



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

DYDDIAD Y CYFARFOD: DATE OF MEETING:	24 August 2021
TEITL YR ADRODDIAD: TITLE OF REPORT:	Financial Assurance Report
CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:	Huw Thomas, Director of Finance
SWYDDOG ADRODD: REPORTING OFFICER:	Huw Thomas, Director of Finance

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 & 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.

**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.
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	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: Hyperlink to HDdUHB Well-being Statement	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

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

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.

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 	Quarterly
Compliance with Income to Cash requirements	<ul style="list-style-type: none"> • Overpayments of staff salaries and recovery procedures for noting 	Quarterly
Losses & Special payments and Write offs	<ul style="list-style-type: none"> • Write off schedule • Approval of losses and special payments 	
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 	Quarterly
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

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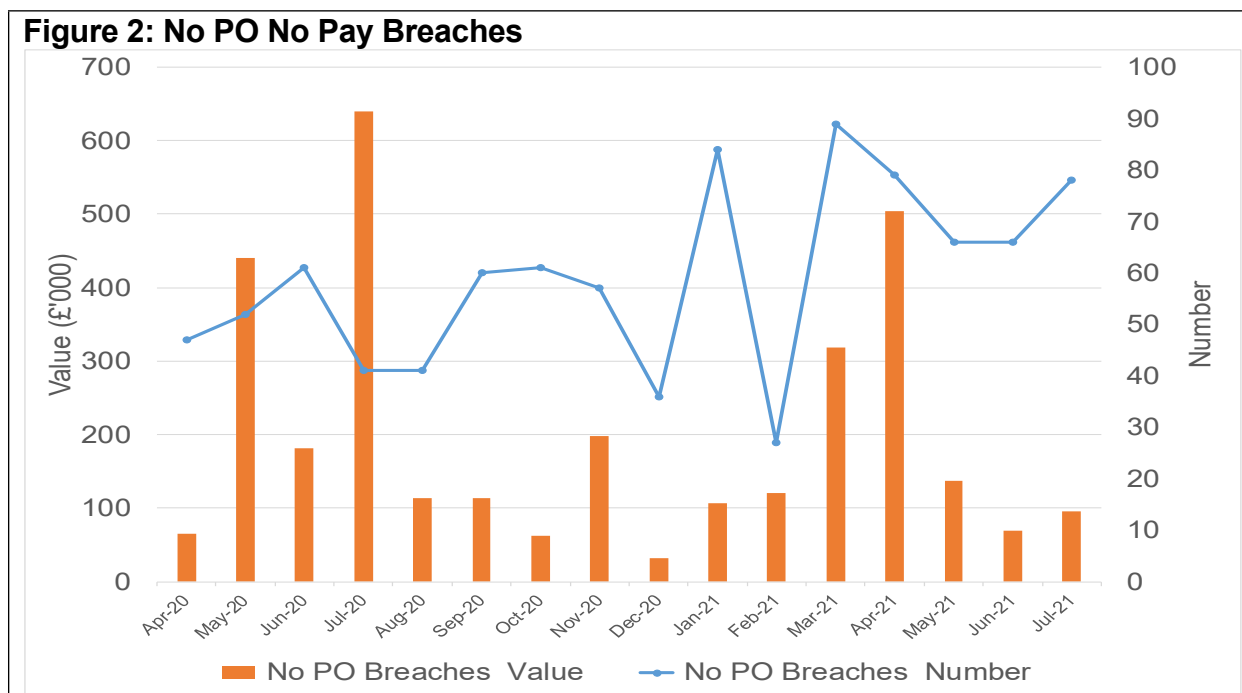
2.1 Scheme of delegation changes

- 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 144 breaches totalling £0.165m between the months of June 2021 – July 2021, the cumulative position as at end of July was 242 breaches, £0.345 m in total (31st May cumulative was 203 breaches, £0.364m in total).
- The value of PO breaches slightly increased in July due to an invoice from Pembrokeshire County Council for £24.7k. The local P2P (Procure to Pay) group have put in place measures to ensure that Purchase Order numbers are identified on the invoices and not created retrospectively, and are also tracking non compliance with suppliers and departments.



