



## PWYLLGOR ARCHWILIO A SICRWYDD RISG AUDIT AND RISK ASSURANCE COMMITTEE

<b>DYDDIAD Y CYFARFOD: DATE OF MEETING:</b>	20 February 2024
<b>TEITL YR ADRODDIAD: TITLE OF REPORT:</b>	Financial Assurance Report
<b>CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:</b>	Huw Thomas, Director of Finance
<b>SWYDDOG ADRODD: REPORTING OFFICER:</b>	Tim John, Senior Finance Business Partner (Accounting & Statutory Reporting)

**Pwrpas yr Adroddiad** (dewiswch fel yn addas)

**Purpose of the Report** (select as appropriate)

Ar Gyfer Penderfyniad/For Decision

### ADRODDIAD SCAA

#### SBAR REPORT

##### Sefyllfa / Situation

The Audit and Risk Assurance Committee (ARAC) requires assurance on a number of financial areas as outlined in the body of the report.

##### Cefndir / Background

The Standing Orders require that ARAC provides assurance to the Board that the University Health Board's assurance processes are operating effectively. Critical to this is Financial Assurance, which cannot be measured only by the UHB's main finance report and requires further information in order to assess the control environment in place; the risk assessment and management process; and the control activities.

##### Asesiad / Assessment

This report outlines the assurances which can be provided to the Committee.

##### Argymhelliad / Recommendation

The Audit and Risk Assurance Committee is asked to:

- Discuss and note the report
- Recommend the requested change to the Scheme of Delegation for approval by the Board
- Approve losses as detailed within the report

Amcanion: (rhaid cwblhau) Objectives: (must be completed)	
Committee ToR Reference: Cyfeirnod Cylch Gorchwyl y Pwyllgor:	<p>2.4 The Committee's principal duties encompass the following:</p> <p>2.4.2 Seek assurance that the systems for financial reporting to Board, including those of budgetary control, are effective, and that financial systems processes and controls are operating.</p> <p>3.10 The Committee will be responsible for reviewing the UHB's Standing Orders and Standing Financial Instructions and Scheme of Delegation annually, (including associated framework documents as appropriate), monitoring compliance, and reporting any proposed changes to the Board for consideration and approval.</p> <p>3.13 Approve the writing-off of losses or the making of special payments within delegated limits.</p> <p>3.15 Receive a report on all Single Tender Actions and extensions of contracts.</p>
Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol: Datix Risk Register Reference and Score:	BAF SO9-PR20 BAF SO10-PR33
Parthau Ansawdd: Domains of Quality <a href="#">Quality and Engagement Act (sharepoint.com)</a>	Not Applicable
Galluogwyr Ansawdd: Enablers of Quality: <a href="#">Quality and Engagement Act (sharepoint.com)</a>	Not Applicable
Amcanion Strategol y BIP: UHB Strategic Objectives:	6. Sustainable use of resources
Amcanion Cynllunio Planning Objectives	2c Workforce and OD strategy 6a Clinical services plan 8c Financial Roadmap
Amcanion Llesiant BIP: UHB Well-being Objectives: <a href="#">Hyperlink to HDdUHB Well-being Objectives Annual Report 2021-2022</a>	10. Not Applicable

Gwybodaeth Ychwanegol: Further Information:	
Ar sail tystiolaeth: Evidence Base:	Monitoring returns to Welsh Government based on the Health Board's financial reporting system. Activity recorded in the AR and AP modules of the Oracle

	business system and activity recorded in the procurement Bravo system.
Rhestr Termiau: Glossary of Terms:	AP - Accounts Payable AR – Accounts Receivable BGH – Bronglais General Hospital BT PSBA – British Telecom Public Sector Broadband Aggregation CF – Counter Fraud COS – Contracted Out Service VAT EOY – End of Year ERs NI – Employers National Insurance GGH – Glangwili General Hospital HMRC – His Majesty’s Revenue and Customs IFRS – International Financial Reporting Standards NWSSP – NHS Wales Shared Services Partnership PID – Patient Identifiable Data PO – Purchase Order POL – Probability of Loss PPH – Prince Philip Hospital PSPP – Public Sector Payment Policy SFI – Standing Financial Instructions SLA – Service Level Agreement STA – Single Tender Action VAT – Value Added Tax WGH – Worthybush General Hospital WRP – Welsh Risk Pool
Partion / Pwyllgorau â ymgynhorwyd ymlaen llaw y Pwyllgor Archwilio a Sicrwydd Risg Parties / Committees consulted prior to Audit and Risk Assurance Committee:	UHB’s Finance Team UHB’s Management Team

<b>Effaith: (rhaid cwblhau)</b> <b>Impact: (must be completed)</b>	
<b>Ariannol / Gwerth am Arian:</b> <b>Financial / Service:</b>	Financial implications are inherent within the report.
<b>Ansawdd / Gofal Claf:</b> <b>Quality / Patient Care:</b>	Risk to our financial position affects our ability to discharge timely and effective care to patients.
<b>Gweithlu:</b> <b>Workforce:</b>	Overpayments are reported within this report.
<b>Risg:</b> <b>Risk:</b>	Financial risks are detailed in the report.
<b>Cyfreithiol:</b> <b>Legal:</b>	The UHB has a legal duty to deliver a breakeven financial position over a rolling three-year basis and an administrative requirement to operate within its budget within any given financial year.
<b>Enw Da:</b> <b>Reputational:</b>	Adverse variance against the UHB’s financial plan will affect our reputation with Welsh Government, Audit Wales and with external stakeholders.

<b>Gyfrinachedd: Privacy:</b>	Not Applicable
<b>Cydraddoldeb: Equality:</b>	Not Applicable

## 1.1 Purpose

- The purpose of this report is to outline the financial assurances which the Audit & Risk Assurance Committee requires.
- The framework agreed is included below in Figure 1, and the remainder of the report is based on this.

<b>Figure 1: Compliance requirements for the Audit and Risk Assurance Committee</b>		
<b>Compliance requirement</b>	<b>Reporting</b>	<b>Frequency</b>
Scheme of delegation changes	<ul style="list-style-type: none"><li>• Exception reporting for approval</li></ul>	As and when
Compliance with Purchase to Pay requirements	<ul style="list-style-type: none"><li>• Breaches of the No PO, No Pay policy</li><li>• Instructions for noting</li><li>• Public Sector Payment Policy (PSPP) compliance</li><li>• Tenders awarded for noting</li><li>• Single tender action</li></ul>	Bi-monthly
Compliance with Income to Cash requirements	<ul style="list-style-type: none"><li>• Overpayments of staff salaries and recovery procedures for noting</li></ul>	Bi-monthly
Losses & Special payments and Write offs	<ul style="list-style-type: none"><li>• Write off schedule</li><li>• Approval of losses and special payments</li></ul>	Bi-monthly
Compliance with Capital requirements	<ul style="list-style-type: none"><li>• Scheme of delegation approval for capital</li></ul>	Following approval of annual capital plan
Compliance with Tax requirements	<ul style="list-style-type: none"><li>• Compliance with VAT requirements</li><li>• Compliance with employment taxes</li></ul>	Bi-monthly
Compliance with Reporting requirements	<ul style="list-style-type: none"><li>• Changes in accounting practices and policies</li><li>• Agree final accounts timetable and plans</li><li>• Review of annual accounts progress</li><li>• Review of audited annual accounts and financial statements</li></ul>	Annually

## **2.1 Scheme of delegation changes**

### **Capital requisitions**

Currently capital requisitions up to £1m for schemes that have already been agreed via the Capital approval process and pre-approved by the Head of Capital Planning for assurance of their validity are approved by the Assistant Director of Finance (Financial Planning & Statutory Reporting). All requisitions in excess of £1m require one-off limit increase approval by the Director of Finance.

As all schemes have followed the capital approval process and requisitions in excess of £1m are no longer exceptional, it is requested that requisitions up to £5m are able to be approved by the Assistant Director of Finance (Financial Planning & Statutory Reporting). All requisitions in excess of £5m will require one-off limit increase approval by the Director of Finance.

The Audit and Risk Assurance Committee is requested to recommend the amendment for ratification by the Board.

## **2.2 Compliance with Purchase to Pay Requirements**

### **2.2.1 Breaches of the No PO, No Pay Policy**

The Health Board has adopted the All Wales No PO, No Pay Policy, which will ensure that all non-pay expenditure (unless listed as an exception) is procured and receipted through the Oracle system.

Figure 1 below illustrates the numbers and value of breaches against the No PO, No Pay policy. For the months of November 2023, December 2023 and January 2024 there were a total of 104, 58 and 71 breaches respectively with a combined value of £171k, £114k and £140k respectively. This compares to a total of 94 breaches with a combined value of £300k for October 2023.

The cumulative position as at end of January 2024 was a total of 276 breaches with a combined value of £411k. This compares to the cumulative position of 283 breaches in total with a combined value of £517k as at the end of October 2023. While recognising full compliance is required, it should be noted that the Health Board had the second lowest level of non-compliance in comparison to the six other health boards in Wales (276 breaches out of 7,867 or 3.51%).

