



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

DYDDIAD Y CYFARFOD: DATE OF MEETING:	12 December 2023
TEITL YR ADRODDIAD: TITLE OF REPORT:	Financial Assurance Report
CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:	Huw Thomas, Director of Finance
SWYDDOG ADRODD: REPORTING OFFICER:	Tim John, Senior Finance Business Partner (Accounting & Statutory Reporting)

Pwrpas yr Adroddiad (dewiswch fel yn addas)

Purpose of the Report (select as appropriate)

Er Sicrwydd/For Assurance

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.

Amcanion: (rhaid cwblhau)

Objectives: (must be completed)

Committee ToR Reference:

Cyfeirnod Cylch Gorchwyl y Pwyllgor:

2.4 The Committee's principal duties encompass the following:

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>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 Quality and Engagement Act (sharepoint.com)	Not Applicable
Galluogwyr Ansawdd: Enablers of Quality: Quality and Engagement Act (sharepoint.com)	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: Hyperlink to HDdUHB Well-being Objectives Annual Report 2021-2022	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

	<p>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</p>
<p>Partion / Pwyllgorau â ymgynhorwyd ymlaen llaw y Pwyllgor Archwilio a Sicrwydd Risg Parties / Committees consulted prior to Audit and Risk Assurance Committee:</p>	<p>UHB’s Finance Team UHB’s Management Team</p>

Effaith: (rhaid cwblhau)	
Impact: (must be completed)	
Ariannol / Gwerth am Arian: Financial / Service:	Financial implications are inherent within the report.
Ansawdd / Gofal Claf: Quality / Patient Care:	Risk to our financial position affects our ability to discharge timely and effective care to patients.
Gweithlu: Workforce:	Overpayments are reported within this report.
Risg: Risk:	Financial risks are detailed in the report.
Cyfreithiol: Legal:	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.
Enw Da: Reputational:	Adverse variance against the UHB’s financial plan will affect our reputation with Welsh Government, Audit Wales and with external stakeholders.
Gyfrinachedd: Privacy:	Not Applicable
Cydraddoldeb: Equality:	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.

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

2.1 Scheme of delegation changes

There are no Scheme of Delegation changes to report.

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 month of October 2023 there were a total of 94 breaches with a combined value of £300k.

The cumulative position as at the end of October 2023 was a total of 283 breaches with a combined value of £517k. This is compared to the cumulative position of 273 breaches in total with a combined value of £320k as at the end of September 2023. While recognising full compliance is required, it should be noted that the Health Board had the lowest level of non-compliance in comparison to the six other health boards in Wales (283 breaches out of 7,166 or 3.95%).

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.

