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Bwrdd Iechyd
Addysgu Powys
Powys Teaching
Health Board

AUDIT, RISK & ASSURANCE COMMITTEE

CONFIRMED

MINUTES OF THE EXTRAORDINARY MEETING HELD ON TUESDAY 17 MAY 2022 VIA MICROSOFT TEAMS MEETING

Present:

Tony Thomas	Independent Member – Finance (Committee Chair)
Mark Taylor	Independent Member – Capital and Estates
Matthew Dorrance	Independent Member – Local Authority
Ronnie Alexander	Independent Member - General

In Attendance:

Carol Shillabeer	Chief Executive
Gareth Lucy	External Audit
Ian Virgil	Internal Audit
Melanie Goodman	Internal Audit
Pete Hopgood	Director of Finance and IT
James Quance	Interim Board Secretary
Andrew Gough	Deputy Director of Finance

Observers:

Vivienne Harpwood	PTHB Chair
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Committee Support

Stella Parry	Interim Corporate Governance Manager
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Apologies

Rhobert Lewis	Independent Member – General
Claire Powell	Powys CHC
Jayne Gibbon	Internal Audit

ARA/22/019	<p>WELCOME AND APOLOGIES</p> <p>The Committee Chair welcomed everyone to the meeting and confirmed that a quorum was present. Apologies for absence were noted as recorded above.</p>
ARA/22/020	<p>DECLARATIONS OF INTEREST</p> <p>The Committee Chair INVITED Members to declare any interests in relation to the items on the Committee agenda.</p> <p>None were declared.</p>
ARA/22/021	<p>DRAFT ACCOUNTABILITY REPORT</p> <p>The Interim Board Secretary presented the Draft Accountability Report which constituted one component of the larger document that makes up the statutory Annual Report, comprising of the Performance Report, Accountability Report and Financial Statements. It was noted that the purpose of this element of the Annual Report and Accounts is to meet key accountability requirements set by Parliament. The Draft iteration was submitted to Welsh Government and Audit Wales by Friday 6 May 2022, alongside the Draft Performance Report.</p> <p>The Committee CONSIDERED the Report and Members were asked to provide any feedback to inform the development of the final draft prior to its presentation to the meeting of the Committee on Tuesday 13th June 2022.</p>
ARA/22/022	<p>DRAFT FINANCIAL STATEMENTS</p> <p>The Director of Finance and IT presented the Draft Accounts for 2021-22 to the Committee and noted that the Draft Accounts had been submitted to Welsh Government and Audit Wales and would be subject to a full audit by Audit Wales. The following matters were highlighted for the Committees attention:</p> <ul style="list-style-type: none"> • The draft position in relation to Revenue, Capital, and Public Sector Payment Policy (PSPP) was presented as below:

Area	Financial KPI	Target	Delivery 2021-22
Revenue	To ensure that net operating costs do not exceed the revenue resource limit set by Welsh Government	Variance Against Revenue Resource Limit Deficit / (Surplus)	(£80k)
Capital	To ensure that costs do not exceed the capital resource limit set by Welsh Government	Variance Against Capital Resource Limit Deficit / (Surplus)	(£67k)
PSPP	To pay a minimum of 95% of all non-NHS creditors within 30 days of receipt of goods or a valid invoice	Cumulative Year End % of Invoices Paid within 30 days	87.50%

- The health board has a statutory duty to ensure that its expenditure does not exceed the aggregate funding (Revenue Resource Limit – RRL) allotted to it over the 3 year period. Subject to Audit, the health board has achieved this requirement in 2021/22, and for the proceeding 2 years.
- Welsh Government requires that Health Boards pay their trade creditors in accordance with the CBI Prompt Payment Code (PSPP) and Government Accounting Rules. The financial Target is to pay 95% of these non NHS invoices (number not financial value) within 30 days of delivery. The health board performance at 87.5% did not meet the target of 95% for the number of non NHS creditors paid within 30 days. This will be a key area of focus in 2022-23.
- There were two property purchases (Llanwrtyd Health Centre and Land Adjoining Machynlleth Hospital) and no property disposals during 2021/22. The Capital Programme added £15.926m to the asset base during 2021/22.
- As of 31st March 2022, the Pensions Provision relating to previous organisations staff had been fully discharged with the support of Welsh Government.

- A new provision in year was created for 2019-20 Scheme pays. At the date of draft submission of the accounts, there was evidence of take-up of the scheme by two health board clinical staff with an estimated financial impact of £0.047M. The communicated view of the Auditor General for Wales is that any provision included within NHS Wales bodies accounts for the cost of Scheme Pays will constitute irregular expenditure and lead to a qualification of the health board's accounts, with the qualification being in respect of the regularity opinion. This is a national issue that will affect all NHS Wales Organisations and Welsh Government Accounts for any provisions held in this regard. It was noted that the Health Board had followed National Policy in its actions and that NHS England had a different External Audit view. Discussions remained underway at national level in this regard.