During this reporting period the Core Processing Team (CPT), Business Partners and Procurement have been undertaking further work collaboratively to address these holds and improve housekeeping.

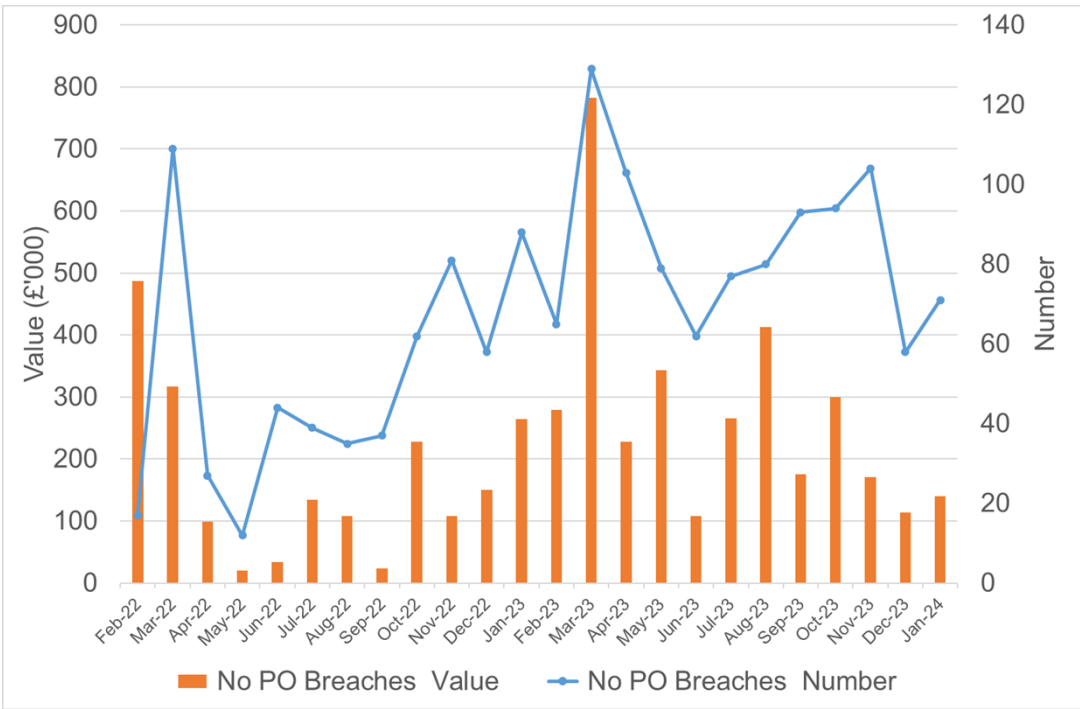
Below is a list of suppliers who frequently fail to provide a valid Purchase Order on submitted invoices, the number and value of these invoices on a cumulative basis and the actions being taken to improve:

Supplier	No. Inv	£
JUST WALES LTD	31	12,777
DIRECT HEALTHCARE GROUP LTD	16	21,594
ROYAL MAIL GROUP PLC	13	5,157
MEDTRONIC LTD	12	10,403
THE REAL WRAP CO LTD	10	1,881
OT GROUP LIMITED T/A OFFICE DEPOT	10	833

Supplier	Actions to improve:
JUST WALES LTD	Use of alternative supplier (Health Courier Services (HCS))
DIRECT HEALTHCARE GROUP LTD	Health Board wide group has met to discuss this ongoing issue and various options to find a workable solution
ROYAL MAIL GROUP PLC	Accounts Payable – annual supplier statement review ongoing
MEDTRONIC LTD	Accounts Payable – annual supplier statement review ongoing
THE REAL WRAP CO LTD	Accounts Payable – annual supplier statement review ongoing
OT GROUP LIMITED T/A OFFICE DEPOT	Accounts Payable – annual supplier statement review ongoing

Ongoing work is happening between CPT and Procurement to ensure that there is a robust process in place to address these holds on a timely basis.

**Figure 1: No PO No Pay Breaches**



2.2.2 Public Sector Payment Policy (PSPP) Compliance

The Health Board has a statutory responsibility to pay 95% of its non-NHS invoices within 30 days.

The Health Board successfully achieved the target in November 2023 (97.30%), December 2023 (98.74%) and January 2024 (96.67%). It also achieved the target on a cumulative basis to 31 January 2024 (97.14%).

Regarding the payment of NHS invoices, the Health Board did not pay 95% of these in the period ended 31 January 2024 or on a cumulative basis.

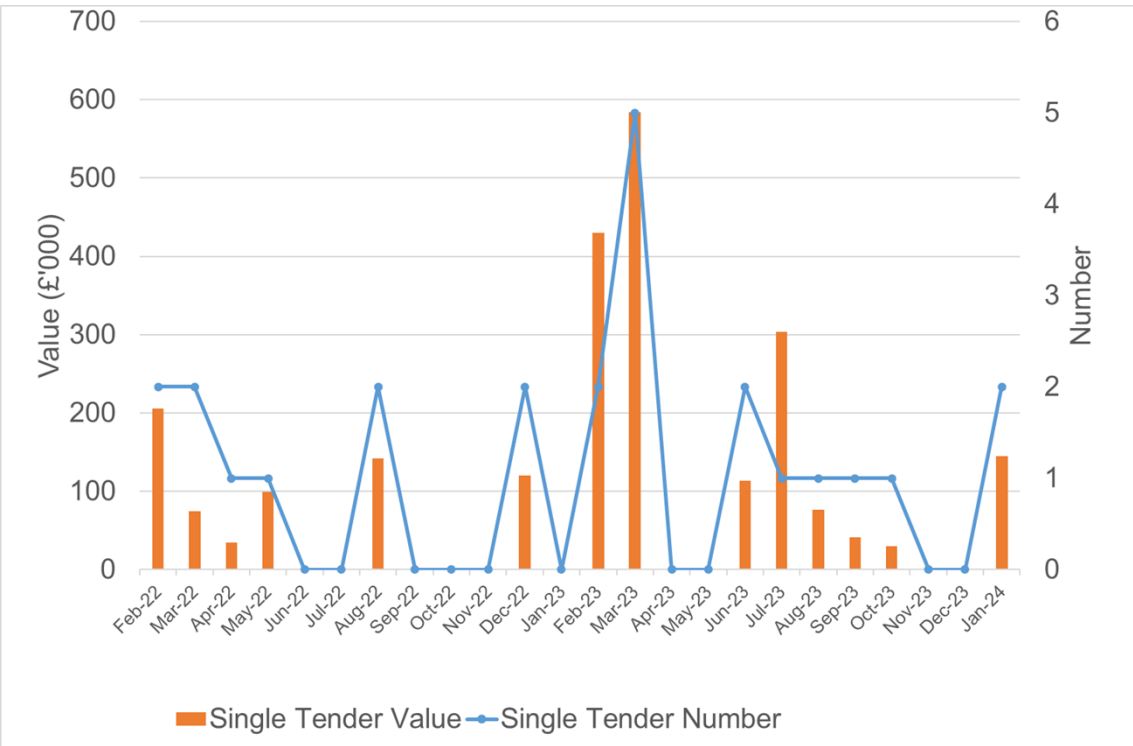
2.2.3 Single Tender Actions

The use of single tender waivers is carefully managed and controlled by the Health Board.

Two Single Tender Actions (in excess of £25,000) totalling £145,308 were awarded during the period ended 31 January 2024. In addition, one Single Tender Action (in excess of £25,000) with a value of £30,110 was awarded on 31 October 2023. As this Single Tender Action was not disclosed previously, it has been included in this report. Details of all these contracts are provided in Appendix 1.

The graph below (Figure 2) shows the trend of all Single Tender Actions (STA) approved from 1 February 2022 to 31 January 2024.

Figure 2: Numbers and value of Single Tender Actions





## **2.2.4 Tenders Awarded**

During the period ended 31 January 2024 there were 29 contracts awarded totalling £6,908,282, including direct awards through framework (in excess of £25,000). Details of these contracts are provided in Appendix 2.

## **2.2.5 Consultancy contracts**

No consultancy contracts were awarded during the period ended 31 January 2024.