2.2.2 Public Sector Payment Policy (PSPP) Compliance

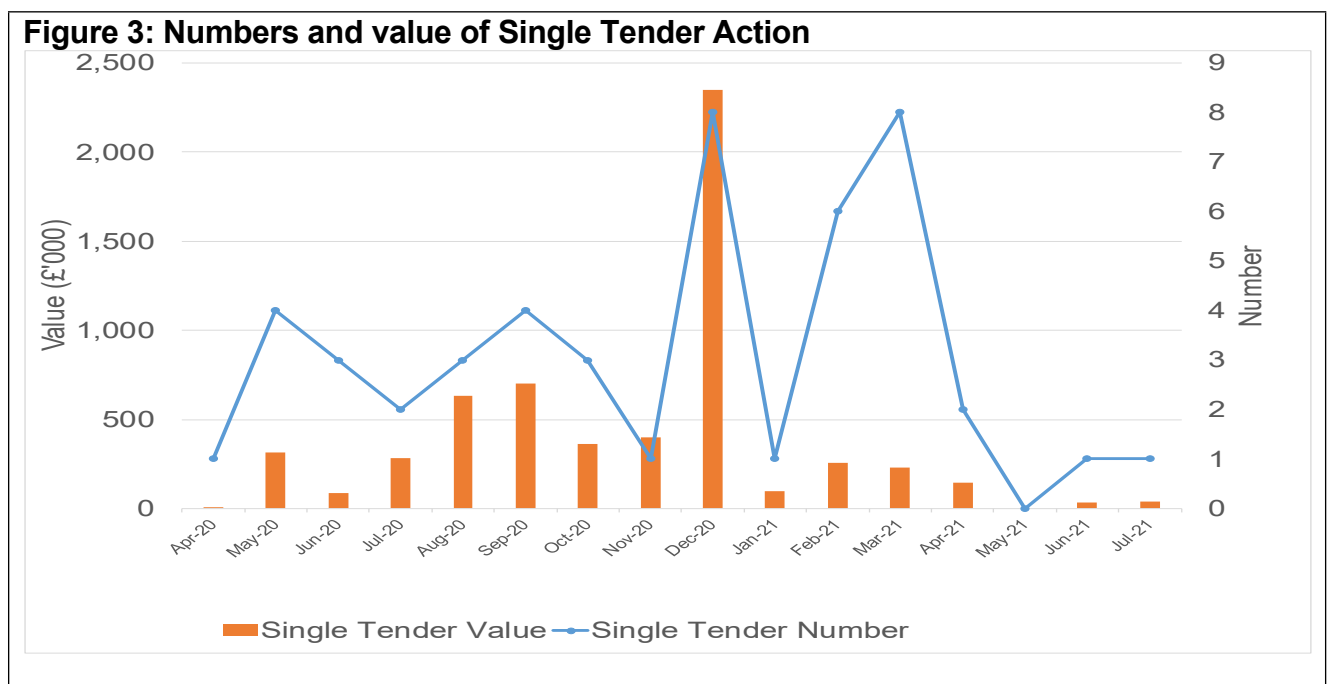
- The Health Board did not achieve its PSPP target of paying 95% of its non-NHS invoices within 30 days in July 2021 with 94.3%, however did achieve the target cumulatively, being 95.77%.
- The main issues in relation to the failure in achieving target in July 2021 are delays in processing of Homecare Pharmacy Invoices as a result of the transfer over to a new pharmacy system, Wellsky. This has resulted in new processes and staff having to familiarise themselves in the new system, resulting in delays in the processing times. The Pharmacy lead is aware of these issues

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and has put in place additional measures such as the introduction of temporary staff and additional hours undertaken by existing staff. The backlog has now been cleared.

2.2.3 Single Tender Actions

- The use of single tender waivers is carefully managed and controlled by the Health Board.
- There were 2 Single Tender Actions (in excess of £25,000) approved in the period from 1st June 2021 to 31st July 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 1st April 2020 to 31st July 2021.



- Following a recent Internal Audit review of the Single Tender Action process, there were a number of recommendations highlighted in the final Internal Audit report. These recommendations will be incorporated into a revised Single Tender Action process in the coming few months.

2.2.4 Tenders Awarded

- There were 5 competitive tenders awarded locally during the period from 1st April 2021 to 31st July 2021, totalling £0.4m, details of which can be seen in Appendix 2.

