



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

<b>DYDDIAD Y CYFARFOD: DATE OF MEETING:</b>	22 February 2022
<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)**

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:

- Discuss and note the report; and
- Approve the write-off of Losses and Special Payments over £5k as detailed in Appendix 4.

**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:
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	<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>3.14 Approve the writing-off of losses or the making of special payments within delegated limits.</p> <p>3.16 Receive a report on all Single Tender Actions and extensions of contracts.</p>
<p>Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol: Datix Risk Register Reference and Score:</p>	<p>BAF SO9-PR20 BAF SO10-PR33</p>
<p>Safon(au) Gofal ac Iechyd: Health and Care Standard(s):</p>	<p>Governance, Leadership and Accountability 7. Staff and Resources</p>
<p>Amcanion Strategol y BIP: UHB Strategic Objectives:</p>	<p>All Strategic Objectives are applicable</p>
<p>Amcanion Llesiant BIP: UHB Well-being Objectives: <a href="#">Hyperlink to HDdUHB Well-being Statement</a></p>	<p>Improve efficiency and quality of services through collaboration with people, communities and partners</p>

<b>Gwybodaeth Ychwanegol: Further Information:</b>	
<p>Ar sail tystiolaeth: Evidence Base:</p>	<p>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.</p>
<p>Rhestr Termau: Glossary of Terms:</p>	<p>AP-Accounts Payable AR –Accounts Receivable BGH – Bronlais General Hospital BT PSBA – British Telecom Public Sector Broadband Aggregation 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 GGH – Glangwili General Hospital 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</p>

	<p>NIC – National Insurance Contribution  PID – Patient Identifiable Data  PO – Purchase Order  POL – Probability of Loss  PPH – Prince Philip Hospital  PSPP – 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  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  Executive Team  Sustainable Resources Committee</p>

<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 to approve

## 2.2 Compliance with Purchase to Pay Requirements

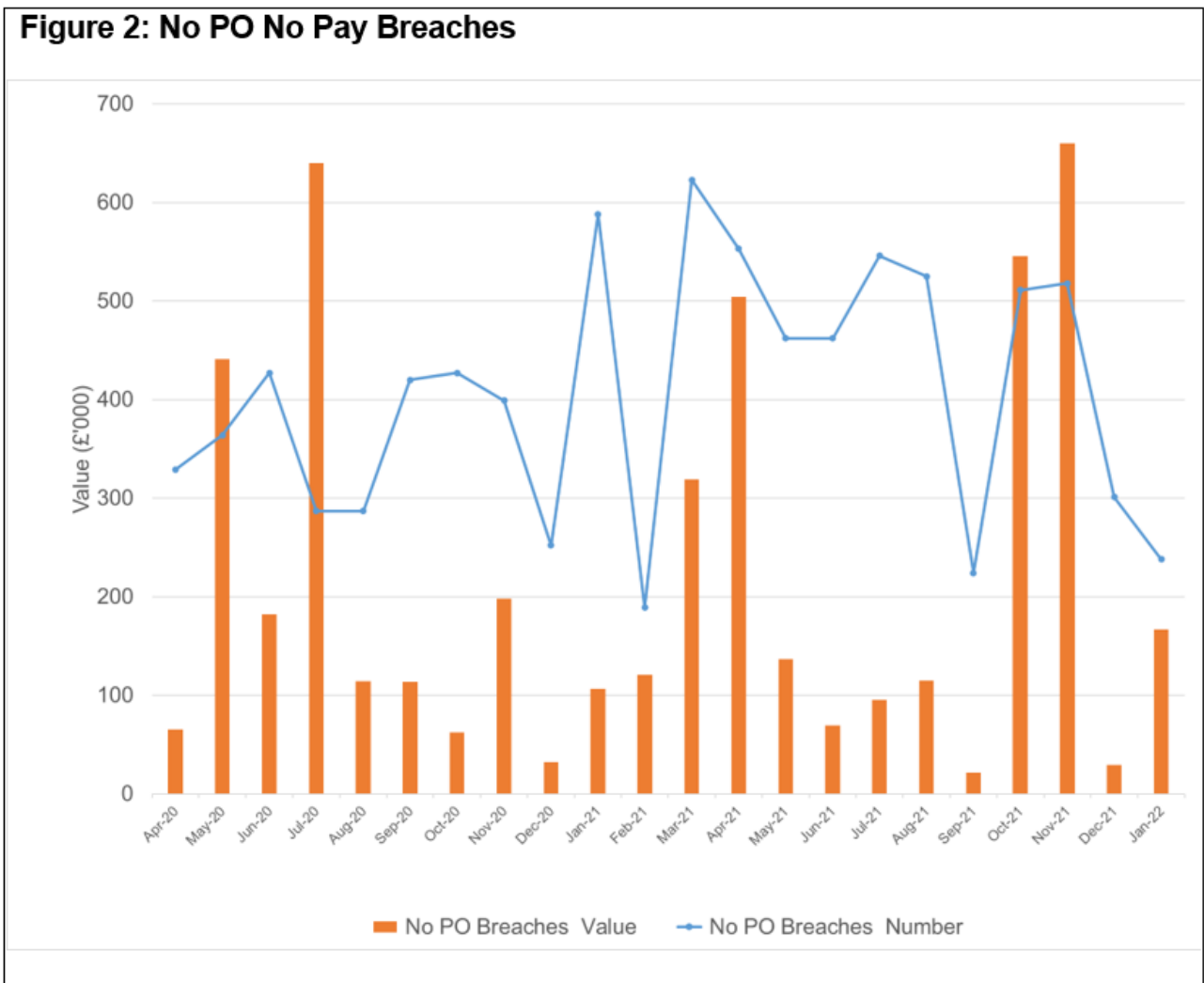
### 2.2.1 Breaches of the No PO, No Pay Policy