## **2.3 Compliance with Income to Cash**

### **2.3.1 Overpayment of Salaries**

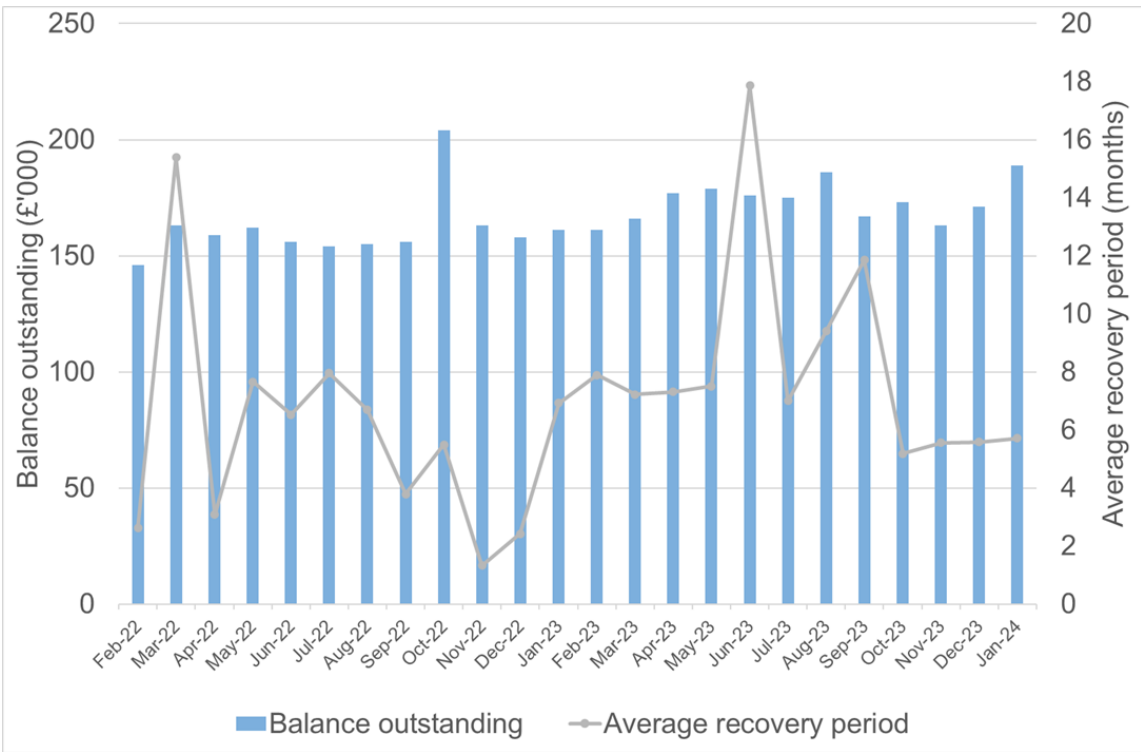
The Health Board has a duty to ensure that staff are paid appropriately, and that overpayments are not incurred.

Appendix 3 shows the volume and value of invoices raised in respect of overpayments for the period ended 31 January 2024; 51 cases totalling £53,886.

The graph below (Figure 3) demonstrates the total balance outstanding against the average recovery period. The average recovery period reflects the number of debts settled in the current period only. The value of invoices raised in the period ended 31 January 2024 was £76k compared to £72k in the period ended 31 October 2023.

The overall debt balance has increased to £189k as at 31 January 2024 compared to £173k at the end of October 2023, with the average recovery period increasing to six months at the end of this period, compared to five months at the end of the previous period.

**Figure 3: Trend of aged overpayments and recoveries**

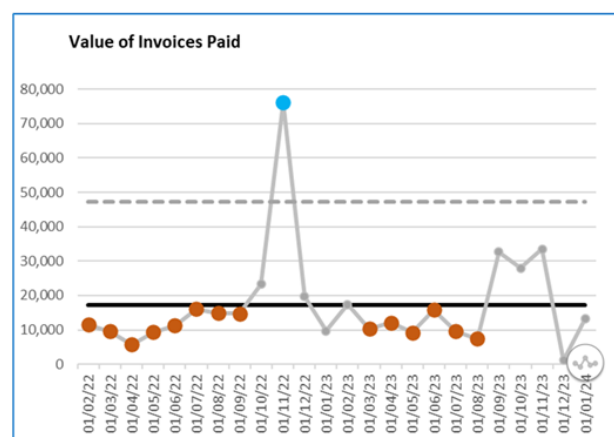
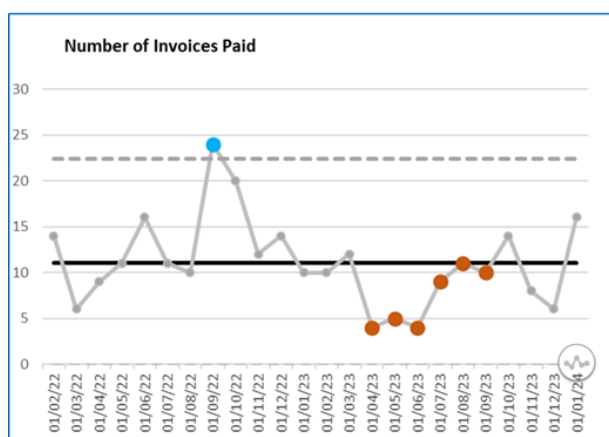
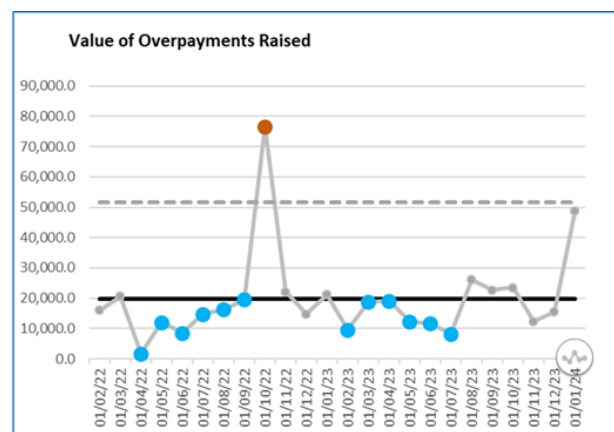
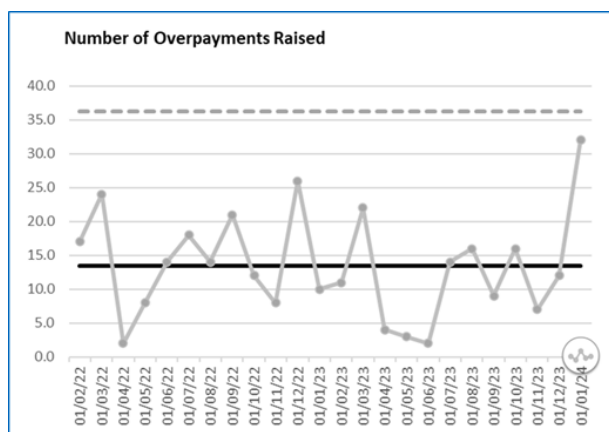


Further statistical analysis in respect of the overpayment of salaries is provided below:

The four charts below show the number and volume of invoices raised by the Health Board in respect of the overpayment of salaries during the period February 2022 to January 2024.

The rate at which the invoices have been raised varies based on the information gathered by the Payroll Department. The average number of invoices raised has decreased from 14 to 13 per month compared to the end of the last period in October 2023 and the average value per month has remained at £20k when compared to the same period.

The rate at which the Health Board receives payment for these invoices and the value of the payments have remained consistent when compared to the end of the last period. As at the end of January 2024, on average 11 invoices are paid per month with an average value of £17k.



### 2.3.2 All Wales work on overpayments

In order to reduce the level of overpayments, the Health Board is currently moving across to the Manager Self Service platform with the assistance of the NWSSP WFIS team. The Health Board is actively discussing and agreeing a plan to ensure the previously agreed take up target of at least 80% is met by April 2025.

### 2.3.3 Underpayment of salaries

NWSSP have provided details of emergency payments requested and paid in the period ended 31 January 2024 for underpaid salaries, the total of which was £53,302. Reasons for salary underpayments include:

- Late submission of appointment forms
- Employee returned from maternity leave/late notification received from manager
- Wrong bank account details provided
- Incorrect recording of sick leave
- Nurse bank shifts not verified
- Monies due following termination of employment

## **2.4 Losses and Special Payments for Approval**

### **2.4.1 General Losses and Special Payments**

Losses and special payments require the Audit & Risk Assurance Committee's approval given their contentious nature. These are outlined in Appendix 4.

There were three write-offs in excess of £5,000 during the quarter ended 31 January 2024, totalling £17,519.

£12,097 was in respect of expired drug stocks held at the Withybush site relating to two drugs for the treatment of cancer. The first drug expired because some patients' treatment was deferred or stopped and the drug could not be used for other patients. The second drug, with a short-dated life, expired because it could not be used due to capacity issues over the Christmas and New Year period.

The remaining £5,422 related to recharges to an overseas patient for their treatment. Our third-party debt collection company advised the write off of this debt as they had exhausted all avenues to recover the debt and any further action would have resulted in further costs incurred by the Health Board.

Losses and write offs under £5k, as per requirement under FP02 – Income and Cash Collection, have been presented and approved by Director of Finance and Chief Executive. In total these amounted to £63,766.

## **2.5 Compliance with Capital Requirements**

The Health Board is now required to make payments for new major capital schemes through a Project Bank Account (PBA).

As previously advised, two separate project bank accounts (Glangwili Fire Enforcement Phase 1 and Withybush Fire Enforcement Decant Ward Projects) were set up by the supply chain partner IHP and issues were identified with IHP's operation of these accounts

Appendix 5 provides an update on the assessment of these accounts against Welsh Government requirements and the actions being taken as a result of the assessment.