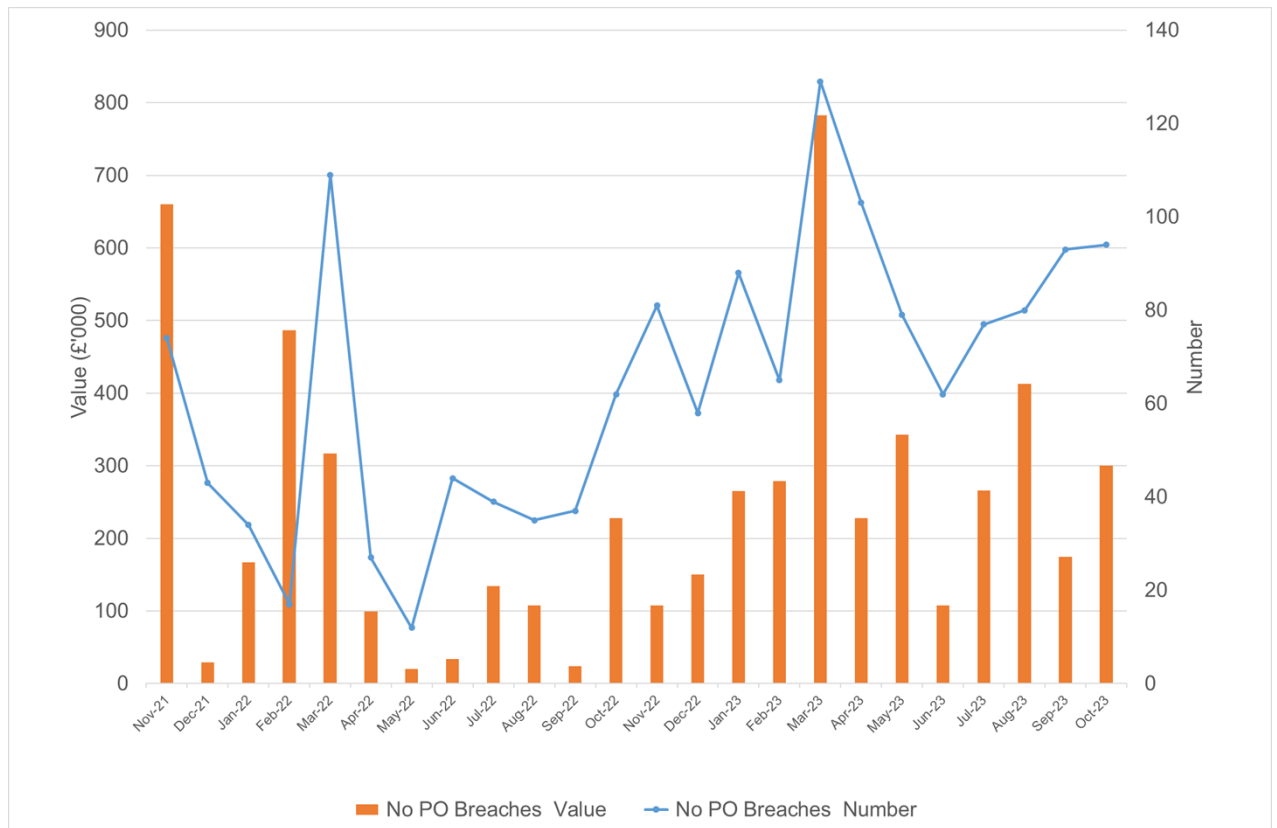
Below is a list of suppliers who frequently fail to provide a valid Purchase Order on submitted invoices, the number and value of these invoices on a cumulative basis and the actions being taken to improve:

Supplier	No. Inv	£
JUST WALES LTD	33	11,990.40
DIRECT HEALTHCARE GROUP LTD	16	21,594.00
OT GROUP LIMITED T/A OFFICE DEPOT	14	814.31
SRCL LTD	12	42,518.73
CULLIGAN (UK) LTD TA ANGEL SPRINGS	14	4,243.88

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
OT GROUP LIMITED T/A OFFICE DEPOT	Accounts Payable – annual supplier statement review ongoing
SRCL LTD	Accounts Payable – annual supplier statement review ongoing
CULLIGAN (UK) LTD TA ANGEL SPRINGS	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 October 2023 (98.47%) and on a cumulative basis with 96.78% as at 31 October 2023.

Regarding the payment of NHS invoices, the Health Board did not pay 95% of these in the month of October or on a cumulative basis.

The Assistant Director of Finance continues to engage with those colleagues who fail to approve invoices in a timely manner, to improve PSPP levels