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 77 breaches totalling £196k between the months of December 2021 – January 2022, the cumulative position as at end of January was 358 breaches, £0.488m in total (30<sup>th</sup> September cumulative was 243 breaches, £0.827m in total).

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 noncompliance with suppliers and departments.

**Figure 2: No PO No Pay Breaches**



# Financial Assurance Report

## 2.2.2 Public Sector Payment Policy (PSPP) Compliance

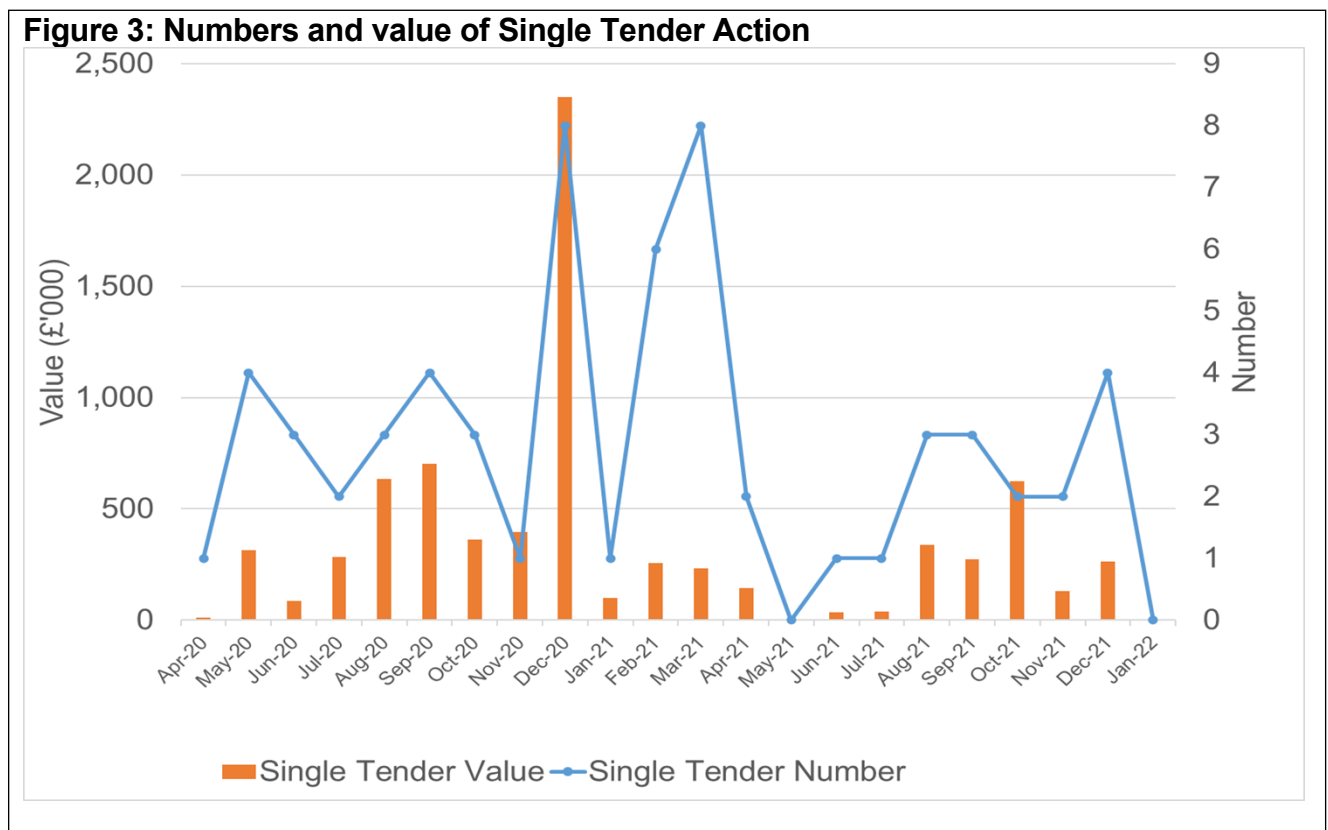
The Health Board did achieve its PSPP target of paying 95% of its non-NHS invoices within 30 days in December 2021 and January 2022 with 95.87% and 95.78% respectively; the cumulative position at the end of January is 94.72%.

