

AUDIT, RISK & ASSURANCE COMMITTEE

CONFIRMED

MINUTES OF THE MEETING HELD ON THURSDAY 25 JUNE 2020 VIA SKYPE MEETING

Present:

Tony Thomas	Independent Member – Finance (Committee Chair)
Mark Taylor	Independent Member – Capital and Estates
Ian Phillips	Independent Member – ICT
Matthew Dorrance	Independent Member – Local Authority
Mel Davies	Vice Chair

In Attendance:

Pete Hopgood	Director of Finance, Information and IT
Gail Turner-Radcliffe	External Audit (Grant Thornton)
Barrie Morris	External Audit (Grant Thornton)
Sarah Pritchard	Head of Financial Services
Felicity Quance	Internal Audit
Osian Lloyd	Deputy Head of Internal Audit
Helen Higgs	Head of Internal Audit
Rani Mallison	Board Secretary
Elaine Matthews	External Audit (Audit Wales)
Emily Howell	External Audit (Audit Wales)
Rebecca Collier	Healthcare Inspectorate Wales
Jade Brockett	External Audit (Grant Thornton)

Committee Support

Caroline Evans	Head of Risk and Assurance
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Apologies for absence:

Carol Shillabeer	Chief Executive
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ARA/20/18	<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/20/19	<p>DECLARATIONS OF INTERESTS</p> <p>The Committee Chair INVITED Members to declare any interests in relation to the items on the Committee agenda. None were declared.</p>
ARA/20/20	<p>MINUTES FROM THE PREVIOUS MEETING FOR RATIFICATION</p> <p>The minutes of the meeting held on 18 May 2020 were RECEIVED and AGREED as being a true and accurate record.</p>
ARA/20/21	<p>MATTERS ARISING FROM PREVIOUS MEETINGS</p> <p>There were no matters arising from the previous meeting.</p>
ARA/20/22	<p>COMMITTEE ACTION LOG</p> <p>The Committee received the action log and the following updates were provided.</p> <p>ARA/20/14: The Remuneration Report is included within the Annual Accountability Report, which is included on the agenda under item 2.2.</p> <p>ARA/19/87: This action has been closed, as the obligation to advertise in the European Journal post-Brexit will be subject to the planned Brexit negotiations.</p> <p>ARA/19/77: This action was closed at the last Committee and can be removed from the Action Log. Action: Head of Risk & Assurance.</p> <p>ARA/19/68: The action to hold a list of Investigative Officers was closed in error. The policy has been agreed by the Board, however, the action will remain on the Action Log until it can be closed fully. Action: Head of Risk & Assurance</p> <p>ARA/19/111: The Local Counter Fraud Workplan was agreed in March by the Committee. It was agreed that the workplan will come back to the Committee if any further updates are required in terms of resource. Whilst there are no</p>

	<p>amendments, that require approval, an update on the work plan will be presented at the next Committee.</p> <p>Action: Head of Local Counter Fraud Services</p> <p>ARA/19/115e: These two actions arose from an Internal Audit report and will be picked up further down the line as part of the audit recommendation tracking process.</p>
ARA/20/23	<p>PTHB ANNUAL ACCOUNTS, 2019-20, INCLUDING:</p> <p>a) Audit of Financial Statements (ISA 260)</p> <p>b) Letter of Representation</p> <p>The health board is required to submit an audited set of annual accounts to Welsh Government by 30th June 2020. These accounts are required to be approved by the Board, which is scheduled to take place on 29th June 2020. The Accounts will then be signed by the Auditor General for Wales on 2nd July 2020.</p> <p>The health board has achieved the following financial targets and statutory duties for 2019/20:</p> <ul style="list-style-type: none"> • Operational in-year financial balance has been achieved, reporting a surplus of £0.055M; • Cash contained within cash limit; • Capital financial balance. <p>The health board has also achieved the 3 year duty to ensure that its expenditure does not exceed the aggregate funding allotted to it over a 3 year period for both revenue and capital resource limits. This is the fourth year to demonstrate this 3 year duty.</p> <p>The health board has met the following administrative (not statutory) target:</p> <ul style="list-style-type: none"> • The health board performance at 96.4% did meet the administrative target of payment of 95% of the number of non-nhs creditors within 30 days this year. <p>Pete Hopgood stated the accounts were subject to audit by Grant Thornton, and during the audit process some amendments were made to the accounts including the increased cost of prescribing, mainly in relation to COVID-19.</p> <p>The AGW has certified that the financial statements for the year ended 31 March 2020 have been audited under Section 61 of the Public Audit (Wales) Act 2004. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Cash Flow Statement and Statement of Changes in Tax Payers Equity and related notes, including a</p>

