



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

<b>DYDDIAD Y CYFARFOD: DATE OF MEETING:</b>	23 February 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>	Huw Thomas, Director of Finance

**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

4.4 The Committee's principal duties encompass the following:

4.4.2 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.

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

	5.15 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

#### 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 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

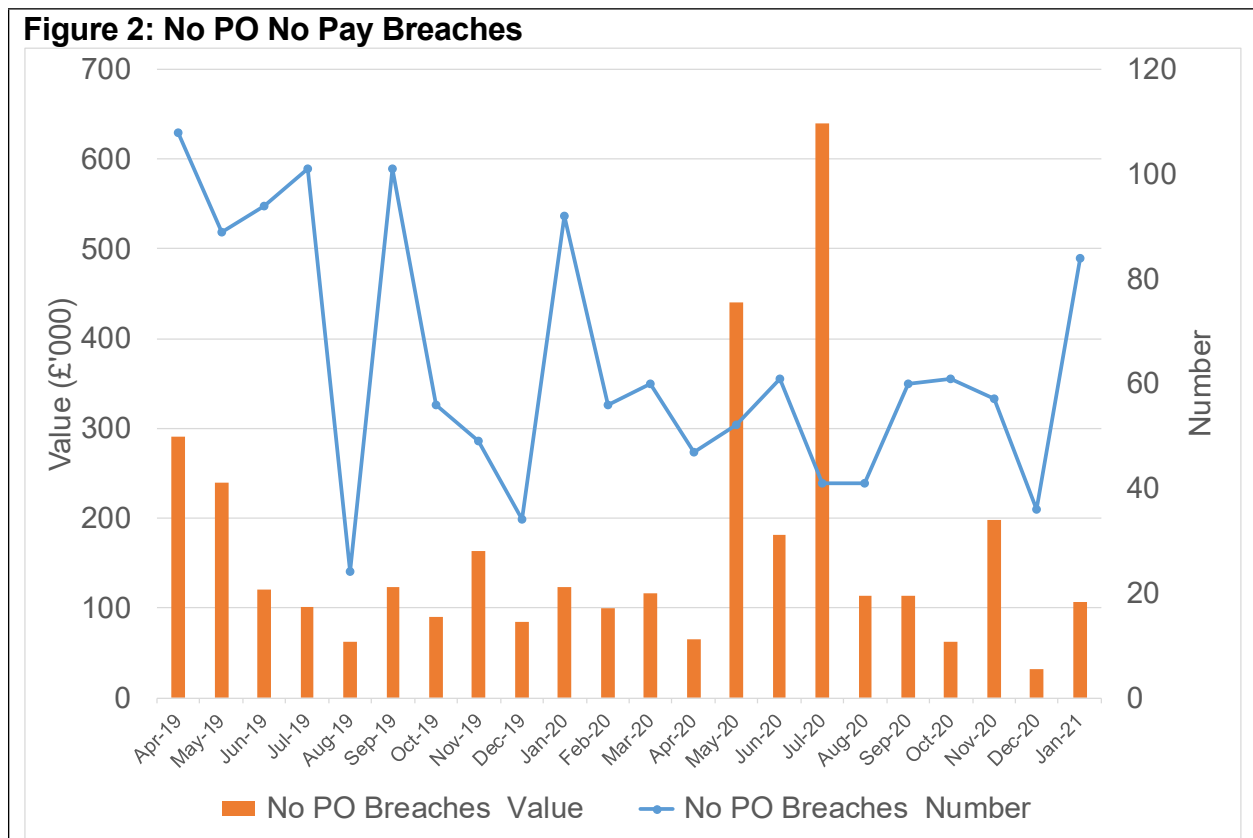
## 2.1 Scheme of delegation changes

- A revised scheme of financial delegation was included in the Annual Review of Standing Orders/Standing Financial Instructions presented to January 2021 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 2 below illustrates the numbers and value of breaches against the No PO No Pay policy. This consisted of 168 breaches totalling £0.216m between the months of December 2020 – January 2021, the cumulative position as at end of January was 256 breaches, £0.224m in total (30<sup>th</sup> November cumulative was 252 breaches, £0.333m in total).
- There was a decrease in the volume and numbers in December 2020 due to less transaction being processed in the month. The increase in January 2021 is as a result of a number of Castell Howell and Minerva invoices not having an appropriate purchase order, this issue has been resolved and invoices have now been processed.



