



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

<b>DYDDIAD Y CYFARFOD: DATE OF MEETING:</b>	22 June 2021
<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>	Jennifer Thomas, Senior Finance Business Partner (Accounting & Statutory and 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 & 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 & Risk Assurance Committee is asked to note the report, and approve the losses and debtors write offs noted within.

**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.  
3.13 Approve the writing off of losses or the making of special payments within delegated limits.

	3.15 Receive a report on all Single Tender Actions and extensions of contracts.
Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol: Datix Risk Register Reference and Score:	BAF SO9-PR20 BAF SO10-PR33
Safon(au) Gofal ac Iechyd: Health and Care Standard(s):	Governance, Leadership and Accountability 7. Staff and Resources
Amcanion Strategol y BIP: UHB Strategic Objectives:	All Strategic Objectives are applicable
Amcanion Llesiant BIP: UHB Well-being Objectives: <a href="#">Hyperlink to HDdUHB Well-being Statement</a>	Improve efficiency and quality of services through collaboration with people, communities and partners

<b>Gwybodaeth Ychwanegol: Further Information:</b>	
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 CF –Counter Fraud COS-Contracted Out Service VAT COVID-19 – Coronavirus COP- Confirmation of Payee ECN- Error Correction Notice EOY – End Of Year ERs NI-Employers National Insurance HMRC-Her Majesty's Revenue and Customs HOLD- Invoices that cannot be paid, as there is a query with the price or quantity or validity ICF – Integrated Care Fund IFRS – International Financial Reporting Standards NWSSP-NHS Wales Shared Services Partnership NIC-National Insurance Contribution PID –Patient identifiable data PO –Purchase Order POL –Probability of loss PPPAC – People, Planning & Performance Assurance Committee PSP- Public Sector Payment Policy RTI-Real Time Information (transmitted to HMRC from the Payroll system) SFI – Standing Financial Instructions

	SLA – Service Level Agreement STA-Single Tender Action VAT-Value Added Tax 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 Executive Team Finance Committee

<b>Effaith: (rhaid cwblhau)</b>	
<b>Impact: (must be completed)</b>	
<b>Ariannol / Gwerth am Arian: Financial / Service:</b>	Financial implications are inherent within the report.
<b>Ansawdd / Gofal Claf: Quality / Patient Care:</b>	Risk to our financial position affects our ability to discharge timely and effective care to patients.
<b>Gweithlu: Workforce:</b>	Overpayments are reported within this report.
<b>Risg: Risk:</b>	Financial risks are detailed in the report.
<b>Cyfreithiol: 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: 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

# Financial Assurance Report

## 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>	Quarterly
Compliance with Income to Cash requirements	<ul style="list-style-type: none"> <li>• Overpayments of staff salaries and recovery procedures for noting</li> </ul>	Quarterly
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>	
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>	Quarterly
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