## **2.6 Compliance with Tax Requirements**

### **2.6.1 Compliance with VAT Requirements**

Updates regarding existing matters are set out in the following table:

Key VAT issue	Update
<b>BT PSBA network – VAT recovery non-statutory clearance request</b>	<p>HMRC has been considering the recoverability of VAT charged on service charges connected with the all-Wales PSBA data network.</p> <p>In December 2023, the Health Board returned its response to a further request for information from HMRC.</p> <p>The Health Board continues to recover the VAT in question in full based on the advice of its advisors. VAT potentially at risk of repayment to HMRC amounts to circa. £155k.</p>
<b>Capital Front of House Scheme (Bronglais Hospital)</b>	<p>The Health Board continues to await HMRC's decision on whether to accept the Health Board's current VAT recovery position in respect of this scheme or raise a formal assessment for VAT which it believes has been over-claimed by the Health Board. Any VAT which may become repayable to HMRC has been fully provided.</p> <p>In an update received in January 2024, HMRC confirmed that it is still considering its position.</p>

## 2.6.2 Compliance with Employment Tax Requirements

No updates or issues to report.

## 2.7 Compliance with reporting requirements

**IFRS 17 – Insurance Contracts.** IFRS 17 Insurance contracts will be applicable in the public sector from 1 April 2025. The standard requires full retrospective adoption, so the transition date will be 1 April 2024 and it will have an impact on the accounting treatment for any organisation that has issued, or issues, a contract that meets the definition of an insurance contract.

The Health Board is unlikely to have issued any insurance contracts but application guidance is currently being reviewed in conjunction with Audit Wales to confirm the position.

### **Reinforced Autoclaved Aerated Concrete (RAAC)**

The health board has received funding from WG of £12.8m to undertake remediation work on those roof planks in Wthybush General Hospital (WGH) containing RAAC and which are assessed as requiring repair.

RAAC is likely to have an impact on the useful life and the value of WGH, therefore in order to ensure an accurate representation of asset value on our balance sheet we are engaging with the District Valuer (DV), WG and Audit Wales.

A DV valuation of Wthybush Hospital effective 31 March 2024 has been requested with the assumption that this valuation will be on a Depreciated Replacement Cost (DRC) basis.

Further updates will be provided as appropriate.

**Pooled Budgets 2022/23** – details pertaining to pooled budgets between the Health Board and Carmarthenshire County Council and Ceredigion County Council are contained with Appendix 6 for information.

**Annual Accounts 2023/24** – Welsh Government have published the following draft submission dates:

- Draft Accounts package by **3 May 2024**
- Remuneration Report, Accountability Report and Performance Report by **10 May 2024**

In addition, correspondence has recently been received from Audit Wales detailing their proposed audit timetable for 2023/24; a review of the 2022/23 audit of accounts; an update on audit fees and the key issues impacting on the 2023/24 accounts and other developments. Audit Wales are proposing audit certification of the 2023/24 annual accounts by **15 July 2024**.

A copy of the letter from Audit Wales is included in Appendix 6.

## **2.8 Financial Compliance**

In conjunction with NWSSP, the Finance Team is developing a reporting pack, which will confirm compliance with key controls and will work with local Internal Audit on a programme of audit work which tests compliance on a risk-based approach. As detailed in the previous report the proposed process is as follows:

- a) Map chart of accounts (CoA) to underlying sources of data
- b) Develop process charts to understand link from CoA to key systems
- c) Expand b) to include controls within key systems.
- d) Assess design effectiveness of controls.
- e) Develop reporting pack to confirm compliance with key controls.
- f) Develop audit work programme.

The key systems feeds and journal processes have been mapped and the Accounts Payable system review has been undertaken and completed in respect of a), b) and c) above. In accordance with the workplan and timetable the remaining key systems and journals will be reviewed prior to testing the effectiveness of the control systems in place. It is envisaged that the review of the key systems feeds will be completed by October 2024.

### **3.1 Recommendations**

The Audit and Risk Assurance Committee is asked to:

- Discuss and note the report
- Recommend the requested change to the Scheme of Delegation for approval by the Board.
- Approve losses as detailed in 2.4

## Appendix 1: Single Tender Actions

	Period covered by this report:		Nov-23	Jan-24				
Ref	Supplier	Value (£) (Inc VAT)	One-off or Period	Request submitted by/Dept:	Date Approved	Consultancy / Professional Service	Compliant	Justification
HDD-STA-641	LinkedIn Ireland	£30,110	20/12/2023 - 19/12/2024	Workforce	31/10/2023	No	Yes	<p>LinkedIn is the leading dedicated professional social media site that offers the connections to potential candidates in this way.</p> <p>It supports the Health Board's attraction and efficiency strategies and helps to raise the health board employer virtual profile (EVP).</p> <p>The building of our profile with LinkedIn over the past 6 years has allowed us to accumulate valuable data around which of the tools we deploy work best across different specialities and in different geographical locations. This helps us to continuously improve and refine our targeting to ensure maximum impact when seeking to attract into hard to fill roles.</p>



HDD-STA-642	St John Ambulance Cymru	£31,395	01/01/2024 - 31/03/2024	Community	10/01/2024	No	Yes	Extension of a Value Based Health Care pilot for falls rapid response. To respond to falls incidents to assess and assist people including the provision of a limited clinical response where people have urgent needs, and, following assessment, summon an appropriate medical response if needed and is focused on reducing demand on Emergency Medical Services to release these resources for a more appropriate acuity of call.
HDD-STA-643	Echosens UK Ltd	£113,913	15/01/2024 - 14/01/2029	Scheduled Care	15/01/2024	No	Yes	Replacement of existing medical device due to obsolescence. The device is a specialised ultrasound machine which measures fibrosis and steatosis in the liver. This STA also included five (5) year point of sale maintenance.

## **Appendix 2: Contracts awarded (including direct awards through framework) – current report period**

Contracts awarded post competitive tender										
	Period covered by this report					01-11-2023	31-01-2024			
Reference	Professional Service	Supplier	Value ex VAT £	One off or period		Department	Description	Date of Board Approval (if applicable)	Compliant	Comment
				Start	End					
HDD-ITT-54078	No	Pembrokeshire & Carmarthenshire Mind Ltd	£149,837	01/12/2023	30/11/2025	Primary Care	Active Monitoring mental health and wellbeing services	N/A	Yes	Following a competitive tender, Pembrokeshire & Carmarthenshire Mind Ltd were awarded a 24-month contract for Active Monitoring mental health and wellbeing services. An option to extend the contract for a further 12 months is included in the award.
HDD-MIN-54742	No	Circle Health Group Limited	£370,068	01/01/2024	31/03/2024	Scheduled Care	Outsourcing of Orthopaedic Procedures (Hips & Knees)	N/A	Yes	Following a competitive tender, Circle Health Group Limited were awarded a 3-month contract for outsourcing

										of orthopaedic procedures for hips & knees. An option to extend the contract for a further 12 months is included in the award.
HDD-MIN-54742	No	Practice Plus Group	£598,416	01/01/2024	31/03/2024	Scheduled Care	Outsourcing of Orthopaedic Procedures (Hips & Knees)	N/A	Yes	Following a competitive tender, Practice Plus Group were awarded a 3-month contract for outsourcing of orthopaedic procedures for hips & knee. An option to extend the contract for a further 12 months is included in the award.
HDD-OJEULT-52753	No	The Stroke Association	£225,818	01/02/2024	31/02/2027	Community	Stroke Support Services	N/A	Yes	Following a competitive tender, The Stroke Association were awarded a 36-month contract for stroke support services. An option to extend the contract for a further 24 months is

										included in the award.
HDD-OJEULT-54531	No	Age Cymru Dyfed	£1,225,176	01/06/2024	31/05/2027	Mental Health & Learning Disabilities	West Wales Regional Dementia Wellbeing Connector Service	Jan	Yes	Following a competitive tender, Age Cymru Dyfed were awarded a 36-month contract for a West Wales Regional Dementia Wellbeing Connector Service. An option to extend the contract for a further 24 months is included in the award.
HDD-MIN-53831	No	Globe Locums Limited	£381,293	01/01/2024	30/11/2024	Scheduled Care	Insourcing Ultrasound Examinations	N/A	Yes	Following a competitive tender, Globe Locums Limited were awarded a 11-month contract for insourcing ultrasound examinations. An option to extend the contract for a further 12 months is included in the award.

HDD-OJEULT-54345	No	Adferiad	£64,905	01/04/2024	31/03/2025	Community	Carers Hospital Discharge Support Service - Pembrokeshire	N/A	Yes	Following a competitive tender, Adferiad were awarded a 12-month contract for Carers Hospital Discharge Support Service in Pembrokeshire. An option to extend the contract for a further 24 months is included in the award.
HDD-OJEULT-54345	No	Carers Trust Crossroads West Wales	£100,000	01/04/2024	31/03/2025	Community	Carers Hospital Discharge Support Service - Carmarthenshire	N/A	Yes	Following a competitive tender, Carers Trust Crossroads West Wales were awarded a 12-month contract for Carers Hospital Discharge Support Service in Carmarthenshire. An option to extend the contract for a further 24 months is included in the award.