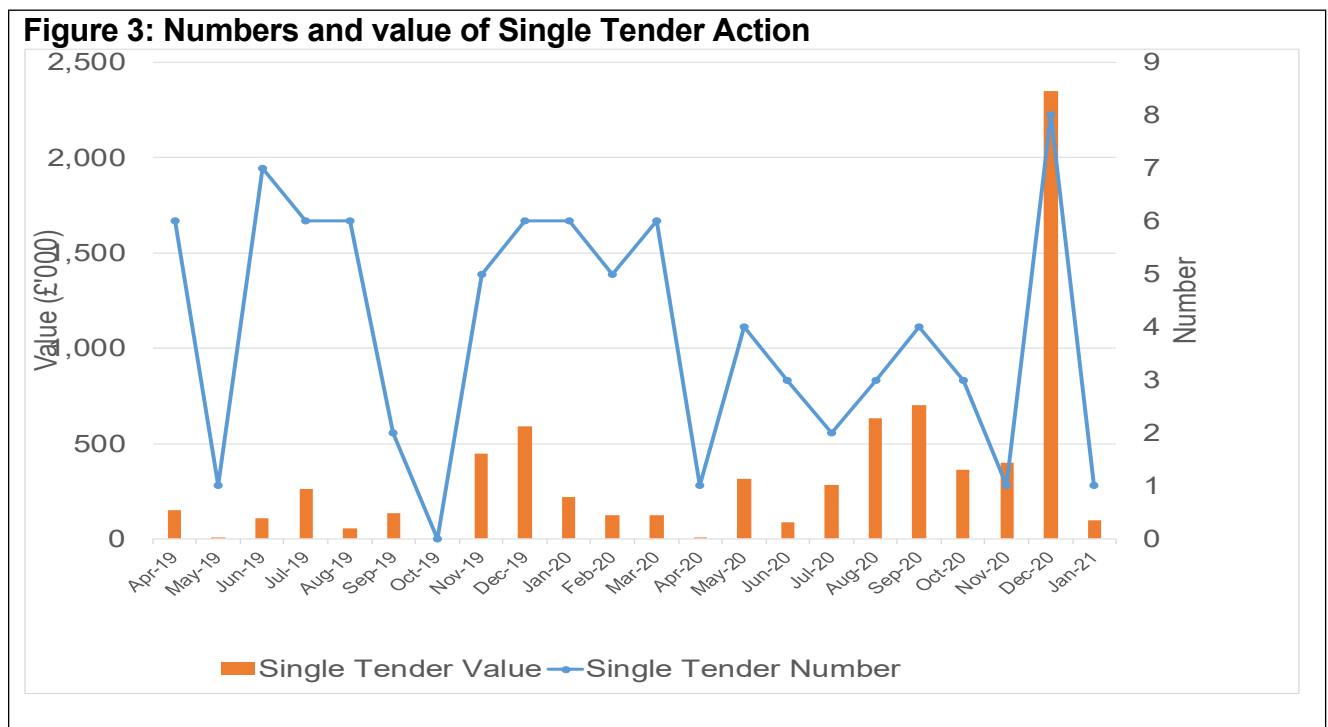
### 2.2.2 Public Sector Payment Policy (PSPP) Compliance

- The Health Board achieved its PSPP target of paying 95% of its non-NHS invoices within 30 days in January 2021 with 95.57%, the cumulative position is 95.03%.