# Financial Assurance Report

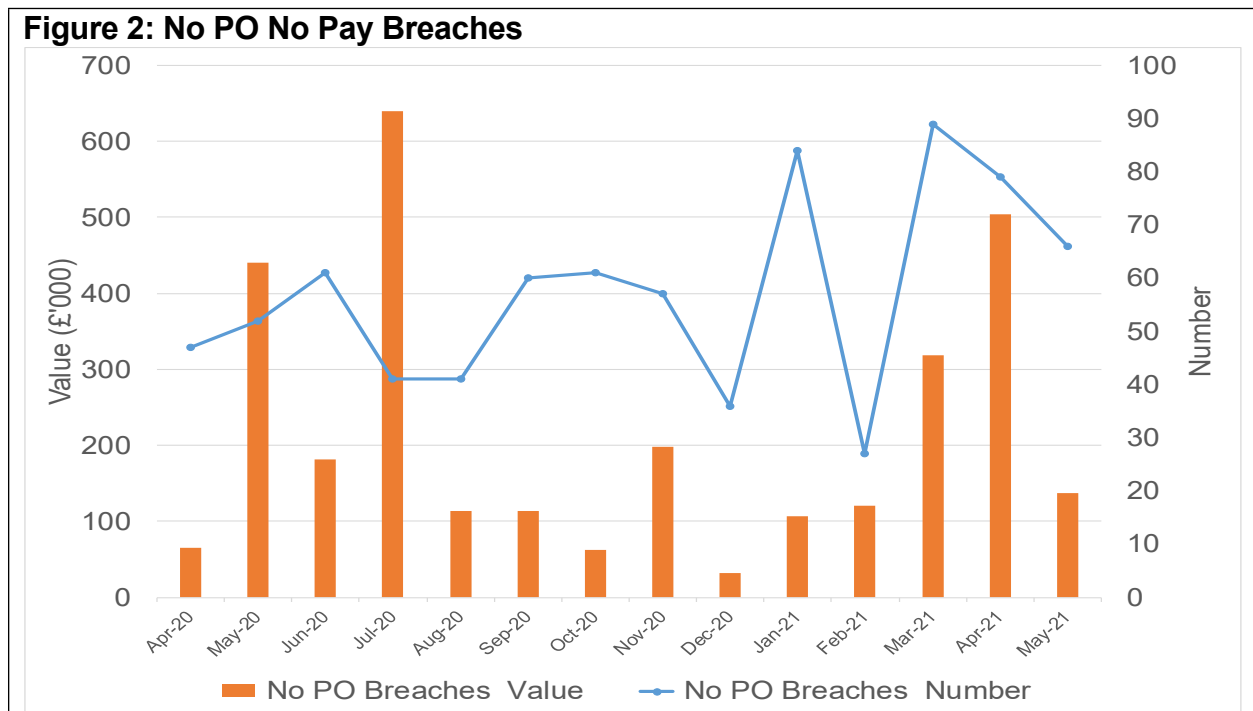
## 2.1 Scheme of delegation changes

- No changes reported.

## 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 received through the Oracle system.
- Figure 2 below illustrates the numbers and value of breaches against the No PO No Pay policy. This consisted of 145 breaches totalling £0.641m between the months of April 2021 – May 2021, the cumulative position as at end of May was 203 breaches, £0.364m in total (31<sup>st</sup> March cumulative was 184 breaches, £0.593m in total).
- The volume of PO breaches reduced slightly in April and decreased again in May. The value of PO breaches increased significantly in April, the increase in value is largely due to a Fujifilm invoice for £195k and a Carmarthenshire County Council invoice for £144k, both of these were cleared in May resulting in a significant reduction in the value of invoices on hold due to no PO at the end of May. Processes have been put in place to ensure that Purchase Order numbers are identified on the invoices and not created retrospectively.



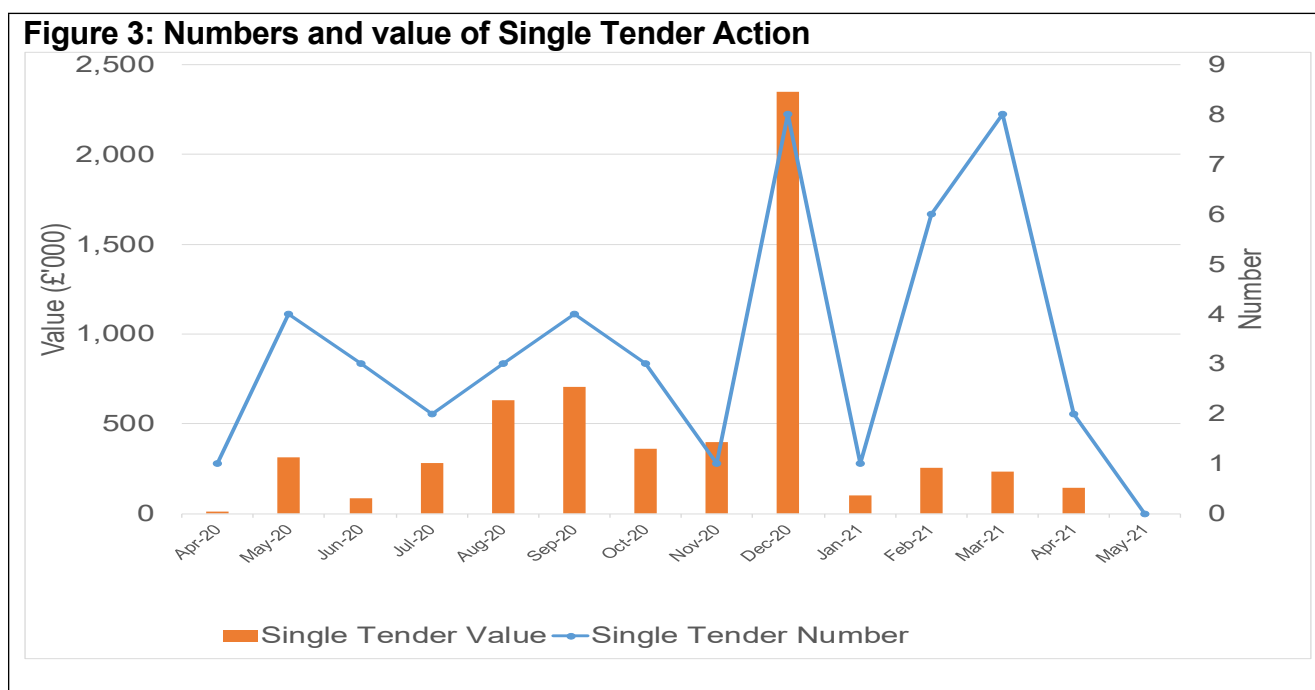
### 2.2.2 Public Sector Payment Policy (PSPP) Compliance