HDD-OJEULT-54345	No	Powys Carers	£65,000	01/04/2024	31/03/2025	Community	Carers Hospital Discharge Support Service - Ceredigion	N/A	Yes	Following a competitive tender, Powys Carers were awarded a 12-month contract for Carers Hospital Discharge Support Service in Ceredigion. An option to extend the contract for a further 24 months is included in the award.
HDD-OJEULT-54346	No	Adferiad	£28,956	01/04/2024	31/03/2025	Community	Carers Community Outreach Discharge Support Service - Pembrokeshire	N/A	Yes	Following a competitive tender, Adferiad were awarded a 12-month contract for Carers Community Outreach Discharge Support Service in Pembrokeshire. An option to extend the contract for a further 24 months is included in the award.

HDD-OJEULT-54346	No	Carers Trust Crossroads West Wales	£48,000	01/04/2024	31/03/2025	Community	Carers Community Outreach Discharge Support Service - Carmarthenshire	N/A	Yes	Following a competitive tender, Carers Trust Crossroads West Wales were awarded a 12-month contract for Carers Community Outreach Discharge Support Service in Carmarthenshire . An option to extend the contract for a further 24 months is included in the award.
HDD-MIN-54762	No	SpaMedica Limited	£556,840	01/01/2024	31/03/2024	Scheduled Care	Outsourcing of Ophthalmology Services (Stage 4 - Cataracts)	N/A	Yes	Following a competitive tender, SpaMedica Limited were awarded a 3-month contract for outsourcing of ophthalmology (cataracts) procedures. An option to extend the contract for a further 12 months is

										included in the award.
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Direct awards via Framework Agreement										
Reference & Framework Used	Period covered by this report					01-11-2023	31-01-2024			
	Professional Service	Supplier	Value ex VAT £	One off or period		Department	Description	Date of Board Approval (if applicable)	Compliant	Comment
				Start	End					
HDD-DCO-23-22 NHS Workforce Alliance	No	Consultant Connect	£27,335	01/11/2023	31/12/2023	Scheduled Care	Dermatology Referrals Triage Service	N/A	Yes	A direct award via NHS Workforce Alliance framework has been awarded to Consultant Connect for dermatology referrals triage service for 2 months. This contract award does not allow for an extension.
HDD-DCO-23-04 KCS Procurement Services	No	Personal Group Holdings (Lets Connect Ltd)	£650,782	04/11/2023	03/11/2024	Workforce	Salary Sacrifice Technology Scheme	N/A	Yes	A direct award via KCS Procurement Services framework has been awarded to Personal Group Holdings (Lets Connect Ltd) for a Salary Sacrifice Technology Scheme for 12 months. This contract award does not allow

										for an extension.
HDD-DCO-23-33 National Procurement Services	No	Computacenter (Uk) Ltd	£69,564	01/12/2023	30/11/2026	Digital	RStudio Workbench Licenses	N/A	Yes	A direct award via National Procurement Services framework has been awarded to Computacenter (Uk) Ltd for RStudio Workbench Licenses for 36 months. This contract award does not allow for an extension.
HDD-DCO-23-40 Welsh Procurement Alliance	No	Curtins Consulting Ltd	£57,082	01/12/2023	31/12/2023	Estates	Freehold and Leasehold RAAC Surveys for Health Board Estate	N/A	Yes	A direct award via Welsh Procurement Alliance framework has been awarded to Curtins Consulting Ltd for freehold and leasehold RAAC Surveys for Health Board Estate for 1 month. This contract award does not allow for an extension.

HDD-DCO-23-31 Welsh Procurement Alliance	Yes	Drac Consulting Limited	£45,733	01/12/2023	30/06/2025	Estates	Multi-disciplinary Professional Services - Sexual Assault Referral Centre (SARC) Capital Scheme Aberystwyth	N/A	Yes	A direct award via Welsh Procurement Alliance framework has been awarded to Drac Consulting Limited for Multi-disciplinary Professional Services for the Sexual Assault Referral Centre (SARC) capital scheme for 7 months. This contract award does not allow for an extension.
HDD-DCO-23-31 Welsh Procurement Alliance	Yes	Atkins réalís Co. Limited	£32,427	01/12/2023	30/06/2025	Estates	Multi-disciplinary Professional Services - Sexual Assault Referral Centre (SARC) Capital Scheme Aberystwyth	N/A	Yes	A direct award via Welsh Procurement Alliance framework has been awarded to Atkins réalís Co. Limited for Multi-disciplinary Professional Services for the Sexual Assault Referral Centre (SARC) capital scheme in Aberystwyth for

										7 months. This contract award does not allow for an extension.
HDD-DCO-23-34 Shared Business Services	No	Trustmarque Solutions Ltd	£167,534	01/02/2024	31/01/2027	Digital	Medical Device Detection and Behaviour Analysis	N/A	Yes	A direct award via Shared Business Services framework has been awarded to Trustmarque Solutions Ltd for a medical device detection and behaviour analysis solution for 36 months. This contract award does not allow for an extension.
HDD-DCO-23-35 Shared Business Services	No	Insight Direct (Uk) Ltd	£79,389	01/01/2024	31/12/2024	Digital	CrowdStrike LogScale Platform	N/A	Yes	A direct award via Shared Business Services framework has been awarded to Insight Direct (Uk) Ltd for a CrowdStrike LogScale platform for 12 months. This contract award does not allow for an extension.

HDD-DCO-23-36 Crown Commercial Services	No	Mitel Ltd	£709,639	01/03/2024	28/02/2027	Digital	Telephony Modernisation	N/A	Yes	A direct award via Crown Commercial Services framework has been awarded to Mitel Ltd for telephony modernisation for 36 months. An option to extend the contract for a further 12 months is included in the award.
HDD-DCO-23-44 Health Trust Europe	No	Insight Direct (UK) Ltd	£75,955	01/02/2024	31/01/2027	Digital	Rubrik Solution for Medical Records Project	N/A	Yes	A direct award via Health Trust Europe framework has been awarded to Insight Direct (UK) Ltd for a rubrik solution for the medical records project within the health board for 36 months. This contract award does not allow for an extension.
HDD-DCO-23-43 Health Trust Europe	No	Insight Direct (UK) Ltd	£99,149	19/01/2024	31/03/2024	Pathology	Pathology Medical Records Digital	N/A	Yes	A direct award via Health Trust Europe framework has been awarded

							Storage Solution			to Insight Direct (UK) Ltd for a pathology medical records Digital Storage solution for 2 months. This contract award does not allow for an extension.
HDD-DCO-22-25 Crown Commercial Services	No	Patients Know Best	£268,006	01/12/2023	30/11/2025	Digital	Integrated Patient Held Record – Personal Health Record	N/A	Yes	An extension of a direct award via Crown Commercial Services framework has been awarded to Patients Know Best for Integrated Patient Held Record (Personal Health Record) for 12 months. An option to extend the contract for a further 24 months is included in the award.
HDD-DCO-23-30	No	Whistl (South West)	£300,000	19/01/2024	31/12/2024	Corporate	Collection and Delivery of Letters	N/A	Yes	A direct award via Crown Commercial Services framework has been awarded

										to Whistl (South West) for collection and delivery of letters for 12 months. This contract award does not allow for an extension.
HDD-RFQ-RA334864	No	Bulk Vending Systems Ltd	£43,106	01/12/2023	30/11/2026	Facilities	Provision of Managed Service for Hot Drinks Machines & Lease of Refrigerated Vending Machines	N/A	Yes	Following a procurement exercise, Bulk Vending Systems Ltd were awarded a 36-month contract for provision of Managed Service for Hot Drinks Machines & Lease of Refrigerated Vending Machines. This contract award does not allow for an extension.

Consultancy – N/a										
	Period covered by this report					01-11-2023	31-01-2024			
Reference	STA/ Competitive Tender/ Direct Award	Supplier	Value ex VAT £	One off or period		Department	Description	Date of Board Approval (if applicable)	Compliant	Comment
				Start	End					



Direct awards via VEAT* process										
Reference & Framework Used	Period covered by this report					01-11-2023	31-01-2024			
	Professional Service	Supplier	Value ex VAT £	One off or period		Department	Description	Date of Board Approval (if applicable)	Compliant	Comment
				Start	End					
HDD-VEAT-23-05	No	Chris Cars	£336,000	07/11/2023	16/10/2026	Transport	Provision of Taxi Services - Carmns	N/A	Yes	A VEAT Notice was issued to confirm that Chris Cars were awarded a 36-month contract for provision of taxi services in Carmarthenshire. This contract award does not allow for an extension.
HDD-VEAT-23-03	No	Healthy.io UK Ltd	£87,000	01/12/2023	30/11/2025	Primary Care	MinuteFul Kidney Healthy IO	N/A	Yes	A VEAT Notice was issued to confirm that Healthy.io UK Ltd were awarded a 24-month contract for MinuteFul Kidney, a home urine test. This contract award does not allow for an extension.
HDD-VEAT-23-06	No	Natural UK Ltd	£45,265	01/01/2024	30/06/2024	Estates	Clinical Waste Removal from households	N/A	Yes	A VEAT Notice was issued to confirm that Natural UK Ltd were awarded a

										6-month contract for clinical waste removal from households. This contract award does not allow for an extension.
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**\*VEAT:** Voluntary Ex-Ante Transparency Notice can be published when a contracting authority has chosen a particular route to market. This route falls under the label of a closed competition tender. When there is no available framework we can link to, we can announce our intention to award to a single supplier to the market and there is time for responses or objections. If none come through, we can award. Some similarities to an STA but external open process.

