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NHS
WALES

Bwrdd Iechyd
Addysgu Powys
Powys Teaching
Health Board

AUDIT, RISK & ASSURANCE COMMITTEE

CONFIRMED

MINUTES OF THE MEETING HELD ON TUESDAY 26 APRIL 2022 VIA MICROSOFT TEAMS MEETING

Present:

Tony Thomas	Independent Member – Finance (Committee Chair)
Mark Taylor	Independent Member – Capital and Estates
Rhobert Lewis	Independent Member - General
Ronnie Alexander	Independent Member - General

In Attendance:

Carol Shillabeer	Chief Executive
Ian Virgil	Internal Audit
Jayne Gibbon	Internal Audit
Melanie Goodman	Internal Audit
Pete Hopgood	Director of Finance and IT
James Quance	Interim Board Secretary
Andrew Gough	Deputy Director of Finance
Sarah Pritchard	Head of Financial Services
Alice Rushby	External Audit
Anne Beegan	External Audit
Claire Powell	Powys CHC
Kirsty James	Local Counter Fraud
Matthew Evans	Swansea Bay Counter Fraud
Amanda Legge	NHS Wales Shared Services (Item 3.3 only)
Sue Tilman	NHS Wales Shared Services (Item 3.3 only)

Observers:

Vivienne Harpwood	PTHB Chair (Part-meeting only)
Kirsty Williams	PTHB Vice Chair

Committee Support

Stella Parry	Interim Corporate Governance Manager
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Apologies

Matthew Dorrance	Independent Member – Local Authority
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ARA/22/001	<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/22/002	<p>DECLARATIONS OF INTERESTS</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/22/003	<p>MINUTES FROM THE PREVIOUS MEETING FOR RATIFICATION</p> <p>The minutes of the meeting held on 22 March 2022 were RECEIVED and AGREED as being a true and accurate record.</p>																												
ARA/22/004	<p>MATTERS ARISING FROM PREVIOUS MEETINGS</p> <p>There were no matters arising.</p>																												
ARA/22/005	<p>COMMITTEE ACTION LOG</p> <p>The Committee received the action log and the following updates were provided.</p> <p>ARA-21-114: It was confirmed that this action was included on the meeting agenda under item 2.1. This annual report had been included in the 2022-23 Committee workplan and the action was recorded as complete.</p>																												
ARA/22/006	<p>APPLICATION FOR SINGLE TENDER WAIVERS (STWs)</p> <p>The Head of Financial Services presented the previously circulated report and sought the Committee's ratification of the STW request made between 1 March 2022 and 31 March 2022</p> <p>One STW request was considered by the Committee, summarised within the table below:</p> <table border="1" data-bbox="300 1563 1540 2018"> <thead> <tr> <th>Single Tender Reference</th> <th>Request to waive QUOTE or TENDER threshold</th> <th>Name of Supplier</th> <th>Item</th> <th>Reason for Waiver</th> <th>Date of Approval</th> <th>Value £</th> <th>Length of Contract</th> <th>Prospective/ Retrospective</th> <th>Appendix Ref</th> </tr> </thead> <tbody> <tr> <td>POW2122018</td> <td>TENDER</td> <td>Adcuris Consulting</td> <td>Demand Capacity and Financial Modelling In Support of service change for Strategic Outline Case</td> <td>Continuation of work linked to previous undertaking and timescale</td> <td>09/03/2022</td> <td>£70,000</td> <td>1 month</td> <td>Prospective</td> <td>A1</td> </tr> </tbody> </table>									Single Tender Reference	Request to waive QUOTE or TENDER threshold	Name of Supplier	Item	Reason for Waiver	Date of Approval	Value £	Length of Contract	Prospective/ Retrospective	Appendix Ref	POW2122018	TENDER	Adcuris Consulting	Demand Capacity and Financial Modelling In Support of service change for Strategic Outline Case	Continuation of work linked to previous undertaking and timescale	09/03/2022	£70,000	1 month	Prospective	A1
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	<p>The Committee RATIFIED the approval of the STWs as detailed within the report.</p>
<p>ARA/22/007</p>	<p>CHARITABLE FUNDS ANNUAL REPORT AND ACCOUNTS 2020-21 AND ISA260 FUNDS HELD ON TRUST 2020-21 AND FUNDS HELD ON TRUST AUDIT PLAN 2021-22</p> <p>The Deputy Director of Finance presented the item and reported that Powys Teaching Health Board as Corporate Trustee must provide to the Charity Commission an Annual Report and Accounts for the year ended 31st March 2021 for the Powys Teaching Local Health Board Charitable Fund that has been subject to Statutory Audit by External Audit and approved by the PTHB Board. The deadline for this submission was 31st January 2022 but due to additional testing and an historic issue with complex accounting adjustments to be dealt with this deadline had not been met. The Charity Commission had been informed by the health board the reason for the delay in the submission.</p> <p>Alice Rushby (External Audit) introduced the findings of the ISA260 and highlighted three key issues:</p> <ul style="list-style-type: none"> • The Charity uses a cash-based financial system, and manual accruals have to be identified and adjusted for. This has resulted in material misstatements to the financial statements. • Material investment properties left to the Charity have been identified, that were previously not recognised within the financial statements. • In addition to the specific issues and recommendations above, we identified various other issues within the financial statements. These included: <ul style="list-style-type: none"> ○ errors in the disclosure of investments and the calculation of the gain or loss in year; ○ misclassification of restricted funds, income and expenditure; ○ errors within or omission of disclosures required per the accounting framework; ○ discrepancy between the approval threshold for expenditure in the scheme of delegation and threshold approved by the board; ○ omission of a creditor; and ○ incorrect calculation of the movement on funding commitments <p>It was noted that in previous years the Charitable Funds had been subject to an Independent Examination however the 2020-21 accounts met the threshold for full testing and audit. The Audit Plan for 2021-22 was presented and the risks to the plan were highlighted to the Committee.</p> <p>Members of the Committee sought assurance by asking the following questions:</p> <p><i>Was it felt that the Charity had disposed of funds appropriately?</i></p>