# Financial Assurance Report

## 2.2.3 Single Tender Actions

- The use of single tender waivers is carefully managed and controlled by the Health Board.
- There were 8 Single Tender Actions (in excess of £25,000) approved in the period from 1<sup>st</sup> December 2020 to 31<sup>st</sup> January 2021 totalling £2.4m, as detailed in Appendix 1. This includes two large STAs, one being the contract with Medi for Medical staffing for the MH&LD directorate, value £1.5m, and another for £0.4m for the Adastra system via Advanced Health & Care Ltd.
- The graph below (Figure 3) shows the trend of all Single Tender Actions approved from April 2019 to 31<sup>st</sup> January 2021.



## 2.2.4 Tenders Awarded

- There were 9 competitive tenders awarded locally during the period from 1<sup>st</sup> December 2020 to 31<sup>st</sup> January 2021, totalling £1.4m, details of which can be seen in Appendix 2.

## 2.3 Compliance with Income to Cash

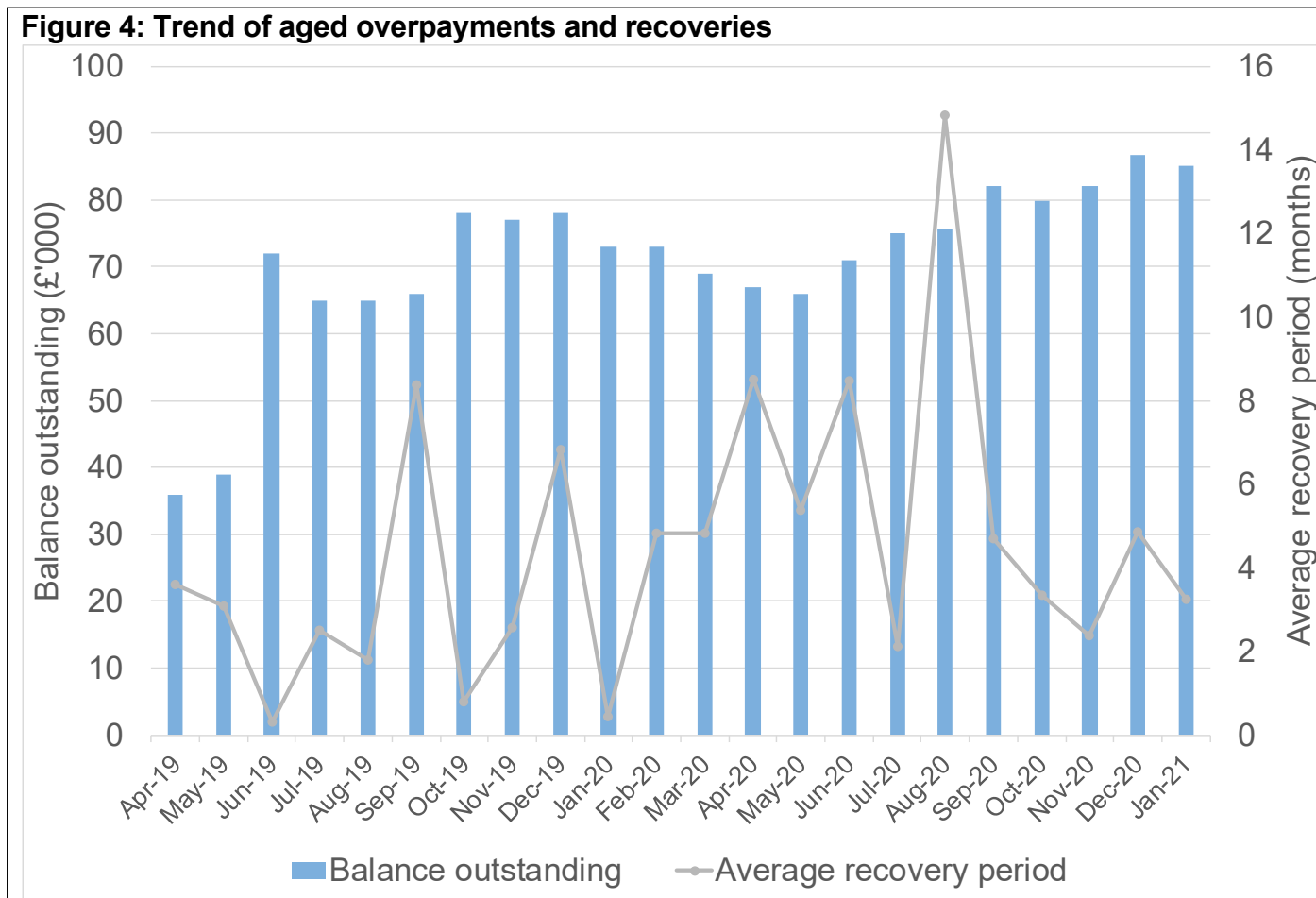
### 2.3.1 Overpayment of Salaries

- 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> December 2020 – 31<sup>st</sup> January 2021, 19 cases totalling £23,110.

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- 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 for December 2020 – January 2021 increased slightly compared with previous months, this is due to a locum overpayment of £5k which has now been recovered; the average recovery period remains at circa 4 months.

**Figure 4: Trend of aged overpayments and recoveries**



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

- Final draft of the Recovery of Overpayments and Management of Underpayments Policy has been agreed by Workforce and OD. It will be presented to the Staff Partnership Forum in February 2021 and subject to approval by PPPAC it will be implemented in March 2021.
- Work is ongoing between Hywel Dda and NWSSP around developing electronic forms; Shared Services is working with a third party to develop the New Appointment Form so it can be used without the need for macros (utilising Microsoft Forms). The majority of forms coming into Payroll are now received electronically.

## 2.4 Losses and Special Payments for Approval

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

# Financial Assurance Report

- Losses and special payments amounting to £13,658 have been made for the period 1<sup>st</sup> December 2020 to 31<sup>st</sup> January 2021. This was attributable to Pharmacy expired drugs and products valued at £5,025 in Glangwili and £8,633 in Bronglais.