## 2.2.3 Single Tender Actions

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

There were 4 Single Tender Action (in excess of £25,000), approved in the period from 1<sup>st</sup> December 2021 to 31<sup>st</sup> January 2022 totalling £0.263m, 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> January 2022.



## 2.2.4 Tenders Awarded

There were 9 competitive tenders awarded (in excess of £25,000) locally during the period from 1<sup>st</sup> December 2021 to 31<sup>st</sup> January 2022, totalling £16m, details of which can be seen in Appendix 2.

# Financial Assurance Report

## 2.2.5 Consultancy contracts

There were 2 consultancy contracts awarded from 1<sup>st</sup> December 2021 to 31<sup>st</sup> January 2022, totalling £0.176m, details of which can also be seen in Appendix 2.

## 2.3 Compliance with Income to Cash

### 2.3.1 Overpayment of Salaries

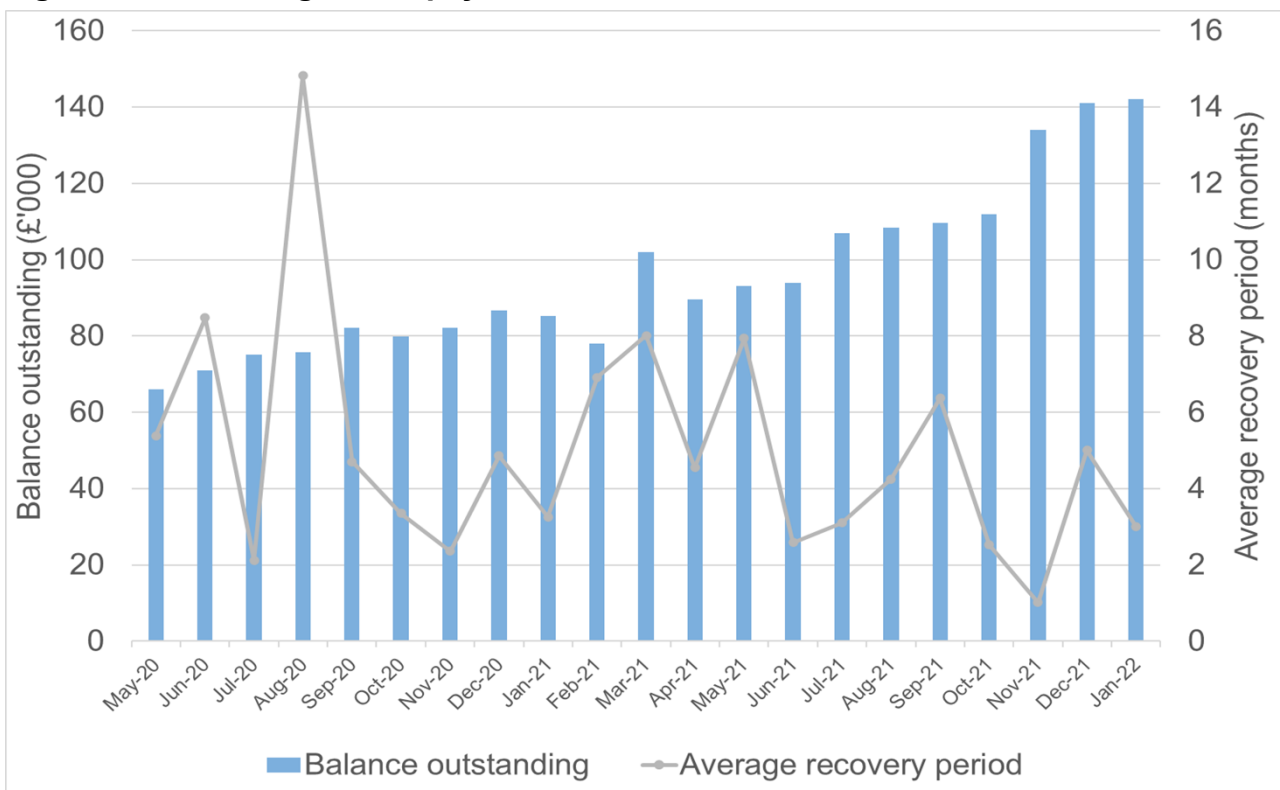
The Health Board has a duty to ensure that staff are paid appropriately, and that overpayments are not incurred.

Appendix 3 shows the volume and value of invoices raised in respect of overpayments for the period 1<sup>st</sup> December 2021 – 31<sup>st</sup> January 2022; 34 cases totalling £36,917.02.

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 & value of invoices raised in the period December 2021 to January 2022 was less than in the previous period, the total value raised was £37k compared to £45k in the previous period. The overall debt balance has increased slightly over the period of December 2021 and January 2022, with the average recovery period increasing over the period.

The main reasons for this increase are COVID-19 related employees on fixed term contracts not terminated on ESR and late termination forms being sent to payroll for high-cost employees.

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



# Financial Assurance Report

## 2.3.2 The Overpayments Task & Finish group consists of representatives from Finance, Payroll, ESR and Counter Fraud.

An update on the key actions to complete in the reporting period (December 2021– March 2022) include:

- Finance Business Partners to liaise with service leads in relation to current overpayments – the Task & Finish Group has convened once; another meeting was scheduled for January 2022 but was cancelled due to illness and is to be re-scheduled
- Workforce to liaise with specific managers where there are repeat overpayments (due to late submission) to raise awareness of the impact – encourage earlier completion of paperwork. Communications have been circulated to staff via the global messaging system via workforce and plans are underway to identify managers who continue to submit late submissions etc. resulting in payment errors/overpayments and assist them in developing processes/educating to prevent re-occurrence
- Include in manager passport training – Counter Fraud will include a section on this issue within their Managers Passport input; however, the inclusion of more in-depth input from workforce/payroll will need to be discussed at the next group meeting
- Fraud Team to provide updates to Workforce on lessons learnt from their cases – this has been agreed and updates will be provided on all overpayment cases as and when they are concluded
- Raise overpayments at relevant group/committee
- Payroll to produce leavers overpayment report and employee overpayments report each month for managers and send together with overpayment letters for issue/discussion with their employees – an overpayment letter has been drafted and will be discussed and agreed at the next meeting
- Payroll to produce covering email to managers from Payroll explaining their role in the recovery process and repayment parameters they can work within /when to refer to Finance Business Partner for escalation due to amount or repayment period – incorporated in the overpayment letter
- Further review/refinement of overpayments/underpayments policy – a further review has been agreed; an all-Wales approach is required to ensure a consistent approach to dealing with both overpayments and underpayments
- Communications on global email to encourage earlier submission of payroll changes – a global communication was issued by Workforce

## 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 was one write-off in excess of £5k during the period between 1<sup>st</sup> December 2021 and 31<sup>st</sup> January 2022, in relation to expired drugs for £7,546.44.