- The Health Board achieved its PSPP target of paying 95% of its non-NHS invoices within 30 days in both April and May 2021 with 97.44% and 96.48% respectively, the cumulative position is 96.97%.

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## 2.2.3 Single Tender Actions

- The use of single tender waivers is carefully managed and controlled by the Health Board.
- There was 1 Single Tender Action (in excess of £25,000) approved in the period from 1<sup>st</sup> April 2021 to 31<sup>st</sup> May 2021 totalling £0.1m, as detailed in Appendix 1.
- The graph below (Figure 3) shows the trend of all Single Tender Actions (STA) approved from 1<sup>st</sup> April 2020 to 31<sup>st</sup> May 2021, there were no STAs approved in May 2021.



## 2.2.4 Tenders Awarded

- There was 1 competitive tender awarded locally during the period from 1<sup>st</sup> April 2021 to 31<sup>st</sup> May 2021, totalling £0.5m, details of which can be seen in Appendix 2.

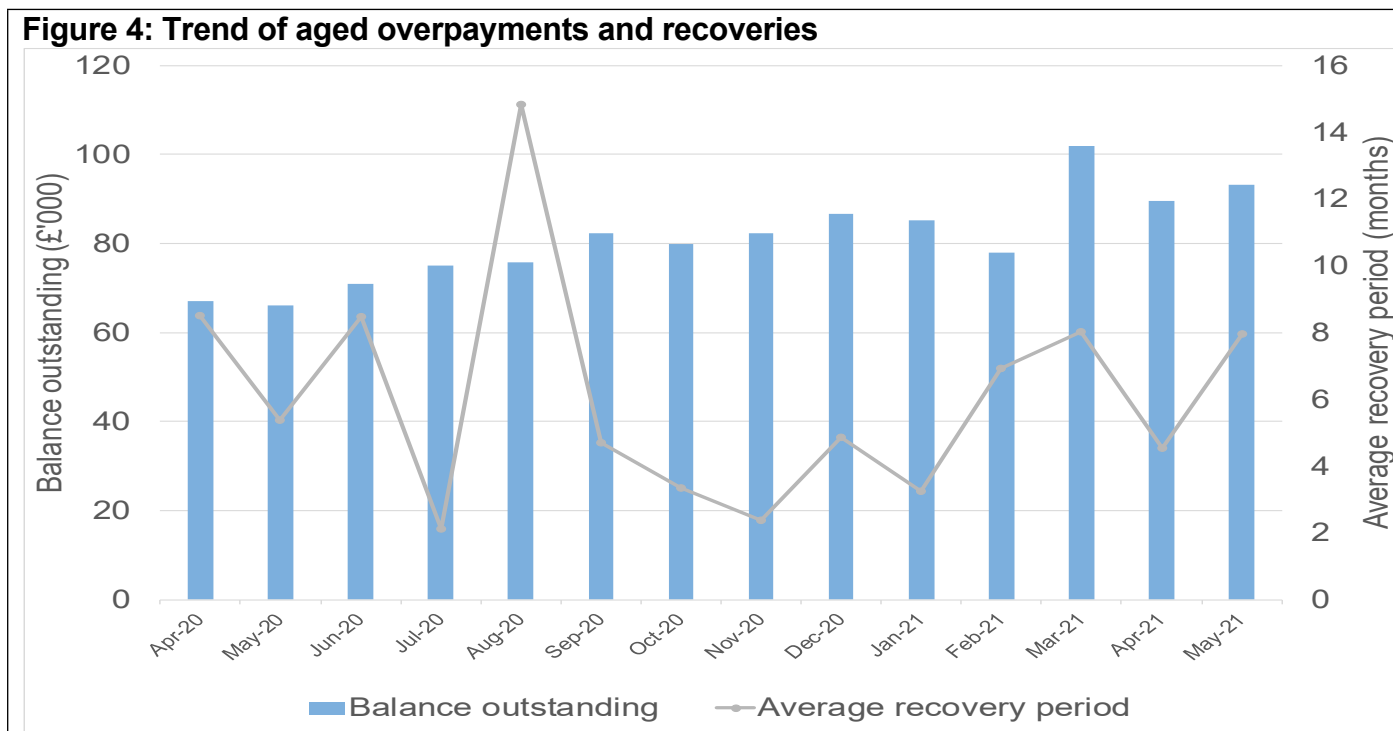
## 2.3 Compliance with Income to Cash

### 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 numbers and value of overpayments recovered in the period 1<sup>st</sup> April 2021 – 31<sup>st</sup> May 2021, 7 cases totalling £8,192.
- The graph below (Figure 4) 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 debt balance increased slightly in April and May 2021 due to a higher than usual volume of invoices raised, this is due to the numbers of fixed term appointments as a result of the

# Financial Assurance Report

COVID pandemic and delays in receipt of the termination forms in payroll for these staff. Actions being taken to help improve this are outlined below.



The Overpayments Task & Finish group consists of representatives from Finance, Payroll, ESR and Counter Fraud. The updated actions are as follows:

- The Recovery of Overpayments and Management of Underpayments Policy has now been approved and is fully operational. This will greatly improve the period of recovery.
- The Counter Fraud team are going to be undertaking training for the Payroll department, during which they will highlight the policy and need for collaborative working to ensure effectiveness.
- The Finance Business Partners have been asked to reiterate to Service leads the requirement to complete the necessary termination forms promptly especially given the level of fixed term appointments currently at the Health Board.

## 2.4 Losses and Special Payments for Approval

### 2.4.1 General Losses

- Losses and special payments that require Audit & Risk Assurance Committee's approval are outlined in Appendix 4.
- Losses and special payments amounting to £93,218 have been made for the period 1<sup>st</sup> April 2021 to 31<sup>st</sup> May 2021; £68,111 was attributable to Pharmacy expired drugs and £25,107 to Ex-Gratia Payments. In addition, there was a donation of Oxygen Concentrators to India which requires formal write off to the value of £618,250.