	<p>summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and HM Treasury’s Financial Reporting Manual based on International Financial Reporting Standards (IFRSs).</p> <p>The AGW has confirmed that the financial statements:</p> <ul style="list-style-type: none"> • give a true and fair view of the state of affairs of Powys Teaching Local Health Board as at 31 March 2020 and of its net operating costs for the year then ended; and • have been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by Welsh Ministers. <p>Barrie Morris gave his thanks to Pete Hopgood, Sarah Pritchard and the finance team for their support in responding to audit queries.</p> <p>The Chair thanked Barrie Morris for all of the hard work undertaken, and the excellent relationships held between Grant Thornton and the health board, with close working established. The Chair expressed his disappointment that Grant Thornton will no longer be working with the health board.</p> <p>Pet Hopgood extended his thanks to Barrie and his team at Grant Thornton, and to Sarah Pritchard and the wider finance team.</p> <p>Ian Phillips asked is there a typo on p8 Journals accounting conventions? Should the last sentence read accurate or inaccurate? Sarah Pritchard confirmed this is a typo, and that it should state inaccurate, and confirmed that this will be amended.</p> <p>Mel Davies stated that it is very pleasing that the health board has once again met the 3 year duty, and congratulated Pete Hopgood and the team for this.</p> <p>Pete Hopgood stated that a number of questions have been received that have been answered prior to the meeting.</p> <p>Barrie Morris stated that it is the last attendance at the Committee for Grant Thornton, as the audit work is handed back to Audit Wales, and passed on his personal thanks to the health board for the support over the life of the contract.</p> <p>The Committee APPROVED the Annual Accounts, 2019-20, and recommended them to the Board for final approval on 29 June 2020.</p>
ARA/20/24	<p>PTHB ANNUAL ACCOUNTABILITY REPORT, 2019-20 Guidance provided by WG states that the Accountability Report must include:</p>

- A Corporate Governance Report
This explains the composition and organisation of governance structures and how they support the achievement of the health board's objectives. This section is informed by a review of the board and its committees' business over the last year. This section has been prepared by the Board Secretary with input from other officers across the organisation where required.
- A Financial Accountability and Remuneration report
This contains information about the remuneration of senior management, fair pay ratios, sickness absence rates, etc. and has been compiled by the finance department as well as the annual accounts.
- A Welsh Parliament Accountability and Audit Report
This contains a range of disclosures on the regularity of expenditure, fees and charges, compliance with the cost allocation and charging requirements set out in Her Majesty's Treasury guidance, material remote contingent liabilities, long-term expenditure trends, and the audit certificate and report.

Rani Mallison presented the final version of the Annual Accountability Report, stating that the previous draft version was shared with WG and auditors for comment in advance of today's meeting. Feedback was received on the draft version, and minor changes were made to the report, although none of these were material comments, they include: -

- Clarification has been included within the report that the health board's Local Partnership has not considered any significant issues.
- A statement explaining why the Healthcare Professionals Forum and Stakeholder Reference Group has not met.
- A reference has been made to the health board's Major Incident Plan.
- There are links in the document which direct the reader to the health board home page as opposed to the individual reports, as it is recognised that the Internet is due to undergo significant changes, and therefore the links will change.

Rani Mallison made reference to the conclusion by the Accountable Officer, which states that the Annual Governance Statement confirms that Powys Teaching Health Board has continued to mature as an organisation and, whilst there are areas for strengthening, no significant internal control or governance issues have been identified. The Board and the

