organisations, a documented representation made available to staff, as we have seen in other organisations would be helpful.</p>	<p>Gaps in committee coverage.</p>
Recommendation	Priority level
<p>To help both existing and new staff the organisation should consider mapping its committee structure to pictorially show the flow of information between committees, other key groups and external parties.</p>	<p style="text-align: center;">Low</p>
Management Response	Responsible Officer/ Deadline
<p>A pictorial representation of the committee structure will be created.</p>	<p>Dafydd Bebb, Board Secretary June 2019</p>

Appendix A - Assurance opinion and action plan risk rating

Audit Assurance Ratings



Substantial assurance - The Board can take **substantial assurance** that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Few matters require attention and are compliance or advisory in nature with **low impact on residual risk** exposure.



Reasonable assurance - 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.



Limited assurance - The Board can take **limited assurance** that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. More significant matters require management attention with **moderate impact on residual risk** exposure until resolved.



No assurance - The Board can take **no assurance** that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. More significant matters require management attention with **high impact on residual risk** exposure until resolved.

Prioritisation of Recommendations

In order to assist management in using our reports, we categorise our recommendations according to their level of priority as follows.

Priority Level	Explanation	Management action
High	Poor key control design OR widespread non-compliance with key controls. PLUS Significant risk to achievement of a system objective OR evidence present of material loss, error or misstatement.	Immediate*
Medium	Minor weakness in control design OR limited non-compliance with established controls. PLUS Some risk to achievement of a system objective.	Within One Month*
Low	Potential to enhance system design to improve efficiency or effectiveness of controls. These are generally issues of good practice for management consideration.	Within Three Months*

* Unless a more appropriate timescale is identified/agreed at the assignment.