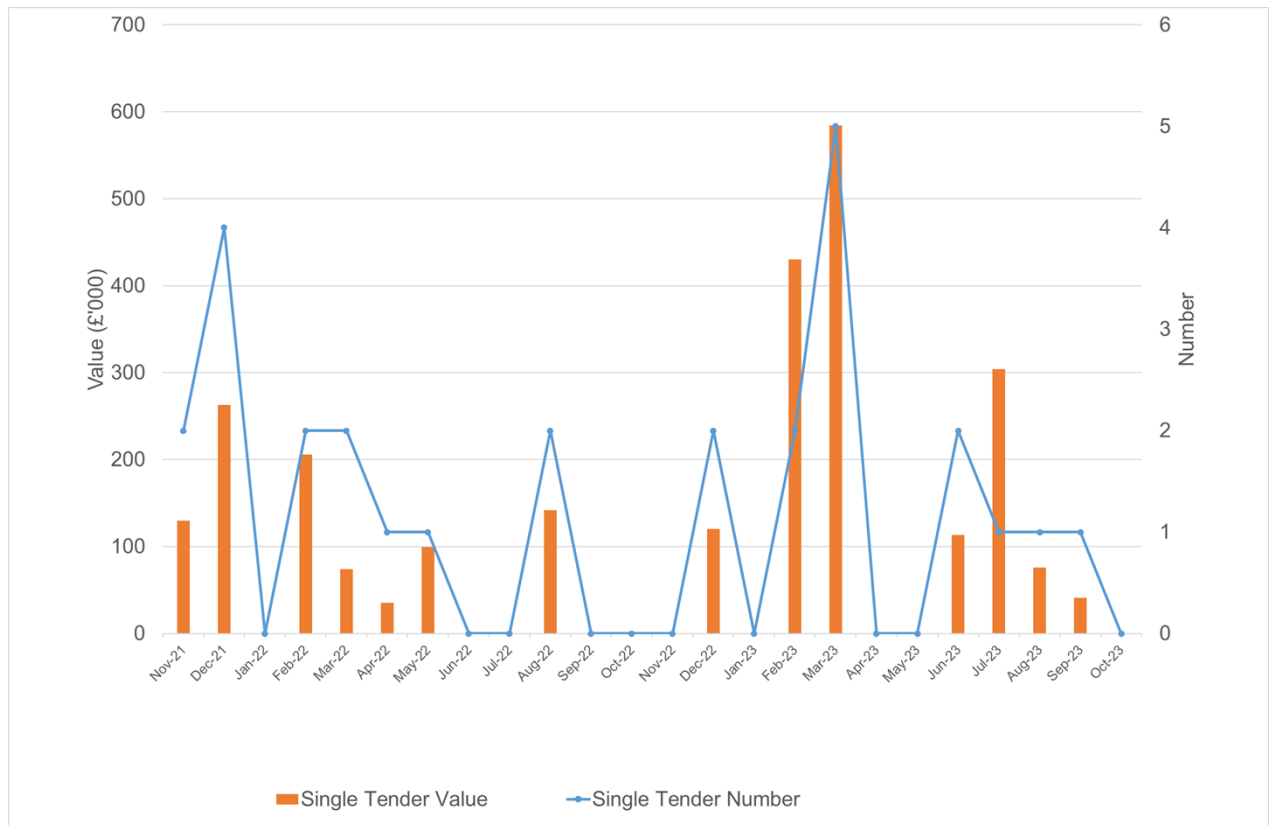
2.2.3 Single Tender Actions

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

No Single Tender Actions (in excess of £25,000) were awarded during the period 1 October to 31 October 2023.

The graph below (Figure 2) shows the trend of all Single Tender Actions (STA) approved from 1 November 2021 to 31 October 2023.

Figure 2: Numbers and value of Single Tender Actions



2.2.4 Tenders Awarded

There were seven contracts awarded, including direct awards through framework (in excess of £25,000) during the period 1 October to 31 October 2023, totalling £1,831,677. Details of these contracts are provided in Appendix 1.

2.2.5 Consultancy contracts

No consultancy contracts were awarded during the period 1 October to 31 October 2023.