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 £19,692



# Financial Assurance Report

## 2.5 Compliance with Capital Requirements

No issues to report.

## 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>Pembrokeshire field hospital VAT recovery clearance request</b>	In October 2021, the Health Board was informed by HMRC that it does not consider the VAT incurred on the Licence to Occupy agreement entered into with Bluestone Resorts Ltd to be recoverable. Disagreeing with this conclusion, the Health Board has requested a reconsideration and HMRC has appointed an alternative officer to review HMRC's initial conclusion. HMRC has not provided an indication as to how long this review will take. VAT incurred to date under the contract amounts to £1.030m, none of which has yet been recovered.
<b>Capital Front of House Scheme (Bronglais Hospital)</b>	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. Any VAT which may become repayable to HMRC has been fully provided. Correspondence from HMRC on 28 <sup>th</sup> January 2022 stated that the matter is still under consideration and that HMRC has not yet reached a decision.
<b>Home Technology Salary Sacrifice scheme output tax</b>	The Health Board is discussing with HMRC the appropriate timing for the accounting of output VAT in connection with the scheme in its current form, 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.
<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 continues to await further correspondence from HMRC. The Health Board has a provision in place for potential liabilities arising from this review.
<b>BT PSBA network – VAT recovery non-statutory clearance request</b>	The Health Board continues to await HMRC's conclusion on the recoverability of the VAT being incurred on the Health Board's service charges for the BT PSBA network. The Health Board's initial request was submitted in May 2018. After being put on hold for approx. 18 months while HMRC's policy in the relevant area was being reviewed and a further substantial delay due to the Covid pandemic, HMRC revisited this matter in August 2021. The Health Board continues to recover the VAT in question in full. VAT potentially repayable to HMRC amounts to circa. £120k, which is provided for.

# Financial Assurance Report

## 2.6.2 Compliance with Employment Tax Requirements

No updates or issues to report.

## 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 no further update on this.

**IFRS 16** – Preparations for implementation of IFRS 16 are ongoing. A training session was delivered in December to colleagues involved in the arrangement of leases in Estates, Procurement, and IT to apprise them of the implications of the transition and to facilitate information flows necessary for compliance with the new standard. A return was submitted to Welsh Government at the end of January 2022 on current forecast lease costs over the 3-year period 2022/23-2024/25; the impact on capital and revenue budgets for next year has not yet been fully clarified by Welsh Government.

**Financial Control Procedures (FCPs)** – work is progressing on developing a good practice guide for FCPs, with Hywel Dda Finance representatives leading and participating in this Finance Academy, Improving Financial Governance workstream project. The next step is a discussion at the NHS Wales Technical Accounting Group in February 2022, with the expectation of sign-off by the Governance Steering Group in March 2022.

**Annual Accounts 2021/22** – Welsh Government have issued the dates for submission of the Annual Accounts for 2021/22. The Draft accounts are to be submitted on 29<sup>th</sup> April 2022, with Audited accounts on the 15<sup>th</sup> June 2022.

## 3.1 Recommendations

The Committee is asked to note the report and approve the write off of losses incurred in the reporting period.

## Appendix 1: Single tender actions awarded

	Period covered by this report:		December-21	January-22	
Ref	Supplier	Value (£)	One-off or Period	Department	Justification provided
HDD586	Netcall Technology Limited, Increase in NetCall licences to handle a greater capacity of calls	£63,890.40	December 21 to December 23	Digital Services	The number of available telephone lines to the COVID Command Centre is running at full capacity and with the increased pressures for Vaccinations and Booster jabs additional phone line capacity is required to address the current capacity issues and the expected increased demand.
HDD586	Maintel, Increase in Gamma SIP capacity and MITEL SIP licences to handle a greater capacity of calls	£31,407.00	December 21 to December 23	Digital Services	The number of available telephone lines to the COVID Command Centre is running at full capacity and with the increased pressures for Vaccinations and Booster jabs additional phone line capacity is required to address the current capacity issues and the expected increased demand.
HDD582	Spatial Quotient (SQ), Installation of a wireless Patient Flow Platform	£60,000.00	December 21 to February 22	Scheduled Care – Ophthalmology	This supplier specialises in installing a Patient Flow Platform, performing time in motion exercises for clinical areas over a minimum period of 3 months, and producing monthly reports on patient movement in the clinical areas, social distancing, amongst other aspects. The application for this grant originated from discussions with Bayer when trying to identify the best course of action to improve service flow, and SQ was a company known to Bayer as SQ has been carrying out this work in Moorfields and Belfast hospitals, in Ophthalmology services, and having good success. Not aware of any other providers to deliver this