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- Losses 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 £10,310.

## 2.4.2 Donation of Oxygen Concentrators & CPAP machines to India

- As a result of India experiencing a high level of coronavirus deaths and hospitals unable to meet the increased demand for treatment, in May 2021, Welsh Government requested NHS Wales Shared Services Partnership (NWSSP) to coordinate the release of surplus oxygen delivery equipment from across Wales to support the Indian healthcare system.
- In response to this, following approval from Executive Team on the 11<sup>th</sup> May 2021, Hywel Dda University Health Board has donated 450 Oxygen Concentrators and 50 CPAP (Continuous Positive Airway Pressure) machines, worth £618,250.
- Due to value of the donation, formal approval for write off has been sought by Welsh Government, the Health Board has already received approval in principle from Dr Andrew Goodall.

## 2.5 Compliance with Capital Requirements

- No issues to report.

## 2.6 Compliance with Tax Requirements

### Compliance with Tax Requirements

#### 2.6.1 Compliance with VAT Requirements

- An update regarding existing issues are set out in the following table:

Key VAT issue	Update
<b>Home Technology Salary Sacrifice scheme</b>	<p>Pre Apr 2017 schemes: The Health Board awaits the outcome of a voluntary disclosure previously submitted in respect of under-accounted output VAT which arose on the transfer of assets to employees at the end of the 3-year salary sacrifice contract period.</p> <p>Post Apr 2017 schemes: The Health Board is discussing with HMRC the appropriate timing of output VAT declaration in connection with contracts under this version of the scheme, which involves a transfer of ownership of the Home Technology items to employees at the beginning of contract periods. The Health Board has previously accounted for output VAT at the time of salary sacrifice receipts whereas it has been identified that output tax may have been due up front at the beginning of each contract period. As this is primarily an issue of timing rather than amount, there is minimal exposure to additional liabilities.</p>



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Key VAT issue	Update
<b>Capital Front of House Scheme (Bronglais Hospital)</b>	<p>In May 2021, the Health Board, via its VAT advisors, submitted to HMRC the end of scheme VAT recovery calculation for approval. The end of scheme calculation determines the final % of the VAT incurred within the scheme that will be recoverable for the Health Board.</p> <p>Due to a difference in the interpretation of the VAT rules that apply to Designed for Life capital schemes in Wales, it is anticipated that HMRC will disagree with the calculation presented by the Health Board's advisors. A period of negotiation is therefore expected to follow.</p>

## 2.6.2 Compliance with Employment Tax Requirements

- An update on the key current issues within Employment Taxes are set out in the following table:

Key Employment Tax issue	Health Board response and mitigating action
<b>PAYE Settlement Agreement</b>	The Health Board has submitted a written application to HMRC for a PAYE Settlement Agreement (PSA) by which it will report to HMRC the unintentional taxable benefits-in-kind which arose to employees who were provided with free temporary accommodation by the Health Board for the purpose of isolating during the COVID-19 pandemic. The Health Board currently awaits HMRC's response.
<b>Payrolling of benefits</b>	<p>The Health Board appears to have made a smooth transition to the payrolling of benefits from April 2021 with all benefit-in-kind tax arising to lease car drivers now being collected from employees from pay in real time.</p> <p>Payrolling of benefits will be expanded to Home Technology scheme users from July 2021 when the next contract period is due to commence.</p>

## 2.7 Compliance with reporting requirements

- Statutory Accounts 2020-21** – The Draft accounts were submitted to Welsh Government on 30<sup>th</sup> April and have now been audited. The accounts were approved by the Board on the 10<sup>th</sup> June 2021 and submitted to Welsh Government on 11<sup>th</sup> June 2021.
- IFRS 17** – Insurance Contracts. Following the deferred implementation of the standard, we await advice from Welsh Government. This will be issued once the IFRS 17 working group at Treasury reconvenes. There is still no update on this.
- IFRS 16** – Welsh Government have now confirmed that all NHS Wales bodies will implement IFRS 16 from 1<sup>st</sup> April 2022.

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- **Standing Financial Instructions (SFIs)** – the revised model SFIs were agreed by the Board in May 2021.
- **Increased BACS limit** – The BACS system is used to transfer the Health Board's creditor and payroll payments out of the bank account. The current BACS limit of £22.5m was increased temporarily by £10m in May to process the additional NHS bonus payments through payroll. This will be reviewed again once we have details of the bonus payments to be made to Primary Care Contractors.

## 3.1 Recommendations

The Committee is asked to note the report and approve the losses and special payments and write-off of irrecoverable debts noted in the report.

## Appendix 1: Single tender actions awarded

	Period covered by this report:		1 Apr 2021	31 May 2021	
Ref	Supplier	Value (£)	One-off or Period	Department	Justification provided
HDD563	British Red Cross	132,640.00	1/4/21 to 30/9/21	Community Services	<p>Current supplier is British Red Cross who have been contracted by the Health Board and Carmarthenshire County Council since 2018 for the CUSP (Carmarthenshire United Support Project), Home from Hospital and Home not Hospital services. Supplier is funded through varied sources: Core budget, percentage local authority, ICF and transformation funding. Contract is joint with Carmarthenshire County Council.</p> <p>Formal service reviews and regular performance outcome metrics are supplied which are forwarded to Welsh Government. Supplier is a third sector organisation who are monitored and reviewed by Carmarthenshire Association of Voluntary Services.</p> <p>This is an extension from 1st April 2021 until 30th September 2021. Re-tendering process to start in mid-April.</p>

# Appendix 2: Competitive tenders awarded

	Period covered by this report:		1 April 21	30 May 21	
<b>Ref</b>	<b>Supplier</b>	<b>Value (£)</b>	<b>One-off or Period</b>	<b>Department</b>	<b>Reason for tender</b>
HDD-DCO-21948-47	Norty Ltd T/A T-Pro	499,000	26/4/21 to 25/4/23	Information Technology	T-PRO Digital Dictation System

# Appendix 3: Overpayment of Salaries

Period covered by this report: 01 April 2021 – 31 May 2021			
Ref	Reason for Overpayment	Value (£)	Number of invoices
1	Timing issue due to termination mid-month	7,508.40	5
2	Recovery of Pay Error	529.84	1
3	Recovery of Bank shifts paid in error	153.72	1
		<b>8,191.96</b>	<b>7</b>

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

	Period covered by this report:	1 <sup>st</sup> April 2021 to 31 <sup>st</sup> May 2021	
Ref	Losses and Special Payments Category	Value (£)	Explanation
1	Ex Gratia	5,658.81	Ex Gratia Payment – Ex staff May '21
2	Ex Gratia	7,587.10	Expired drugs for April 21 – Pharmacy, Withybush Hospital
3	Ex Gratia	18,169.05	Expired drugs May 21 – Pharmacy, Glangwili Hospital
4	Ex Gratia	19,448.25	Ex Gratia Payment – Ex staff May '21
5	Ex Gratia	42,355.26	Expired drugs May 21 – Pharmacy, Withybush Hospital
6	Write off	618,250.00	Donation to India – awaiting formal WG approval, received WG approval in principle
	<b>Total Losses (for approval)</b>	<b>711,468.47</b>	