2.3 Compliance with Income to Cash

2.3.1 Overpayment of Salaries

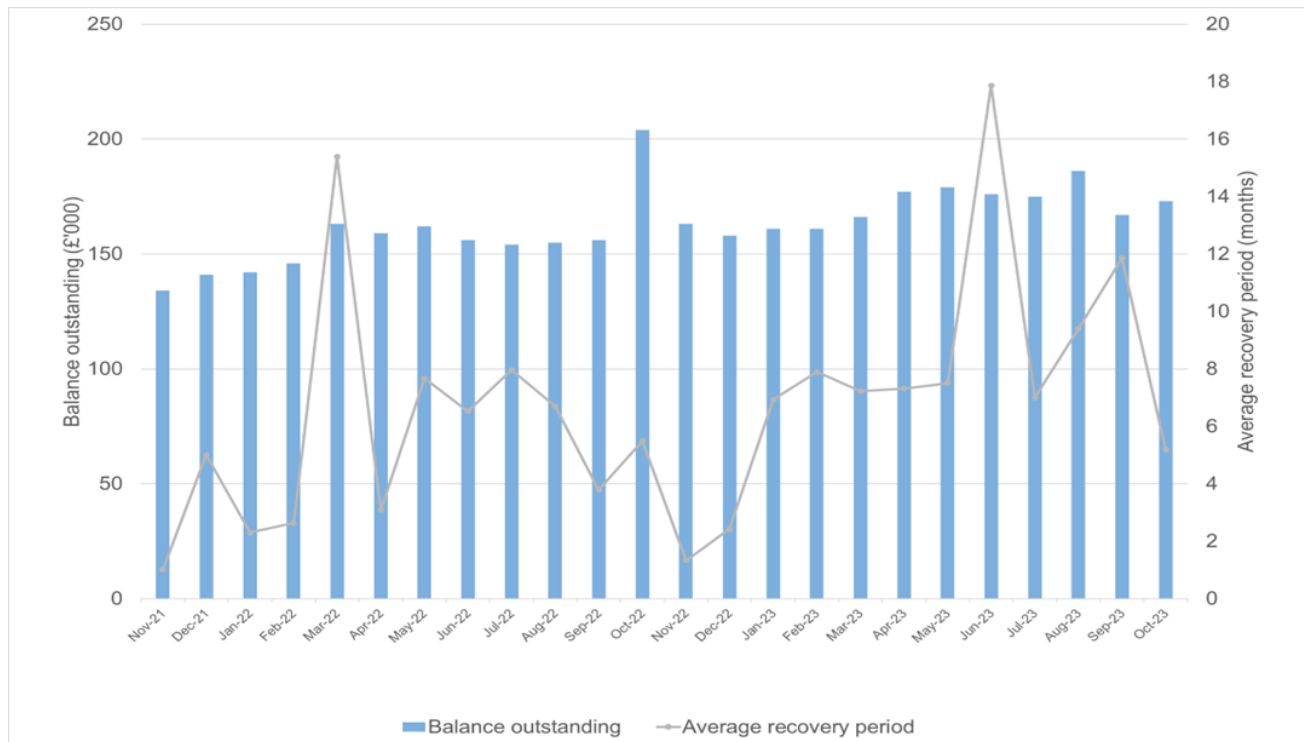
The Health Board has a duty to ensure that staff are paid appropriately, and that overpayments are not incurred.

Appendix 2 shows the volume and value of invoices raised in respect of overpayments for the period 1 October to 31 October 2023; 16 cases totalling £23,490.

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 1 October to 31 October 2023 was £24k compared to £49k in the previous two-month period.

The overall debt balance has increased to £173k in October 2023 compared to £167k at the end of September 2023, with the average recovery period decreasing to five months at the end of this period, compared to twelve months at the end of the previous period.