### **Appendix 3: Overpayment of Salaries**

	Period covered by this report: 1 October 2023 – 31 October 2023		
Ref	Reason for Overpayment	Value (£)	Number of invoices
1	Late Notification of Termination	16,784.53	19
2	Overpayment of Hours Worked	23,145.28	21
3	Processing Error	3,828.07	5
4	Late Notification of Changes	9,503.76	5
5	Late Notification of Absence	624.74	1
		<b>£53,886.38</b>	<b>51</b>

## **Appendix 4: Losses and Special Payments over £5,000**

	Period covered by this report:		1 November 2023 to 31 January 2024
Ref	Losses and Special Payments Category	Value (£)	Explanation
1	EX-GRATIA	5,396.78	P10-24 Withybush Hospital – W EXPIRED STOCK WGH
2	OVERSEAS PATIENT	5,422.00	Debt collection agency efforts exhausted
3	EX-GRATIA	6,700.00	P10-24 Withybush Hospital – W EXPIRED STOCK WGH
	<b>Total Losses (for approval)</b>	<b>£17,518.78</b>	

**Recommendation:** All losses over £5,000 be approved

## PROJECT BANK ACCOUNTS UPDATE

WG Capital funding terms and conditions require organisations to set up a Project Bank Account (PBA) for capital construction projects where the principal contract is for £2m or greater and of duration longer than 6 months. The requirement was introduced following high profile failures of companies during significant public sector contracts which resulted in losses to subcontractors, with the objective of improving timeliness and security of payments made by public sector bodies to Supply Chain Partners (SCPs) due to subcontractors. Guidance issued by WG details how PBAs are to be operated, to ensure these objectives are met.

The Health Board currently has two major capital projects where payments are made to the SCP via a PBA, the Glangwili Fire Enforcement Phase 1 and Withybush Fire Enforcement Decant Ward Projects.

### Assessment of the accounts against WG requirements

The Health Board has reviewed the PBAs in operation against WG requirements as follows:

- 1. Accounts must be opened covered by a Trust Deed signed by parties to the account, which ring fences money in the account.**

Accounts have been opened covered by a Trust Deed, and the Health Board is making payments into these accounts. The bank account type used has been confirmed by WG as a compliant account.

- 2. Transactions must be easily available for the employer (the Health Board) to view no more than one day after payment.**

The Health Board has obtained read access to the account and can view transactions as soon as they are cleared.

However the Health Board has experienced difficulty in obtaining schedules from the SCP to which it can reconcile invoice payments made to the SCP to the amounts paid by the SCP to subcontractors from the PBA. To date schedules have been received for Glangwili Phase 1 to May 2023 with the remainder outstanding, and for Withybush decant no schedules have yet been received (to cover July 23 to date).

For the schedules for Glangwili provided to May 23, the Health Board has been able to agree the payments made from the account to the supporting information.

- 3. Subcontractors signed up to the account should be paid within 3-5 working days of payment by the employer to the SCP**

There is variability in the timeliness of payments to subcontractors and this requirement is not consistently complied with by the SCP. Reasons for non compliance provided include delays in documentation provided by subcontractors, issues with subcontractor work, and SCP payment cycles.

- 4. Payments from the PBA should only be able to be made to the contractor and other named supplier beneficiaries.**

Review of the accounts confirms that this requirement is being complied with.

**5. No cheque or overdraft facility is available on the account.**

This has been confirmed by the banking provider, and review of the accounts by the HB also confirms this.

**6. Confirmation is to be obtained from the PBA bank that monies are held in Trust and that they cannot be used to offset any other contractor/supply chain liabilities.**

The banking provider has confirmed this in writing.

**7. Subcontractors can opt out of the PBA arrangement, but the employer must be provided with confirmation of such in writing.**

The HB has yet to receive any such written confirmations despite several subcontractors being paid outside of the PBA.

**Actions being taken as a result of this assessment**

Despite the issues noted above it should be noted that the HB is compliant with WG requirements regarding PBAs in that it has opened PBAs where required (ie for construction contracts over £2m value and 6 months duration), is paying into these accounts in line with contractual requirements and is checking the transactions in the account to the extent that the above points allow it. The instances of non compliance noted above are the responsibility of the Supply Chain Partner in operating the account. Despite that the Health Board has and continues take actions to improve compliance by its SCPs.

Several meetings have been held on the operation of the PBA:

- Directly between HB Finance and SCP to discuss the operation of the PBA and the noted deficiencies
- A meeting was also arranged in September between the HB and WG Policy lead for PBAs to discuss and feedback the deficiencies in SCP's operation of the accounts. The policy lead offered to contact subcontractors directly as to whether they were happy with the operation of the accounts. Following this the Health Board asked the external Project Manager to arrange this. To date a response on the request has not been received from the SCP, despite reminders.
- Subsequent to these and in light of continued issues a meeting was arranged in December at the SCP's premises with attendance by the HB, external Project Manager, cost adviser and SCP representatives where the issues with PBA were raised. Assurances were given about future compliance by the SCP, however the information requested remains outstanding, despite reminders from the HB.

The HB has also raised the issues with the contract Framework manager at NWSSP and highlighted at Project Board meetings, as well as at the Finance Group meetings. The HB has also contacted WG Policy lead again in light of the ongoing issues.

However, the advice of the HB's external Project Manager is that there is very little that can be done contractually to enforce compliance with WG requirements, other than to raise the issues with contractor. The HB will continue to do so.

PBAs have also been discussed at Capital TAG meetings, and it should be noted that similar issues are experienced by other bodies.

### **Summary**

The Health Board is complying with WG PBA requirements around payments for qualifying capital contracts with payments being made to compliant accounts. The Health Board is actively monitoring the use of the accounts, and whilst this has revealed the ongoing issues set out above, these should be considered in the context of how capital contracts have operated in respect of payments to SCPs in the past.

Previously payments were made to SCPs and no scrutiny or controls were applied or attempted in reviewing the timeliness and security of payments by SCPs to subcontractors. The operation of the PBAs with the issues noted above therefore does not represent any deterioration in these factors; indeed the legal assurances provided by the bank regarding ring fencing of the account represent an improvement in the security of monies owed to subcontractors.

The HB will continue to monitor the PBAs in operation and actively pursue improved compliance with requirements.



Archwilydd Cyffredinol Cymru  
Auditor General for Wales

### Certificate of the Auditor General for Wales

The Statement of Responsibilities of grant-paying and receiving bodies, the Auditor General for Wales and auditors who work under his arrangements for certifying claims and returns sets out the respective responsibilities of these parties. It also sets out the limitations of the responsibilities of the Auditor General for Wales and the auditors working under his arrangements.

I have examined the entries in this form (~~which replaces or amends the original submitted to me / us by the receiving body dated \_\_\_\_\_~~)\* and the related accounts and records of the receiving body in accordance with Certification Instruction A01, and have carried out the tests in Certification Instruction number PEN05 and obtained such evidence and explanations as I consider necessary.

(Except for the matters raised in the attached qualification letter dated 16 January 2024)\*

I have concluded that nothing has come to our attention to indicate that the claim or return:

- is not fairly stated; and
- is not in accordance with the relevant terms and conditions.

Signature

Name (block capitals)

JASON BLEWITT

(on behalf of the Auditor General for Wales)

Date 16-1-24

*\*Delete as necessary*

CF1 (5/16)



Archwilydd Cyffredinol Cymru  
Auditor General for Wales

**Covering sheet for claims or returns certified under the Auditor General's arrangements**

**Auditor's certificate re**

(name of the funder's grant programme and, if applicable, project name)

The enclosed document

(form number or if unnumbered, type of claim or return)

for the project/financial year ended 31 March (year)

has been certified on the request of

(the grant receiving body)

This certificate is provided by an auditor working under the Auditor General's arrangements in accordance with the Statement of Responsibilities of grant-paying and receiving bodies, the Auditor General for Wales and the auditors who work for him in relation to grant claims and returns using CI which was agreed with you.

(CI number)

**You are asked to deal promptly with this certified document, taking account of any amendments and/or qualification letter noted below.**

Your queries should normally be addressed to the grant receiving body because the claim or return read with the auditor's qualification letter should enable you to resolve outstanding issues. If exceptionally it is essential to address a query to the auditor, please address your query to Audit Wales at the above address, enclosing this form for identification purposes, together with the certified document if appropriate.