	<p>Executive Team has had in place a sound and effective system of internal control which provides regular assurance aligned to the organisation’s strategic objectives and strategic risks. Together with the Board, the Accountable Officer will continue to drive improvements and will seek to provide assurance for citizens and stakeholders that the services provided are efficient, effective and appropriate and designed to meet patient needs and expectations.</p> <p>The report also recognises the impact that COVID-19 has made on the organisation at the latter end of the year.</p> <p>Rani Mallison stated that Ian Phillips has identified a couple of formatting issues, and these will be picked up outside the meeting.</p> <p>Rani Mallison stated that data in the Remuneration and Staff Report presents information up to 31st March 2020. ESR allows it to pull data at a point in time, so data included previously was the version as at 18th May, given that termination forms and new starters have been processed.</p> <p>Gail Turner-Radcliffe stated that she has been communicating with Julie Rowles who has confirmed that the report will be re-run to provide updated figures.</p> <p>Rani Mallison stated this is a learning point in terms of timings for compilation of the Annual Report for next year, and confirmed that the final figures will be updated for the version of the report that will be presented to the Board on Monday.</p> <p>The Committee APPROVED the Annual Accountability Report, 2019-20, and recommended the report to the Board for final approval on 29 June 2020.</p>
ARA/20/25	<p>APPLICATION OF SINGLE TENDER WAIVERS (STWs)</p> <p>Sarah Pritchard presented the STW requests made between 1 May 2020 and 31 May 2020 and signed by the Chief Executive, detailing two ‘Retrospective’ STWs as follows: -</p> <ol style="list-style-type: none"> 1. Engineering Inspections (Continuation of Service [£6,500]); 2. Winter Gritting Services (Continuation of Service – Framework suppliers not able to undertake [£22,800]). <p>The Committee Chair expressed concern at the fact that both STWs are retrospective, and requested a report from the appropriate officer providing an explanation for this. This request was endorsed by Mark Taylor and Ian Phillips.</p>

	<p>Action: Wayne Tannahill, Assistant Director of Estates and Property</p> <p>The Committee RATIFIED the approval of the two STWs.</p>
ARA/20/26	<p>INTERNAL AUDIT:</p> <p>a) Revised Internal Audit Plan 2020/21</p> <p>COVID-19 has had a significant impact on the management of services and risk profile of NHS organisations across Wales. It was agreed nationally and with individual organisations' Audit Committees that audit work would be suspended for the first quarter of 2020/21 in recognition of the exceptional circumstances facing management and staff. It was indicated that this position would be reviewed at the end of the quarter prior to the resumption of audit work.</p> <p>The internal audit plan was originally agreed at the Audit, Risk & Assurance Committee in March 2020. It has been reviewed in June 2020 to reflect changes in risk across audit areas, input from Executive Directors, and to reflect the reduced period over which internal audit work will be delivered.</p> <p>A proposed, revised Internal Audit Plan for 2020/21 is presented, with revised timings, proposed additions/deferrals, and some proposed adjustments to indicative scopes.</p> <p>Ian Phillips suggested it would be prudent to mention that we don't know what is going to happen with COVID-19, so it might be sensible to include a sentence within the plan that it will be reviewed as things progress.</p> <p>Helen Higgs stated that the report does articulate that the plan remains flexible, and that Internal Audit is in constant communication with the Board Secretary and Chief Executive, and will respond to those unknown pressures.</p> <p>COVID-19 Governance Review</p> <p>Rani Mallison stated that herself and Pete Hopgood have met with Helen Higgs in respect of the COVID-19 audit review. The audit will focus on financial governance as well as wider corporate governance, and there is a relationship between that audit review and the Structured Assessment, and the Board Secretary's have been speaking with audit colleagues around that.</p> <p>Pete Hopgood stated that in addition to the COVID-19 audit there is other work ongoing, and recognising Helen Higgs' comments about the flexibility in the plan is appreciated.</p> <p>The Committee RECEIVED and NOTED the revised plan.</p>

ARA/20/27	<p>b) Review of Section 33 Arrangements – Reasonable Assurance</p> <p>Section 33 of the NHS (Wales) Act 2006 enables health boards, NHS trusts and local authorities to enter into any partnership arrangements to exercise certain NHS and health related functions, and over recent years, the Welsh Government has been encouraging increased integration. In its 2011 policy document, Together for Health, the Welsh Government set out a vision for health services for the next five years and beyond, with a key principle being the concept of 'one system for health'.</p> <p>Powys Teaching Health Board is party to a number of Section 33 arrangements with Powys County Council, and it is the County Council that is the 'host partner' for all of these arrangements.</p> <p>The purpose of the 2020/21 follow up review was to assess whether the health board has implemented the Internal Audit recommendations made following the review of Section 33 Governance Arrangements in 2018/19.</p> <p>Osian Lloyd reported that the review identified two medium and one low priority findings.</p> <p>Mel Davies stated that it was pleasing to see progress being made.</p> <p>The Committee RECEIVED and NOTED the report.</p>
ARA/20/28	<p>AUDIT RECOMMENDATIONS TRACKING</p> <p>At its last meeting, the committee approved a re-prioritised approach for audit recommendation implementation, which enables services to balance their response to audit findings with the level of resources required to plan and respond to COVID-19. Outstanding audit recommendations have been re-prioritised on the following basis: -</p> <ul style="list-style-type: none"> • Priority Level 1 • Priority Level 2 • Priority Level 3 <p>Executive Directors have been asked to provide updates against recommendations classified as Priority Level 1. Where Priority Level 1 recommendations remain outstanding, a substantive update has been requested, with a clear indication of when they will be implemented.</p> <p>The current status of outstanding Internal Audit recommendations classified as Priority Level 1 is as follows: -</p>