- Ex Gratia 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 £17,565.

## 2.4.1 Consequential Losses – Field Hospitals

As part of the contractual process of setting up and maintaining the Field Hospitals during the pandemic the Health Board has incurred costs to occupy these sites. Reimbursement to site owners for occupation has included an element of rent and an element of consequential losses.

It was reported at the 15<sup>th</sup> December 2020 ARAC meeting that Welsh Government had issued guidance for the approval process that needed to be followed around the funding of these losses viz “Organisations should complete and sign the financial losses form that is part of the manual for accounts and submit to Andrew Goodall,... with an Accountable Officer letter from the Health Board’s CEO seeking approval. The CEO should confirm the due diligence that has been undertaken by the organisation prior to submitting the loss for approval.”

Having discussed the proposed approach with Audit Wales colleagues, the Accountable Officer letter and proforma were duly prepared and submitted to Welsh Government on 29<sup>th</sup> January 2021. However, Welsh Government has subsequently informed us that it is not intended to treat the consequential losses associated with our Field Hospitals as ex-gratia payments as they are payments which are made as part of the contracts which we have with the property owners. Therefore we should call the funding down as and when the costs are incurred, in the same way as other costs incurred for COVID-19. We will now adopt this approach.

## 2.5 Compliance with Capital Requirements

- No issues to report.

## 2.6 Compliance with Tax Requirements

### 2.6.1 Compliance with VAT Requirements

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

Key VAT issue	Update
<b>HMRC 2018-19 COS VAT recovery review</b>	Data requested by HMRC for the purpose of this review was successfully transferred to HMRC in October 2020. The Health Board now awaits further correspondence from HMRC.
<b>Home Technology Salary Sacrifice scheme (closed schemes)</b>	The Health Board continues to await an assessment in respect of under-accounted output VAT. A total of £127k has been provided for in respect of this probable liability.