Figure 3: Trend of aged overpayments and recoveries

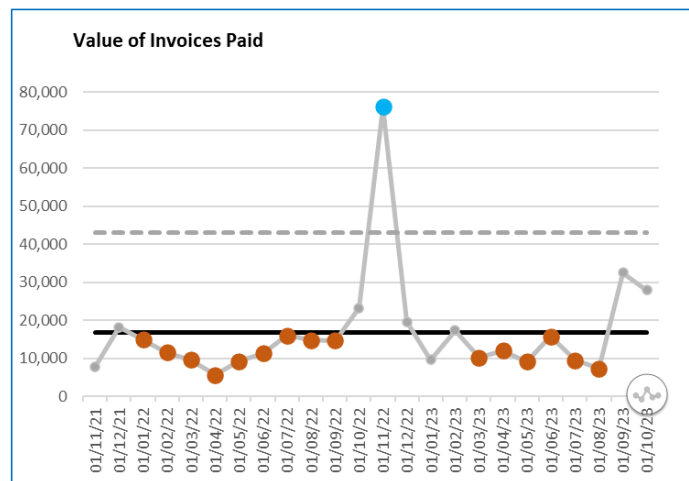
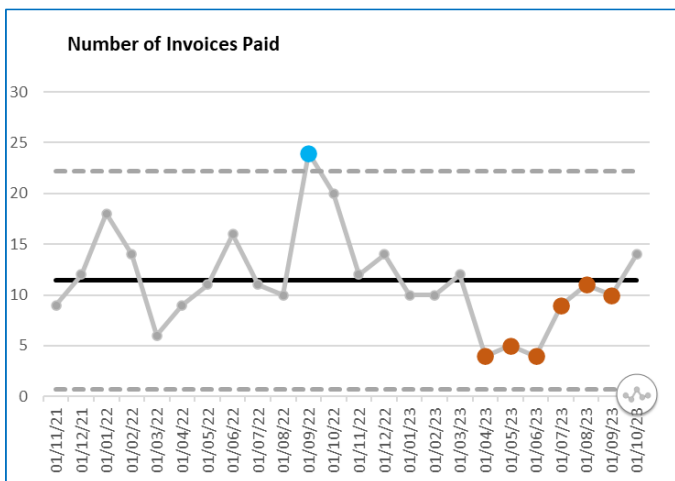
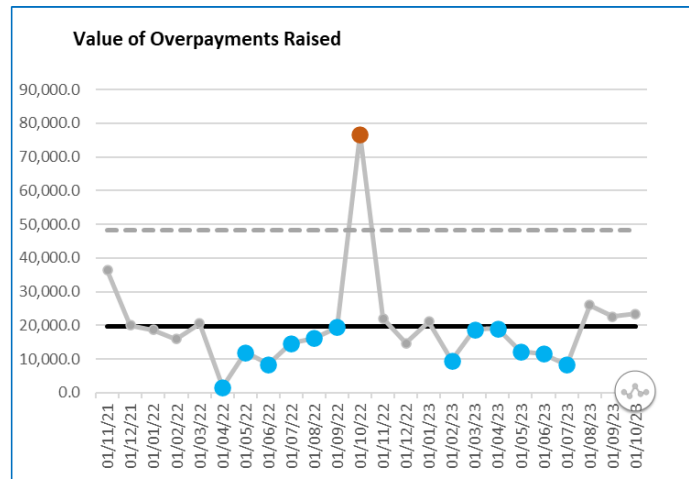
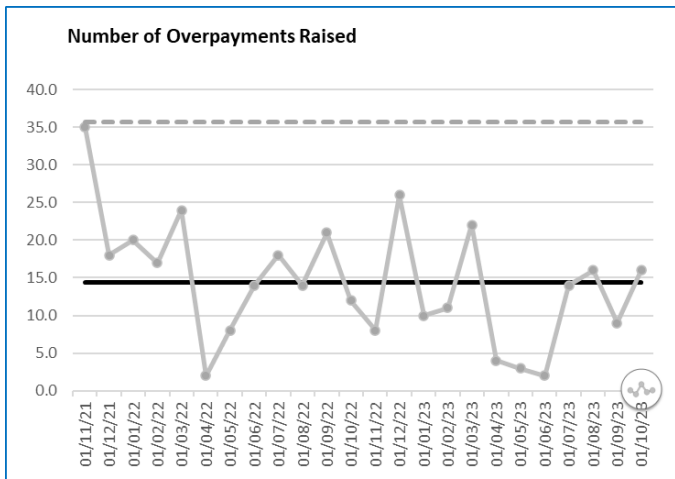


Further statistical analysis in respect of the overpayment of salaries is provided below:

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 November 2021 to October 2023.