	<p>The Director of Finance and IT suggested that this was beyond the scope of the ISA260 Audit, however a review due to be undertaken by Internal Audit in 2022-23 was due to look at this aspect in more detail.</p> <p>The Committee REVIEWED the Charitable Funds Annual Report and Accounts for the period to 31 March 2021 and RECOMMENDED that the Charitable Funds Committee requested Board approval as Corporate Trustee.</p>
ARA/22/008	<p>INTERNAL AUDIT PROGRESS REPORT 2021-22</p> <p>The Head of Internal Audit presented the item which provided an overview of the progress to date against the 2021-22 Internal Audit Plan. It was noted that since the last meeting of the Committee three audits reports had been finalised, which were included as independent reports under agenda item 3.2. There were 19 audits included in the 2021-22, 13 of which were complete, 5 were in progress and 1 was at the planning stage. It was anticipated that the Draft Head of Internal Audit Opinion for 2021-22 would be presented to the Committee in May 2022 and the final in June 2022. The Head of Internal Audit indicated that based upon the work undertaken to date the opinion would be positive in nature and suggested that a rating of reasonable assurance was likely. Committee members welcomed the feedback and expressed their thanks to Internal Audit colleagues for the work undertaken throughout the year.</p> <p>The Committee DISCUSSED and NOTED the Progress Report.</p>
ARA/22/009	<p>INTERNAL AUDIT REPORTS:</p> <p>a) Budgetary Control Report (Substantial Assurance)</p> <p>The Head of Internal Audit presented the report which had sought to evaluate and determine the adequacy of the systems and controls in place for budgetary control. The review had resulted in a Substantial Assurance rating and one medium priority recommendation had been made.</p> <p>b) Machynlleth Report (Reasonable Assurance)</p> <p><i>The Director of Environment and Deputy Director of Capital and Estates joined the meeting.</i></p> <p>Melanie Goodman (Internal Audit) presented the report which was undertaken to review the delivery and management arrangements in place to progress the Machynlleth Hospital Reconfiguration project; and the performance, for the period March 2020 to December 2021, against its key delivery objectives i.e. time, cost and quality. It was noted that following discovery of unforeseen issues during the demolition works the project costs have risen significantly. Project changes to date (including the unforeseen issues) have totalled £1.135m, giving a current reported forecast overspend of £180k. This includes full utilisation of the project</p>

contingency at the current stage of the project (i.e. 34% programme complete). These financial pressures necessitated the transfer of £349k from the discretionary capital budget. Management have stated that the associated reported delays, 7 weeks to date, will not adversely impact on service delivery (recognising services continue to operate from alternative locations for the duration of the project). Key issues reported included:

- The need to ensure the timely completion of contract documentation at future projects;
- The ongoing review / development of the project risk register to ensure key details are captured; as well as considering the remaining project risks and available contingencies.
- Procedures for signing of contract documentation need to be developed to ensure any specific additional risks highlighted (including the absence of liquidated and ascertained damages) are accepted at the appropriate level of delegation; together with the enhancement of existing checklists.
- Recognising the extent of the cost escalation at such an early stage of the progression of the works, there is a need to evaluate the sufficiency of the structural and condition surveys undertaken during the design development stages to assess the impact on the affordability of the project and to determine any future actions.