# Financial Assurance Report

Key VAT issue	Update
<b>Capital Front of House Scheme (Bronglais Hospital)</b>	<p>The final recoverable VAT percentage for this scheme as a whole remains to be agreed with HMRC. VAT recovery to date has been based on a provisionally calculated percentage.</p> <p>A request has been made to HMRC by the Health Board, via its VAT advisors, for the provisional VAT recovery percentage to be accepted as final, thus preventing the need for the lengthy exercise to produce a detailed final calculation, which may result in additional VAT either becoming payable by or repayable to the Health Board. HMRC is yet to conclude in respect of this request.</p>

## 2.6.2 Compliance with Employment Tax Requirements

- Consideration has been given into the method by which the Health Board will report taxable benefits-in-kind arising to employees who have been provided with free temporary accommodation by the Health Board for the purpose of isolating during the COVID-19 pandemic (this matter was discussed in detail in an Appendix to the Financial Assurance report dated 15 December 2020). The Executive Team has now agreed that the taxable benefits in question will be reported by way of a PAYE Settlement Agreement with HMRC, enabling the Health Board to pick up the tax liabilities of affected employees on their behalf. An application for a PAYE Settlement Agreement will shortly be submitted by the Health Board. This is likely to be for the value of £230k.
- 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>Issues with Payroll transmitting RTI information to HMRC</b>	<p>The Health Board has overpaid PAYE tax due to an imbalance which arose from an aged interface error between HMRC and the Health Board's payroll software provider IBM. The Health Board has been awaiting a repayment from HMRC but the matter remains unresolved since the disbanding of the HMRC team dealing with the issue.</p> <p>Following sustained pressure by the Health Board, the Board's HMRC Customer Compliance Manager escalated this matter to "business leaders" within HMRC in early January 2021 to seek resolution. It is encouraging that this was subsequently followed by a request for information from HMRC, to which the Health Board is now preparing a response.</p>

# Financial Assurance Report

## 2.7 Compliance with reporting requirements

- **Statutory Accounts 2020-21** – Formal agreement of the date for submission of the Draft accounts has been communicated by Welsh Government. The date for submission is 30<sup>th</sup> April 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.
- **Standing Financial Instructions (SFIs)** – approval through Welsh Government is due, there is no update regarding the timing of this.
- **Increased BACS limit** – The BACS system is used to transfer the Health Board's creditor and payroll payments out of the bank account. To ensure we comply with agreed limits with our bank, the Health Board's BACS limit has been increased from £20m to £22.5m. This was reviewed in December as part of the annual review process.
- **Change of name for Charitable Funds bank accounts** – the two account names have been changed to reflect the name registered with the Charities Commission. The change in the current account is from Hywel Dda University Health Board – Charitable Funds to Hywel Dda Health Charities. The change in the Investment account is from H Dda Charitable BPA to Hywel Dda Health Charities BPA. These changes eliminate any queries linked to Confirmation of Payee when grant requests are submitted by the Charity.

## 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 Dec 2020	31 Jan 2021	
Ref	Supplier	Value (£)	One-off or Period	Department	Justification provided
HDD537	Medi	1,534,873	Ongoing	Mental Health and Learning Disabilities	Unable to procure suitable candidates via Medacs Agency. Welsh Government has identified MH & LD services as essential services that should be sustained and delivered and due to a number of medical vacancies; we are unable to deliver the essential and critical medical cover to frontline services resulting in direct patient care risks. All these matters have been escalated to the executive team and is on the MH & LD Risk Register.
HDD538	T Richard Jones	102,492	9 weeks	Pharmacy Department	There is an urgency to complete this work to ensure the HB is in compliance with the legal obligations set by the Medicines Health Regulatory Authority (MHRA) when supplying medicines to external organisations. Once the work is completed the HB will make an application to the MHRA for a Wholesale Dealers Authorisation (WDA). The availability of COVID-19 Vaccine is now a reality and the HB will receive large quantities of vaccine as a single shipment requiring a substantial cold storage area within the HB. The cold storage room, that is part of the WDA capital bid, would meet all the above requirements and in addition comply with the MHRA Good Distribution Practice.
HDD539	Lloyd & Gravell	92,131	9 weeks	Outpatients GGH	COVID-19 Project: Proposed alteration work in providing additional ENT and Audiology services at OPD, GGH as soon as possible. This STA relates to similar work carried out by the contractor in response to COVID-19. This project has been approved by Gold and allocated the relevant funding. Due to COVID-19 restrictions the reduced clinic capacity has resulted in a reduction of Urgent and Urgent Suspected Cancer