## Appendix 1: Single tender actions awarded

					service in such a specific sub-specialty area. SQ are specialist in hospital flow management.
HDD583	British Medical Journal (BMJ), Advertising substantive consultant vacancies in a professional journal	£107,659.00	November 21 to November 24	Workforce: Resourcing and Utilisation	British Medical Journal is a weekly peer-reviewed medical trade journal, published by the trade union the British Medical Association. The BMJ has editorial freedom from the BMA. It is the world's oldest general medical journals – which enables us to advertise vacancies across all specialities ensuring the Health Board satisfies its statutory obligation to advertise substantive Consultant posts in a professional journal, as well as other medical/hard to fill positions across all specialities.

## Appendix 2: Competitive tenders awarded

	Period covered by this report:		1 <sup>st</sup> December 2021	31 <sup>st</sup> January 2022	
Ref	Supplier	Value (£) exc. VAT	One-off or Period	Department	Tender Description
HDD-ITT-47451	Vanguard Roofing Ltd	£92,942.00	3 months	Estates	Ward 10 Roof Terrace Works
HDD-ITT-48233	FireRite LTD	£76,732.36	2 months	Estates	Supply and Installation of Fire Compartmentation & Fire doors Elizabeth Williams Clinic
HDD-ITT-48368	IWEC International LTD	£189,716.00	4 months	Estates	Supply and Installation of New LED Lighting BGH
HDD-ITT-48692	NSE (Wales) Limited	£88,533.00	2 months	Estates	Supply and Installation of Fire Alarm System WGH Residential Accommodation Blocks
HDD-MIN-48444	Vanguard	£14,215,000.00	to 31 March 2022	Scheduled Care	Modular Theatres PPH
HDD-DCO-21-12	Orcha Ltd	£91,000.00	3 years	Digital Services	Digital Health App Library
HDD-ITT-48924	Papyrus - Prevention of Young Suicide	£100,285.00	30 Months	Primary Care	Suicide Prevention Services
HDD-ITT-48610	Edmunds Webster	£220,901.00	3 Months	Estates	Supply and Installation of Residential Accommodation Improvements GGH
HDD-ITT-48748	Jac Lewis Foundation	£300,000.00	2 Years	Primary Care	Mental Health Support Services
	<b>Total</b>	<b>£15,975,113.36</b>			

## Appendix 2: Competitive tenders awarded

### Consultancy Contract awarded:

	Period covered by this report:		1 <sup>st</sup> December 2021	31 <sup>st</sup> January 2022	
<b>Ref</b>	<b>Supplier</b>	<b>Value (£) exc. VAT</b>	<b>One-off or Period</b>	<b>Department</b>	<b>Tender Description</b>
HDD-ITT-48752	Outreach Rescue	£56,000.00	3 Years	Estates	Training Services related to Working in Confined Spaces and Working at Height
HDD-DCO-21-14	James Harvard Ltd	£120,000.00	to 31 March 2022	IT	Cyber Security Programme Support

## Appendix 3: Overpayment of Salaries

Period covered by this report: 1st December 2021 – 31st January 2022			
Ref	Reason for Overpayment	Value (£)	Number of invoices
1	Timing Issue Due to Termination Mid-month	29,421.71	27
2	Late Notification of Reduction / Shortfall in Hours	0.00	0
3	Payment Processed in error	4,190.38	2
4	Overpayment of Shifts / Hours / Unauthorised Leave	3,304.93	5
		<b>36,917.02</b>	<b>34</b>

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

Ref	Losses and Special Payments Category	Value (£)	Explanation
1	Ex-Gratia	7,546.44	Expired Drugs for January 2022 – Pharmacy Glangwili
	<b>Total Losses (for approval)</b>	<b>7,546.44</b>	