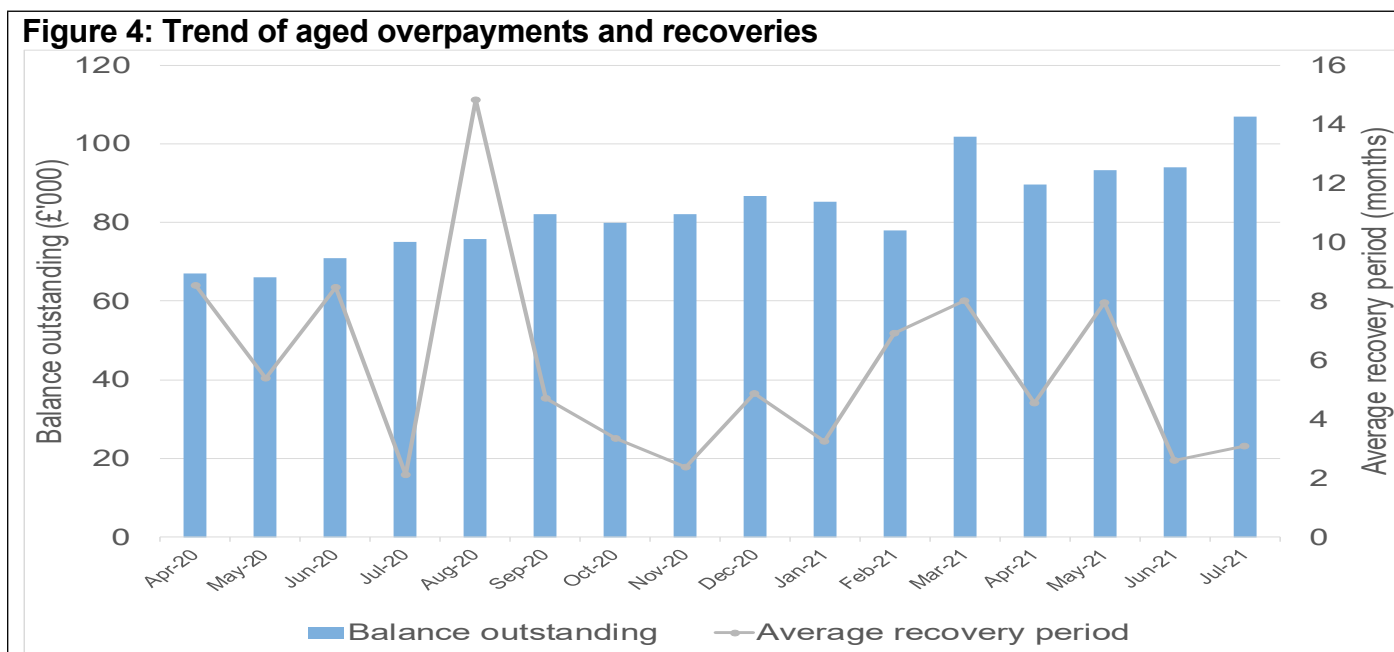
2.3 Compliance with Income to Cash

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.

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- Appendix 3 shows the volume and value of invoices raised in respect of overpayments for the period 1st June 2021 – 31st July 2021; 46 cases totalling £35,153.
- 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 volume of invoices raised in the period June 2021 to July 2021 was significantly higher than in the previous period, due to 11 invoices raised in July which related to overpayment of staff on fixed term contracts, with the other main issue relating to late change of circumstances/termination forms to Payroll department.



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 is now fully operational and will greatly improve the period of recovery; this improvement should be seen in the coming months.
- The Counter Fraud team have commenced the roll out of counter fraud training in the Finance department and is due to train the Payroll department in September 2021, during which they will highlight the policy and need for collaborative working to ensure effectiveness.
- The next step is to target the service areas who are submitting late notifications.

2.4 Losses and Special Payments for Approval

2.4.1 General Losses

- There are no Losses and special payments over £5k to report in the period 1st June 2021 to 31st July 2021.
- Losses under £5k, as per requirement under FP02 – Income and Cash Collection, have been presented to and approved by the Director of Finance and Chief Executive; in total these amounted to £24,529.

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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
Capital Front of House Scheme (Bronglais Hospital)	<p>As expected, due to the on-going difference in understanding between HMRC and the Health Board's VAT advisors with regards to the application of UK VAT recovery rules to Designed for Life schemes in Wales, the end of scheme VAT recovery calculation submitted by the Health Board in May 2021 was rejected by HMRC.</p> <p>The Health Board, under the guidance of its VAT advisors, has now asked HMRC to either accept the Health Board's calculation or raise a formal assessment with a view to then requesting a review by an independent HMRC inspector. A response from HMRC is expected by the end of August 2021.</p>
Pembrokeshire field hospital VAT recovery claim	<p>The Health Board has promptly responded to a request for information from HMRC in connection with the Health Board's claim for the recovery of VAT incurred on the Licence to Occupy agreement entered into with Bluestone Resorts Ltd. VAT incurred to date under the contract amounts to £1,030k, none of which has yet been recovered.</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
PAYE Settlement Agreement	<p>The Health Board continues to await HMRC's approval of the Health Board's request 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. A tax exemption has yet to be introduced in respect of the provision of accommodation to employees for COVID-19 isolation purposes.</p>