## Appendix 1: Single tender actions awarded

					<p>examinations. There are on average 25-30 new urgent referrals a week into the ENT service. A typical clinic prior to COVID-19 would usually see 20 patients but can now only facilitate 6-8. The new equipment and additional rooms will allow double the capacity to address the current backlog of over 600 urgent cases that includes Urgent suspected Cancer. Addressing this backlog to ensure a safe Cancer pathway for the ENT patients is a matter of urgency with every week increasing the clinical risk to the patients.</p> <p>The works proposed in this STA would increase the examination capacity of Urgent and USC patients by 6-8 per clinic.</p> <p>Having the additional Audiology would allow the service to implement the Tinnitus pathway, which will take urgent referrals from ENT.</p> <p>In order to achieve the critical timelines associated with the ENT cancer pathway the additional capacity will need to be fully operational by the w/c 29<sup>th</sup> of March.</p> <p>The Health Board is not able to enter into a full turn-key project with a building supplier due to exclusions noted in the bid. These will be included within the STA package of works.</p>
HDD540	LinkedIn	33,129	2 years	Workforce	<p>LinkedIn is the only dedicated professional social media site that offers the connections to potential candidates in this truest form.</p> <p>Value for money is gained as it enhances recruitment campaigns for the organisation and in turn is likely to lower agency and locum costs.</p> <p>Statistical analysis ensures us that this platform has in the last 12 months resulted in a minimum of 66 appointments – from Nurse to Consultant level, 12 of which are influenced hires.</p> <p>Potential Agency Avoidance of £72k</p> <p>LinkedIn complements various Health Board advertising and</p>

## Appendix 1: Single tender actions awarded

					recruitment strategies. The Head Hunting facility allows us to proactively search the open market for specialist clinicians.
HDD541	Marie Curie	89,000	Until 31 <sup>st</sup> Mar 21	Communities (Carms)	Current supplier is Marie Curie for the provision of Dementia Services on a 3 counties basis for Ceredigion, Pembrokeshire and Carmarthenshire. Extension is requested by all 3 County Directors until 31st March 2021 in order to give time for a re-tendering process to occur.
HDD542	Rotamaster	80,405	5 years	Central Operations – OOH & 111	<p>The Out of Hours (OOH) service is under increasing pressure in terms of lack of workforce supply.</p> <p>On reviewing OOH provision across the whole of Wales, 5 Health Boards are using Rotamaster, HDUHB is an outlier in terms of rota management approaches within the OOH setting. The new system will significantly improve the processes by generating automated reporting and data extracts which are compatible with other HB systems. This would reduce the administrative time both within the service as well as in other departments – while increasing the governance in the current processes.</p> <p>These improvements to the system will enable the service to provide more accurate and detailed information to the finance department, which will form part of the accruals processes at month end, resulting in a more accurate position.</p> <p>In summary, the Rota master system will support improvement in service delivery and resilience and lead to a reduction in business continuity risk. This can be achieved by:</p> <ul style="list-style-type: none"> <li>• Improved shift fill due to more opportunity to book available sessions</li> <li>• Reductions in administrative time –both within the service and associated departments</li> </ul>