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 remained at 14 compared to the end of the last period in July 2023 and the average value per month has increased from £18k to £19k.

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 October 2023, on average 11 invoices are paid per month with an average value of £16k.



2.3.2 All Wales work on overpayments

Overpayment of salary policy group – the latest draft of the proposed all Wales overpayment policy is being discussed with Workforce Directors, Deputies and Directors of Finance during November and December. Advice is also being sought as to how to consult with Trade Unions. Dependent on feedback the intention is to take the final draft procedure to the January Shared Services Partnership Committee for sign-off.

The Payroll Modernisation Programme being undertaken by NWSSP has also made the following recommendations which have been ratified by the Shared Services Partnership Committee at its November 2023 meeting:

Overpayments – All Health Bodies Finance and Workforce communities to use the portal to reduce occurrences of over payments through targeted retraining and providing information required within the portal.

Management Self Service (MSS) – All Health Bodies to have at least 80% take up of Management Self Service by April 2025. This will aid not only the efficiencies and effectiveness within Payroll but will also decrease the number of overpayments and increase digital skills across NHS Wales which will be required for the deployment of the replacement for ESR in 2026. This comprehensive programme of work will be undertaken as an all-Wales project by NWSSP Digital Workforce Solutions team and supported by Payroll and local ESR / Workforce teams.

Payroll Frequency –NWSSP would like to set up a task and finish group with representation across all Health Boards to explore the use of supplementary and weekly pay runs in conjunction with the implementation of Wagestream and potential deployment of an all- Wales Collaborative bank.

2.3.3 Underpayment of salaries

NWSSP have provided details of emergency payments requested and paid in October 2023 for underpaid salaries, the total of which was £13,473. 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.

There were no losses and write-offs in the period 1 October to 31 October 2023.

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 £26,386.

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

Regular meetings have been held with IHP to try and resolve these issues however, limited progress has been made in bringing them to a satisfactory conclusion. The health board is ensuring that the Design for Life Framework managers in NWSSP are aware that the PBAs are not currently operating as they should be.

The Health Board have met with the PBA policy lead in Welsh Government (WG) to discuss the issues and they have contacted subcontractors directly for feedback on the operation of the PBA by IHP.

Further updates on the issues currently being encountered on PBAs will be provided as appropriate.

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
BT PSBA network – VAT recovery non-statutory clearance request	<p>HMRC has been considering the recoverability of VAT charged on service charges connected with the all-Wales PSBA data network.</p> <p>A further request for information was received from HMRC in November 2023. The health board is working with its VAT advisors to prepare a response.</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>
Capital Front of House Scheme (Bronglais Hospital)	<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>

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 to confirm.

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.

Finance team staff have examined the scope of works to be undertaken in conjunction with the Estates team and have determined it to be capital in nature rather than revenue.

A detailed schedule of works has been shared with our audit leads at Audit Wales and discussions are ongoing with them regarding the proposed accounting practice in response to the issue.

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 and WG. Further updates will be provided as appropriate.

2.8 Procurement compliance

All procurement activity is now reported through the Financial Control Group (FCG) to ensure Executive oversight.

A weekly Procurement Summary Report is submitted to FCG, which includes all Contracts for Award (including any G Cloud contracts), Single Tender Actions, Extensions to Contracts and permission to start large value contracts sent through for approval. All of these contract types must have FCG approval before award/commencement can progress.

2.9 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 (completed)
- b) Develop process charts to understand link from CoA to key systems (in progress)
- 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.

This is being developed into a workplan; the timetable will be shared at the next meeting.

3.1 Recommendations

The Committee is asked to:

Discuss and note the report.