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2.7 Compliance with reporting requirements

- **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 1st April 2022. Work is currently being undertaken to review and update the leases held by the Health Board that fall within the scope of IFRS16. The Health Board has procured an additional module for the Fixed Asset register to record leases and automate the accounting entries required. There is no risk currently anticipated with the implementation of the timescales.
- **BACS limit** – The BACS system is used to transfer the Health Board’s creditor and payroll payments out of the bank account. A review of the BACS limit was undertaken once values of the bonus payments for Primary care were received for payments in July and August. There was no requirement to increase the current BACS limit.

3.1 Recommendations

The Committee is asked to note the report.

Appendix 1: Single tender actions awarded

	Period covered by this report:		1 Jun 2021	31 July 2021	
Ref	Supplier	Value (£)	One-off or Period	Department	Justification provided
HDD568	MVC Security - Streamline Leisure	£34,992.00	28/01/21 to ongoing period (approved June 2021)	Mass Vaccination Centre – COVID 19 arrangements	<p>Due to the immediate need to provide security this company already were providing services to the locality and were able to facilitate cover at short notice.</p> <p>To provide a security guard force at Furness Theatre, Llanelli to ensure the protection for the COVID-19 vaccine. The hours of work will depend on the availability of the vaccine and as such, the company has agreed to be flexible in the provision of their services.</p>
HDD569	MRI Head Coil - Siemens	£39,582.43	One-off	Radiology Department BGH	<p>MRI equipment of dedicated head coil compatible with Magnetom Sola Unit is supplied by Siemens healthcare limited. No other manufacturer provides a compatible alternative. (System ID – 006-MR00060860, Magenton Sola)</p>

Appendix 2: Competitive tenders awarded

Period covered by this report:		1 April 21	31 July 21		
Ref	Supplier	Value (£)	One-off or Period	Department	Reason for tender
HDD-ITT-45941	NEATH CONSTRUCTION LTD	160,947	25/01/2021 to 31/03/2021 (approved early April 2021)	Capital/Estates	Installation and commissioning of a replacement chiller in the Estates department; modification of the extant primary chilled water circuit to serve the new chiller; creation of two secondary circuits, integrating the remainder of existing distribution system onto the revised primary chilled water circuit. Modification of the extant eastern end secondary chilled water circuit – circuit N° 1 and removal of redundant pressurization units, expansion/buffer vessels and dosing pots from the chilled water circuit serving the eastern and western ends.
HDD-ITT-47035	VENTRO LTD	50,000	07-Jun-21 to 31-Mar-22	Estates	The undertaking of detailed fire compartmentation surveys within its in-patient community sites across its estate (vertical and horizontal enclosures including fire damper breaches).
HDD-ITT-46938	LEWIS CONSTRUCTION BUILDING CONTRACTORS WALES LTD	131,151	One-off	Estates	Refurbishment of existing Training Suite at GGH to include the building fabric and mechanical and electrical services to provide a research laboratory, clinical assessment room, with patient and staff facilities.

Appendix 2: Competitive tenders awarded

HDD-OJEU-38838	ROSCOE TREE SERVICES	15,180	01/07/2021 to 30/06/2022	Estates	Extension of existing contract for Grounds and Gardens Contract (Pembrokeshire) Maintenance of grounds and gardens for the Carmarthenshire and Pembrokeshire locations
HDD-OJEU-38838	MITIE LANDSCAPES LTD	42,674	01/07/2021 to 30/06/2022	Estates	Extension of existing contract for Grounds and Gardens Contract (Carmarthenshire) Maintenance of grounds and gardens for the Carmarthenshire and Pembrokeshire locations

Appendix 3: Overpayment of Salaries

Period covered by this report: 01 June 2021 – 31 July 2021			
Ref	Reason for Overpayment	Value (£)	Number of invoices
1	Timing Issue Due to Termination Mid-month	25,064.58	25
2	Overpayment of Shifts / Hours / Unauthorised Leave	3,732.96	12
3	Overpayment of Course and Annual Leave	3,702.70	1
4	Late Notification of Reduction / Shortfall in Hours	1,420.36	6
5	Overpayment of Locum Duties	1,232.30	2
		35,152.90	46