## Appendix 1: Single tender actions awarded

					<ul style="list-style-type: none"> <li>• Improved compliance with processes and increased audit, resulting in reduced financial and also governance risk</li> <li>• Re-focussing available resources to service redesign-planning and delivery</li> <li>• Re-focussing resources to analyse performance, improving reporting both internally and externally</li> </ul> <p>In terms of investment, negotiations have supported the maximum discount which is available and that is in recognition of the need to deliver a cost effective platform whilst reducing financial risks as much as possible.</p>
HDD543	Advanced Health & Care Ltd	392,018	1 January 2021 – 31 December 2023	Central Operations – OOH & 111	<p>Adastra remains the only viable IT solution, especially due to the need for continued access to the interface that has been developed between Adastra and the NHS Direct system that allows calls received by 111 to be passed to the service.</p>
HDD544	Synapse Medical	100,440	One-off with 10 year life expectancy	Radiology	<p>Current injectors at end of life and beginning to show signs of failure. Not compatible with contrast agent currently on All-Wales framework and Oracle Catalogue.</p> <p>Ulrich CT motion injector is capable of true multi-dose patient application increasing efficiency and economy. Utilises consumables already available in the Oracle Catalogue.</p> <p>Initially it was our intention to utilise the NHS Supply Chain Framework for Medical Imaging equipment, however, it was more expensive to procure the equipment via this route. The NHSSC framework price is £89,000 + Vat (£106,800 total) making it £6400 more expensive than procuring direct from the supplier.</p>

## Appendix 2: Competitive tenders awarded

Ref	Period covered by this report:		1 Dec 2020	31 Jan 2021	Reason for tender
	Supplier	Value (£)	One-off or Period	Department	
HDD-DCO-CCS-21948-27	ICNH Ltd	£ 894,574.00	Jan 2021 to Mar 2023	Value Based H/C	Doctor Doctor System
HDD-RFQ-45360	Specialist Language Courses	£ 10,020.00	Jan to Dec 2021	Workforce	English Preparation for International Nurses
HDD-RFQ-45392	Attain	£ 39,950.00	Jan to March 2021	Community/Primary Care	Palliative Care Strategic Discovery
HDD-RFQ-45885	J Randall Roofing	£ 15,735.00	Jan to March 2021	Capital/Estates	Flat Roof Replacement at GGH
HDD-ITT-45701	ETS Medical	£ 80,000.00	February 2021-December 2022	Pathology	Ad Hoc Blood Transportation
HDD-ITT-45958	HMBS Group	£ 37,999.33	Jan to March 2021	Capital/Estates	GGH Dinefwr Ward
HDD-ITT-46086	W J G Evans & Sons Building Contractor	£ 199,626.45	Jan to March 2021	Capital/Estates	Roof Replacement WGH Block 7
HDD-RFQ-46209	Shield Environmental	£ 15,406.66	Jan to March 2021	Capital/Estates	Asbestos Work WGH
HDD-DCO-21948-38	Kinsetsu	£ 89,855.00	3 years	Clinical Engineering	RFID System for Clinical Engineering

# Appendix 3: Overpayment of Salaries

Period covered by this report: 01 December 2020 – 31 January 2021			
Ref	Reason for Overpayment	Value (£)	Number of invoices
1	Timing issue due to termination mid-month	16,873.30	15
2	Recovery of locum duties	5,324.40	4
3	Recovery of overpaid hours	912.62	3
		<b>23,110.32</b>	<b>19</b>



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

Period covered by this report:		1 <sup>st</sup> December 2020 to 31 <sup>st</sup> January 2021	
Ref	Losses and Special Payments Category	Value (£)	Explanation
1	Ex Gratia	5,025.25	December 2020 - Expired Products; Pharmacy - GGH
2	Ex Gratia	8,632.61	December 2020 - Expired Products - Bronglais
	<b>Total Losses (for approval)</b>	<b>13,657.86</b>	