Appendix 1: Contracts awarded (including direct awards through framework) – current report period

Contracts awarded post competitive tender										
Reference	Period covered by this report					01-10-2023	31-10-2023	Date of Board Approval (if applicable)	Compliant	Comment
	Professional Service	Supplier	Value ex VAT £	One off or period		Department	Description			
				Start	End					
HDD-OJEU-53635	No	Mitie Landscapes	£315,708	01/11/2023	31/10/2026	Estates	Provision of Grounds and Gardens Maintenance Services across the three counties within Hywel Dda	NA	Yes	Following a competitive tender, Mitie Landscapes were awarded a 36-month contract for provision of grounds and gardens maintenance services across the three counties within Hywel Dda. An option to extend the contract for a further 12 months is included in the award.
HDD-OJEU-53619	No	Natural UK Ltd	£184,824	01/12/2023	30/11/2026	Estates	Provision for Waste Management	N/A	Yes	Following a competitive tender,

							Services to recycle absorbent hygiene products across all acute sites within Hywel Dda			Natural UK Ltd were awarded a 36-month contract for provision for waste management services to recycle absorbent hygiene products across all acute sites within Hywel Dda. An option to extend the contract for a further 12 months is included in the award.
HDD-ITT-53747	No	Area 43	£267,345	01/11/2023	31/10/2025	Primary Care	Provision of Counselling Services in the Ceredigion Cluster area	N/A	Yes	Following a competitive tender, Area 43 were awarded a 24-month contract for provision of counselling services in the Ceredigion Cluster area. An option to extend the

										contract for a further 12 months is included in the award.
--	--	--	--	--	--	--	--	--	--	--

Direct awards via Framework Agreement										
Reference & Framework Used	Professional Service	Supplier	Value ex VAT £	Period covered by this report		01-10-2023	31-10-2023	Date of Board Approval (if applicable)	Compliant	Comment
				One off or period		Department	Description			
				Start	End					
HDD-DCO-23-17 ESPO	No	PKL Group Ltd	£488,699	04/11/2023	03/11/2024	Estates	Provision of modular catering unit for the RAAC scheme at Withybush Hospital	N/A	Yes	A direct award via the ESPO framework has been awarded to PKL Group Ltd for provision of modular catering unit for the RAAC scheme at Withybush Hospital for 12 months. This contract award does not allow for an extension.
HDD-DCO-23-19 NHS Shared Business Services (SBS)	No	OTIS LTD	£189,144	01/10/2023	31/03/2024	Workforce	Provision of modernisation and repairs to the Theatre lift at Bronglais Hospital	N/A	Yes	A direct award via the NHS Shared Business Services (SBS) framework has been awarded to OTIS LTD for

										provision of modernisation and repairs to the Theatre lift at Bronglais Hospital for 6 months. This contract award does not allow for an extension.
HDD-DCO-23-28 NHS Supply Chain	No	Medstrom	£271,426	17/10/2023	16/10/2025	Corporate	Rental of specialist equipment for plus sized patients across the Health Board	N/A	Yes	A direct award via NHS Supply Chain framework has been awarded to Medstrom for rental of specialist equipment for plus sized patients across the Health Board for 24 months. This contract award does not allow for an extension.

Consultancy – N/a										
	Period covered by this report					01-10-2023	31-10-2023			
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										
	Period covered by this report					01-10-2023	31-10-2023			
Reference & Framework Used	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- 04	No	Sarah Bell Minibuses	£114,531	17/10/2023	16/10/2026	Transport	Provision of Taxi Services for the Pembrokeshire area.	N/A	Yes	A VEAT Notice was issued to confirm that Sarah Bell Minibuses were awarded a 36-month contract for provision of taxi services for the Pembrokeshire area. This contract award does not allow for an extension.

***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 2: 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	£2,146.75	1
2	Overpayment of Hours Worked	£20,252.21	14
3	Processing Error	£1,091.17	1
		£23,490.13	16

Appendix 3: Losses and Special Payments over £5,000 (N/a)

	Period covered by this report:		1 October 2023 to 31 October 2023
Ref	Losses and Special Payments Category	Value (£)	Explanation
	Total Losses (for approval)		

Recommendation: N/a