Members of the Committee sought assurance by asking the following questions:

What was the reason for the failure to meet the PSPP target and what plans had been developed for 2022-23 to ensure the target is met?

The Director of Finance and IT noted that an increased use of agency staff in response to COVID-19 has resulted in the failure to meet the target, it was reported that work was underway to implement an automated payment process in this area to support future performance.

Had any analysis been undertaken in relation to a potential increase in operating cost linked to COVID-19 and anticipated levels of inflation in the coming months?

An increase in spending had been reported in 2021-22, which was mostly linked to COVID-19 however other key areas of financial pressure include Complex and Continuing Health Care (CHC) and variable pay. A Task and Finish Group had been established to review these areas and will also carefully monitor other potential areas of financial pressure. It was also noted that risks in relation to inflation were shared with Welsh Government and would constitute a key area of focus for the health board in 2022-23.

Health Education and Improvement Wales (HEIW) had been referenced within miscellaneous income, however no income was included, why was this?

The Head of Financial Services noted that HEIW provide items such as training contracts however these transactions occur in low levels within Powys in comparison to other health boards with training rotations. The Chief Executive highlighted that work was currently underway with HEIW in relation to the implantation of Nurse Placements however the ambition of the health board was to develop a broad range of training contracts across Powys.

	<p>The Committee CONSIDERED the Draft Accounts and Members were asked to provide any further feedback prior to presentation of the Final Accounts to the meeting of the Committee due to be held Tuesday 13th June 2022. The Committee Chair expressed thanks on behalf of the Committee for the excellent work undertaken by the Finance Department throughout a challenging period. The Director of Finance and IT welcomed the feedback and expressed his thanks to colleagues across the organisation for their support.</p>
<p>ARA/22/023</p>	<p>DRAFT HEAD OF INTERNAL AUDIT OPINION 2021-22</p> <p>The Head of Internal Audit presented the item and noted that in accordance with the Public Sector Internal Audit Standards (PSIAS), the Head of Internal Audit (HIA) is required to provide an annual opinion, based upon, and limited to the work performed on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control. This is achieved through delivery of an audit plan that has been focused on key strategic and operational risk areas and known improvement opportunities. The 2021-22 plan was formally approved by the Audit, Risk and Assurance Committee at its March 21 meeting.</p> <p>The draft Annual Report sets out the draft HIA Opinion together with the summarised results of the internal audit work performed during the year. The report also includes a summary of audit performance and an assessment of conformance with the Public Sector Internal Audit Standards. It was noted that the final HIA Opinion would be presented to the Committee in June 2022, this was due to a number of reports which remained in draft at the time of reporting.</p> <p>It was highlighted that the Draft HIA Opinion for 2021-22 provided the health board with ‘Reasonable Assurance’. This suggested that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Though some matters require management attention in control design or compliance with low to moderate impact on residual risk exposure until resolved.</p> <p>Members of the Committee sought assurance by asking the following questions:</p> <p><i>In paragraph 4.2 it is reported that management response turnaround had been rated as red, is it felt that 15 days is a reasonable deadline, particularly in light of current pressures?</i></p> <p>It was reported that the deadline is locally agreed as part of the Internal Audit Charter and that 15 days is aligned to the requirements in other health boards. It was suggested that 15 days was reasonable however it</p>

	<p>was agreed that in some instances, such as limited assurance reports or reports in areas of sufficient pressure a longer turnaround is anticipated.</p> <p>The Committee CONSIDERED and NOTED the Draft Head of Internal Audit Opinion and Annual Report 2021/22.</p>
ARA/22/024	<p>ENQUIRIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE</p> <p>The Director of Finance and IT presented the proposed response to the Audit Enquiries Letter 2021-22 for scrutiny and comments.</p> <p>The Committee NOTED the proposed the response.</p>
ARA/22/025	<p>ITEMS TO BE BROUGHT TO THE ATTENTION OF THE BOARD AND OTHER COMMITTEES</p> <p>There were no items to be brought the attention of the Board and other Committees.</p>
ARA/22/026	<p>ANY OTHER URGENT BUSINESS</p> <p>It was queried by members whether any consideration had been given to the potential for financial challenges in 2022-23 given the potential impact of multiple external factors such as the exit of the European union, Ukraine, and COVID-19. The Director of Finance and IT assured Committee Members that financial performance mechanisms, including forecasting, were in place and reported on regular basis to the Board, Delivery and Performance Committee and Executive Committee.</p>
ARA/22/027	<p>DATE OF NEXT MEETING</p> <p>13 June 2022, 10:00 am, Microsoft Teams</p>