	2017/18	2018/19	2019/20	TOTAL OUTSTANDING
High	0	1	11	12
Medium	5	2	22	29
Low	4	0	8	12
	9	3	41	53

The current status of outstanding External Audit recommendations classified as Priority Level 1 is as follows: -

	Overdue
2018/19	7
2019/20	1
TOTAL	8

The Committee Chair asked if the report is presented to Executive Committee.

Rani Mallison stated that it would usually be reported through Delivery and Performance Group, however, due to COVID-19 the group has not met normally, but going forward it will be reported via this route.

Ian Phillips stated that it is important that the work in respect of the Stress Management Policy Toolkit starts in quarter 2, as specified in the audit recommendation, to ensure the health board maintains its support to staff.

Action: Board Secretary / Director of Workforce & OD and Support Services

The Committee RECEIVED and NOTED the report.

ARA/20/29

EXTERNAL AUDIT:

- a) Update on the Auditor General for Wales' Programme of Work**
- b) Structured Assessment 2020**

Elaine Matthews presented the letter from the Auditor General for Wales, which presents an update on the AGW's programme of NHS Performance Audit work as follows: -

- a) Work included in local audit plans
- b) Other AGW NHS Performance Audit Work

Elaine Matthews stated that work has started on the Quality Governance Review, but this has been delayed. Audit Wales is working close with Internal Audit on the governance elements. Helen Higgs confirmed that where there is crossover between the work on the Audit Wales Structured Assessment and the Internal Audit review of Governance Arrangements, they will work together to reduce duplication.

	<p>Rani Mallison stated that a smaller number of members will be interviewed at this stage, and this will be reviewed.</p> <p>The Committee RECEIVED and NOTED the letters.</p>
ARA/20/30	<p>FINAL STATUS INTERNAL AUDIT REPORTS (DISCUSSED IN DRAFT BY THE COMMITTEE ON 18 MAY 2020)</p> <p><u>Substantial Assurance Rating</u></p> <p>a) Capital Assurance Follow Up</p> <p><u>Reasonable Assurance Rating</u></p> <p>b) Outpatients – Planned Activity c) Estates Assurance Follow Up d) Financial Safeguarding: Estates Team Led Work e) Financial Safeguarding: Support Services Led Work</p> <p><u>Limited Assurance Rating</u></p> <p>f) Welsh Language Standards Implementation</p> <p>Rani Mallison stated that Executive Directors attended the last meeting to talk through the reports, bearing in mind they were only in draft format. The content of the reports has not changed significantly. The management responses have been finalised, however, the findings remain the same.</p> <p>Helen Higgs stated that progress of implementation of the recommendations will be tracked, however, in light of COVID-19 some recommendations might take longer to implement. The Committee Chair expressed an understanding that there will be delays, but hopes that there will not be any unnecessary delays to the implementation of the recommendations.</p> <p>The Committee RECEIVED and NOTED the final version reports.</p>
ARA/20/31	<p>ITEMS TO BE BROUGHT TO THE ATTENTION OF THE BOARD AND OTHER COMMITTEES</p> <ul style="list-style-type: none"> • PTHB Annual Accounts, 2019-20 • PTHB Annual Accountability Report, 2019-20
ARA/20/32	<p>ANY OTHER URGENT BUSINESS</p> <p>There was no other urgent business for discussion, and the Chair declared the meeting closed at 10.55 am.</p>
ARA/20/33	<p>DATE OF NEXT MEETING</p> <p>20 July 2020, 11:00 am, Skype</p>