**Please note:** Auditor to indicate by a tick if the option(s) applies

**Agreed amendments incorporated in the attached claim**

- ☐ none (the claim entries are those originally made by the grant receiving body).
- ☐ the document replaces or amends the original and incorporates amendments made by the grant receiving body with auditor agreement which

\* have no overall effect on entitlement

\* increase the amount payable by (name of party) by £

\* decrease the amount payable by (name of party) by £

\* delete as appropriate

**Other matters for your attention**

- ☐ none
- ☐ a qualification letter is attached setting out the other matters arising and the value of the matters raised is £ Errors found in the samples tested and £ the extrapolated effect if further similar error(s) arose across the whole claim

Only an original of this covering sheet confirms that:

- the enclosed document and any qualification letter have been sent direct to you by the auditor;
- the auditor has sent the grant receiving body a copy of the enclosed certified document, and any qualification letter in respect of it.

Auditor

(Signature)

Date

CF2 ref

Audit Wales /Firm and sequential no.

CF2 (5/16)

CFN issued

Agreed amendments incorporated in the attached claim

Cells or lines amended	Reason for the amendment	Amount of amendment £	Basis of adjustment Actual / Extrapolated	Increase / Decrease

The effect of these amendments on the amount payable is shown on the front page.  
However, for complex claims or returns, the table above does not show all of the consequential amendments arising on cells related to those originally mistated.

☐ See supplementary sheet for further amendments.

Mr Huw Thomas  
Director of Finance  
Hywel Dda University Local Health Board  
Hafan Derwen  
Jobswell Road  
Carmarthen  
SA31 3BB

1 Capital Quarter / 1 Chwarter Cyfalaf  
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Tel / Ffôn: 029 2032 0500  
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[www.audit.wales](http://www.audit.wales) / [www.archwilio.cymru](http://www.archwilio.cymru)

**Date issued:** 16 January 2024

Dear Huw,

### **Carmarthenshire County Council: Pooled Budget (HLG01) 2022-23**

I have certified the enclosed annual return in accordance with the Certification Instruction (CI) HLG01 subject to the following matters:

#### **The Partnership Agreement in place is historic and is out of date**

Test 2 of the Certification Instruction requires us to confirm that there is a signed Partnership Agreement in place. The Partnership Agreement that has been provided is from 2007 and was made between Carmarthenshire County Council, Carmarthenshire NHS Trust and Carmarthenshire Local Health Board. This local health board is now Hywel Dda University Health Board. This Agreement has been signed by the parties' officers that were in place at that time, dated 4<sup>th</sup> October 2007. There is no evidence that the Partnership Agreement has been updated since this date.

Furthermore, the Agreement is out of date since it refers to a historic budget as well as capital contributions from the Welsh Government and the Red Cross. These were related to initial set-up costs thus no longer being applicable.

#### **Contributions are not in line with the Partnership Agreement**

Test 6 of the Certification Instruction requires us to confirm that the Gross Funding on the Annual Return agrees with the Partnership Agreement.

As noted above, the Partnership Agreement is out of date and includes historic budget and contribution figures. As a result, the Gross Funding and contributions on the Annual Return do not agree with those in the Partnership Agreement. Therefore, we are unable to confirm that Test 6 of the Certification Instruction has been met.

Similarly, Test 7 of the Certification Instruction requires us to confirm that all budget amendments, whether to changes in contributions or to project expenditure, have been given prior written approval. Since the contribution values do not agree with the Partnership Agreement, and we have only seen minutes from May 2020 thus not relating to the 2022-23 budget and contributions, we are unable to confirm that Test 7 of the Certification Instruction has been met.

You are invited to consider the facts stated above and consider what action, if any, you choose to take.

Yours sincerely



Jason Blewitt

Audit Manager

POOLED FUND MEMORANDUM ACCOUNT for the period 1st April 2022 to 31st March 2023

Carmarthenshire Integrated Community Equipment Stores (CICES)

	£	£
Gross Funding		
Carmarthenshire County Council	175,748.00	
Hywel Dda Local Health Board	408,940.00	
		584,688.00 A
Expenditure		
Gross Expenditure	989,455.71	
less Miscellaneous Income	-404,767.71	
Net Expenditure		584,688.00 B
Net overspend		0.00 B-A

CERTIFICATE OF CHIEF FINANCE OFFICER

I certify that the above pooled fund memorandum account accurately discloses the income received and receiveable and expenditure incurred in accordance with the partnership agreement, as amended by any subsequent agreed variations, entered into under section 33 of the National Health Service(Wales) Act 2006.

Signed.....



Date.....

24/08/23

Chief Financial Officer



[by-email]

**Reference:** 4037A2024

**Date issued:** 5 February 2024

1 Capital Quarter  
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To: NHS Directors of Finance  
NHS Audit Committee Chairs  
NHS Board Secretaries  
Members of the NHS Technical Accounting Group  
Hywel Jones – NHS Director of Finance Welsh Government  
John Evans – Welsh Government  
Jacqui Salmon – Welsh Government

Dear colleague

## NHS – Audit of Accounts 2023-24

- 1 We will shortly commence our accounts audit work for all NHS bodies. We are therefore taking the opportunity to write to you with some important information on how we will undertake your 2023-24 audit.
- 2 Within this letter, we consider the following:
  - the proposed audit timetable for 2023-24;
  - a review of the 22-23 audit of accounts;
  - an update on audit fees; and
  - a look forward to key issues impacting on the 2023-24 accounts and other developments.

## The proposed audit timetable for 2023-24

- 3 We wrote to you in March 2023 setting out our proposed timetable for 2022-23 coupled with our rationale. We set out a proposed timetable which reflected:

- the additional resource required to implement our new audit approach driven by ISA 315 (UK) Identifying and Assessing the Risks of Material Misstatement (Revised July 2020);
  - the delays we had experienced in completing the 2021-22 Local Government accounts which in some cases ran well beyond 31 March 2023; and
  - the global shortage of audit and finance professionals, which impacted on our ability to recruit and retain qualified staff.
- 4 Taking the above into account, we proposed the following audit certification deadlines:
- Audit of Accounts 2022-23 – certification by 31 July 2023;
  - Audit of Accounts 2023-24 – certification by 30 June 2024; and
  - Audit of Accounts 2024-25 – certification by 15 June 2025.
- 5 We are grateful for the support of colleagues in all NHS bodies, which enabled all 2022-23 audits except for one Local Health Board (LHB) to be certified by the proposed target date of 31 July 2023.
- 6 We have now reassessed the position for the 2023-24 audit of accounts. Our position has improved on last year. We have made progress embedding the new audit methodology and are further ahead with our audit of Local Government this year than last. However, we are still contending with recruitment and retention challenges which mean we do not envisage quite being able to meet our original planned audit certification deadline for the 2023-24 audit of accounts of 30 June 2024 (as per above).
- 7 We are therefore proposing the following revised audit certification deadlines:
- Audit of Accounts 2023-24 – certification by 15 July 2024; and
  - Audit of Accounts 2024-25 – certification by 15 June 2025.
- 8 As you can see from the above, our intention is to still try and work to our original timetable for the audit of accounts 2024-25. We believe this is achievable when we take into account it will be our third year delivering audits under our new approach which should generate efficiencies. That said, the achievement of the timetable for 2024-25 is not without its challenges, particularly if market conditions persist in respect of the recruitment and retention of qualified auditors.



- 9 We recognise that for the forthcoming audit of accounts 2023-24, our deadline is slightly later than many bodies would like but we believe it is important to set realistic timescales given our current position and alert the Service to our proposals as soon as practically possible.
- 10 We will be working closely with the Welsh Government and NHS finance teams over the next few months to agree the precise timings for submission of draft accounts. There will inevitably be logistical matters to take into account at each body, and we are conscious of the need to factor in Audit Committee, Board and Annual General Meeting (AGM) dates, particularly as Health Boards and Trusts must hold an AGM no later than 31 July each year as per Standing Orders.
- 11 In respect of the Charitable Funds audit or the independent examination, we intend to complete these by the deadline set by the Charities Commission.

## Review of the 2022-23 audit of accounts

- 12 Our audits of NHS accounts for the year ended 31 March 2023 were carried out under revised Auditing Standard, ISA 315. In planning our audit at individual Health Bodies, we were required to undertake more detailed and extensive risk assessment procedures to identify the risks of material misstatement and to develop an audit approach designed to address those risks.
- 13 This revised standard had a significant and far-reaching impact on our audit methodology, and we are grateful to Finance Teams for their engagement and the support they provided to our audit teams.
- 14 All audits except for one Local Health Board (LHB) were certified by the agreed administrative certification date - 31 July 2023. The delay for the final LHB was as a result of issues arising during the audit. All NHS bodies were certified before the NHS statutory deadline which is four months after submission of the draft accounts (early September 2023).
- 15 With regards to our audit opinions and reports, none of the NHS Trusts or Strategic Health Authorities received any qualifications. All except one of the LHBs had regularity qualifications for breach of break-even duty. In addition, a number of the LHBs had a substantive report for a failure to meet the second financial duty (lack of an approved financial plan). A summary of our NHS opinions and reports can be seen in **Appendix 1**.
- 16 2022-23 was a technically challenging year due to the quinquennial valuation of the NHS estate and implementation of the new leasing standard - International Financial Reporting Standard (IFRS) 16. As a result, we identified more

adjusted and unadjusted audit adjustments than in previous years. We also continued to see audit adjustments being required to remuneration report disclosures, along with issues relating to the approval of senior officer remuneration. In many cases, we also identified issues with year-end payables balances which increased audit testing. We will continue to work with individual bodies and make recommendations for improvement.