Noting the priority ratings of the issues identified a reasonable assurance rating had been determined. The Director of Environment welcomed the report and expressed his thanks to Internal Audit colleagues. It was noted that the lessons learned from the review would inform the day-to-day management of such projects going forward.

Recommendation 2.1 within the report had not been agreed by management, what was the process for managing this?

It was reported that should a recommendation not be agreed by management it is then escalated to the Chief Executive and Board Secretary for consideration. The Committee NOTED that the recommendation had not been agreed however was assured that the Chief Executive would be keeping the matter raised under personal review.

c) NIS Directive Report (Reasonable Assurance)

Sian Harries (Internal Audit) presented the report which had sought to Review arrangements in place for the implementation of the NIS Directive in the Health Board, including the Cyber Assessment Framework (CAF), improvement plan and overarching governance. The review had resulted in a Reasonable Assurance rating. Three medium priority and one low priority recommendations had been made.

The Committee RECEIVED and NOTED the Internal Audit reports.

<p>ARA/22/010</p>	<p>EXTERNAL AUDIT PROGRESS REPORT 2021-22 Anne Beegan (External Audit) presented the report and provided an overview of work underway including, Renewal, Unscheduled Care and CHC. It was also highlighted that the Structured Assessment project brief was included within the report which was due to be issued in May 2022. Alice Rushby (External Audit) provided an overview of financial audits underway and highlighted that a key focus was preparation for the audit of the Financial Accounts for 2021-22</p> <p>The Committee Chair welcomed the strengthening of governance around audit in the previous few years. The Committee DISCUSSED and NOTED the External Audit Progress Report.</p>
<p>ARA/22/012</p>	<p>COUNTER FRAUD ANNUAL REPORT 2021-22 Kirsty James (Counter Fraud) presented the report and highlighted that metrics had been measured against the Fraud, Bribery and Corruption Standards for NHS Wales Bodies (the Functional Standards), though the standards were not required until 2022-23. The report provided detail in relation the work completed against each of the components relating to governance actives and counter fraud, bribery and corruption practices undertaken during the year, against a Red, Amber, Green (RAG) rating system.</p> <p><i>How where the parameters of each RAG rating defined?</i> It was confirmed that the rating were self-scored by the Counter Fraud team against the criteria provided in the Functional Standards.</p> <p><i>Had the health board appointed a Counter Fraud Champion at Board level?</i> It was confirmed that the Board Secretary was the Board level champion and would provide support and advice to the Board on Counter Fraud related issues.</p> <p>The Committee DISCUSSED and NOTED the Counter Fraud Annual Report.</p>
<p>ARA/22/013</p>	<p>AUDIT RECOMMENDATION TRACKING The Board Secretary presented the item which provided an overview of the current position relating to the implementation of Audit Recommendations, arising from reviews undertaken by Internal Audit, External Audit (Audit Wales) and Local Counter Fraud Services. It was reported that work had recommenced in response to the Policy Management Audit Recommendations and that a report in relation Records Management was due to be presented to a forthcoming meeting of the Delivery and Performance Committee.</p> <p>The Committee DISCUSSED and NOTED the Audit Recommendation Tracking Report.</p>

ARA/22/014	<p>WELSH HEALTH CIRCULAR TRACKING</p> <p>The Board Secretary presented the item which provided an overview of the current position relating to the implementation of Welsh Health Circulars (WHCs). It was noted that the position was positive and an overview of WHCs implementation progress in year would be included within the Annual Accountability Report 2021-22.</p> <p>The Committee DISCUSSED and NOTED the Welsh Health Circular Tracking Report.</p>
ARA/22/015	<p>DRAFT COMMITTEE WORK PROGRAMME 2022-23</p> <p>The Board Secretary presented the draft workplan for awareness and noted that work was underway across all of the health board's committees to develop workplans aligned to the strategic objectives within the Integrated Medium Term Plan 2022-25.</p> <p>The Committee RECEIVED and NOTED the draft Committee Work Programme 2022/23.</p>
ARA/22/016	<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/22/017	<p>ANY OTHER URGENT BUSINESS</p> <p>No other urgent business was declared.</p>
ARA/22/018	<p>DATE OF NEXT MEETING</p> <p>17 May 2022, 01:00 pm, Microsoft Teams</p>