- 17 We held a number of meetings with key NHS finance groups during the year and we intend to continue with these meetings going forward. In particular, we welcomed our invitation to meet with the Audit and Risk Committee Chairs as a group and would be keen to do so again this year.

## Update on audit fees

- 18 As a result of ISA 315, the revised audit approach applied in 2022-23 required us to employ more experienced, professionally qualified, staff on the audits, resulting in the larger than usual increase in your audit fee last year. We estimated that fee increase required to support the implementation of this new approach would be around 10.2%. In addition, we also applied a 4.8% fee increase last year in respect of inflation resulting in a combined average fee increase of 15%.
- 19 On the completion of our 2022-23 audits, we initiated a fee review as part of our post-project learning process. In summary, we concluded that the specific uplift of 10.2% to support the implementation of the revised auditing standard was not quite sufficient across all NHS audits. The total amount of further audit cost overrun incurred on NHS audits amounted to 10.1% which is equivalent to £234,000.
- 20 Recognising the cost pressures prevalent across NHS Wales, we have decided not to invoice for these overruns where there were no significant issues arising during the audit process. This means that we will be absorbing overspends of over £100,000. Our ability to absorb these overruns has been made possible this year by identifying additional 'one-off' efficiencies internally and should not be seen as creating a precedent for future years.
- 21 In terms of this year, our Fee Scheme for 2024-25 is now available [Fee Scheme 2024-25 | Audit Wales](#). Our fee rates are increasing on average by 6.4% next year. Some further context is provided in the consultation foreword, but we have incorporated the key message into this letter.
- 22 Like the rest of the public sector, we are facing significant staff cost pressures. As stated above, those are exacerbated by a global shortage of audit and

finance professionals, which we are seeing reflected in our ability to recruit and retain qualified staff.

- 23 It is important that we do all that we can to address the recruitment and retention challenges if we are to continue to bring audit deadlines forward in accordance with the revised timetable set out above. To help offset increasing staff costs, we are taking difficult decisions to reduce our non-staff expenditure. We have moved to smaller, cheaper offices in both South and North Wales, have significantly reduced our travel and associated costs, and removed financial allowances previously paid to staff.
- 24 It is worth pointing out that audit fees have increased significantly across the whole audit profession in response to regulatory pressures, new auditing standards (including, but not limited to, ISA 315) and rising staff costs. The table in **Appendix 2** summarises current Public Sector Audit Appointment (PSAA) rates and then compares them to current Audit Wales fee rates. The table illustrates the very substantial change in PSAA rates over the past four years (following the Redmond Review) and highlights the very marked difference between current local government rates in England and those of Audit Wales. Whilst we are focusing on fee rates within the local government arena, this is indicative of the rising audit costs across the border.
- 25 Legislation requires that the fees we charge may not exceed the full cost of exercising the function to which the fee relates. We set our audit fees based on our estimated cost base, the estimated skills mix for audit work and the estimated number of days required to complete the work. We do not, and cannot, make a profit from our work. Our fees are set at a level to recover the estimated full cost but no more.
- 26 We are also mindful of us moving into the second year of our new audit approach and methodology. On the basis that we are more familiar with the new approach, we are expecting to see some level of efficiency. As stated above, as our fees are set at a level to only recover the full cost, where the full cost is less than the estimated fee, we will issue a refund to individual bodies. In this context, we remain determined to minimise audit fees whilst ensuring that our audit quality continues to meet rigorous standards.
- 27 Your Engagement Director will discuss the proposed fee for your audit once the audit commences and the risk assessment for your organisation has been completed.

## A look forward to key issues impacting on the 2023-24 accounts audit and other developments

- 28 As well as reflecting on last year, it is important to have a look at some of the issues that could impact on the 2023-24 accounts.
- 29 **Projected year-end deficits** – we are mindful of the control total deficit of £123 million set by Welsh Government across the whole of the NHS and how challenging this will be for NHS bodies to meet. Given these expectations, we will focus on certain areas, particularly accruals and expenditure around year-end.
- 30 In terms of our wider audit responsibilities, the situation has prompted us to remain focused on themes such as financial sustainability, the realism of savings plans and the continued need for NHS to deliver value for money. Alongside these themes, the Auditor General for Wales places significant importance to seeing high standards of governance and financial management and will continue to shine a light and report on weaknesses in these areas.
- 31 **Executive salary pay points** – this has been a recurring theme for audit over the past few years where executive salaries have been paid over and above the defined salary point determined by the Welsh Government and where Government approval to do so has not been sought or provided. This again will be an area of focus as part of our audit work on the remuneration report. In addition, a disproportionate amount of time is spent seeking to reconcile payments to contracts of employment for senior staff. This is generally an area where health bodies could seek to improve audit evidence.
- 32 **Other technical changes** – at this point in time, we are not anticipating any new significant issues, but we will continue to liaise with Health and Social Services Group (HSSG) and the NHS Technical Accounting Group (TAG).
- 33 **Reintroduction of an interim audit** – for 2022-23, we applied little or no interim audit. This was a deliberate decision due to us commencing NHS audits much later than our normal timings. As we aim to recover and potentially bring the timetable back, we are envisaging moving back to an interim audit this year. This will hopefully take pressure off both Finance and audit teams, particularly during the final audit period scheduled for May and June 2024.
- 34 **Data quality / Analytics Assisted Audit (AAA)** – since the 2020-21 audit cycle, we have been using general ledger data obtained from the NHS Wales Shared Service Partnership (NWSSP) in our Analytics Assisted Audit application to support our audit work. This has realised several benefits with auditors having more accessible and timely access to the data, enhanced risk

assessments and automation of some audit tests. However, we have identified several inefficient processes and barriers to our vision of a more data driven audit, including:

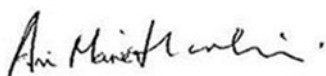
- adjustments cited on working papers not posted through the financial system;
- multiple mapping documents and inconsistent approaches for preparing the individual notes to the accounts; and
- multiple working papers to support individual notes to the accounts.

35 We are initially working with some pilot NHS bodies to try and eradicate these issues with the expectation that it will generate considerable benefits to improving data quality and time saving efficiencies for both audited bodies and auditors. We will engage with the sector on these developments during the early part of 2024.

36 We remain committed to working collaboratively with you to successfully navigate the challenges set out in this letter, building on our shared experiences. We will ensure we attend all the relevant NHS fora to discuss the content of this letter with you and will be arranging meetings with all NHS Directors of Finance and Audit Committee Chairs to provide you with an opportunity to meet with us all.

37 Thank you to you and your teams for working so well with us.

Yours sincerely



Ann-Marie Harkin  
Executive Director Audit Services

## Appendix 1 – A summary of NHS audit opinions and reports for 2022-23

Health Board	Qualification/Subs Report
Aneurin Bevan	Qualified Regularity – breach of first financial duty (break-even)
Swansea Bay	Qualified Regularity – breach of first financial duty (break-even)
Powys	Qualified Regularity – breach of first financial duty (break-even)
Cardiff & Vale	Qualified Regularity – breach of first financial duty (break-even) Substantive Report – failure to agree an approved financial plan (second financial duty)
Cwm Taf	Qualified Regularity – breach of first financial duty (break-even) Substantive Report – failure to agree an approved financial plan (second financial duty)
Hywel Dda	Qualified Regularity – breach of first financial duty (break-even) Substantive Report – failure to agree an approved financial plan (second financial duty)
Betsi Cadwaladr	Qualified True and Fair opinion – impact of uncertainty coming forward from 21-22 (expenditure and payables) Qualified Regularity – payment to interim executive director above WG approved pay scale not properly approved. Substantive Report – failure to agree an approved financial plan (second financial duty) Note – first financial duty (break-even) <b>unqualified</b>
Velindre	No qualifications
Public Health Wales	No qualifications

Health Board	Qualification/Subs Report
Welsh Ambulance Services NHS Trust	No qualifications
Digital Health and Care Wales	No qualifications
Health Education and Improvement Wales	No qualifications

Appendix 2 – A comparison of current Public Sector Audit Appointment (PSAA) fee rates with Audit Wales

Grade	Audit Wales Fee Rates	Public Sector Audit Appointments (PSAA) Rate Cards	
	2023-24 £	2023-24 £	2018-20 £
Partner / Director	168	414	132
Senior Manager / Manager	129	228	73
Audit Lead	106	148	47
Other	40 - 85	113	36