

**CONFIRMED MINUTES OF THE SPECIAL AUDIT COMMITTEE  
HELD ON 31 MAY 2018  
LLANDOUGH HOSPITAL, BOARDROOM, LLANDOUGH**

**Present:**

|                    |   |
|--------------------|---|
| John Union         | Independent Member – Finance (Vice Chair – Audit) |
| Charles Janczewski | UHB Vice Chair                                    |
| Dawn Ward          | Independent Member, Trade Union                   |

**In Attendance:**

|                   |  |
|-------------------|--|
| Maria Battle      | UHB Chair  |
| Carol Evans       | Assistant Director of Patient Safety & Quality                 |
| Craig Greenstock  | Counter Fraud Manager  |
| Christopher Lewis | Deputy Director of Finance                                     |
| Ian Virgil        | Deputy Head of Internal Audit                                  |
| James Johns       | Head of Internal Audit   |
| John Herniman     | Wales Audit Office   |
| Mark Jones        | Wales Audit Office   |
| Martin Driscoll   | Executive Director of Workforce and Organisational Development |
| Peter Welsh       | Director of Corporate Governance                               |
| Richard Hurton    | Head of Financial Accounting                                   |
| Paula Davies      | Lead Nurse in Community Child Health                           |
| Cath Heath        | Nurse Director, Children and Women Clinical Board              |

Glynis Mulford

**Secretariat**

**Observers:**

|                 |                                    |
|-----------------|------------------------------------|
| Alexandra Wicks | Graduate Manager Trainee           |
| Hattie Cox      | Financial Manager Graduate Trainee |

**Apologies:**

|                  |   |
|------------------|---|
| John Antoniazzi  | Independent Member and Chair, Audit Committee |
| Robert Chadwick  | Director of Finance                           |
| Graham Shortland | Medical Director                              |

**AC: 18/034 WELCOME AND INTRODUCTIONS**

The Chair welcomed everyone present to the meeting.

**AC: 18/035 APOLOGIES FOR ABSENCE**

Apologies for absence were noted.

## **AC: 18/036 DECLARATIONS OF INTEREST**

The Chair invited Members to declare any interests in the proceedings. Mr Charles Janczewski stated that he was Chair of the WHSSC Quality and Patient Safety Committee.

## **AC: 18/037 THE COUNTER FRAUD ANNUAL REPORT FOR 2017/18**

Mr Craig Greenstock, Counter Fraud Manager, gave a comprehensive overview of the report for 2017/18 and presented the Counter Fraud workplan for 2018/19. In regard to promoting training, it was suggested that the department liaise with the Communications Team and for it to be highlighted at the Local Partnership Forum.

The Committee:

- **RECEIVED** and **APPROVED** the Counter Fraud Report

## **AC: 18/038 REPORT ON ANNUAL ACCOUNTS OF THE UHB 2017/18**

Mr Christopher Lewis, Deputy Finance Director, stated that the report introduced the annual accounts and associated documents. Also that it sets out the key changes to the draft accounts and outlines the financial performance of the UHB.

The key item for consideration on the accounts was the work undertaken by the Wales Audit Office who had spent the last month reviewing draft accounts and their detailed ISA 260 report. In reviewing the Accountability Report the Audit Committee would need to consider work had also been carried out by Internal Audit and Counter Fraud Team and the opinion provided by the Head of Internal Audit. The draft accountability report, draft accounts, major judgements and estimates and associated documents had been shared previously with the Independent Members and Wales Audit Office for transparency. Also shared with the Independent Members was an analytical review regarding changes of income, expenditure, debtors, creditors and stock. Concerning changes to draft accounts there had been a small number of changes which did not have an impact on the reported financial position; these were explained and were set out in more detail in appendix 3 of the ISA 260 report.

Mr Charles Janczewski queried what the £54.1m adjustment was for. It was explained that the Health Board had made a decision to change the level of which it held its valuation reverses in respect of its buildings and dwellings. This was from a site basis to a buildings basis and had to go back in time from April 2012 and involved moving on asset register the groupings of buildings which was done on a net basis. When compared revised figures against the DVs valuation which comes in every five years to fully revalue the estate, it presented the correct figures but did not give the correct split between gross replacement cost and accumulative depreciation.

Therefore, during the year the finance team reviewed and unraveled the revaluation and this was restated in the accounts.

There was no significant uncorrected misstatements in the accounts but the Wales Audit Office had identified two less significant uncorrected misstatements.

The overview of financial performance for 2017/18 was explained. The UHB did not have a three year Integrated Medium Term Plan approved by Welsh Government and therefore failed this part of its revenue financial duty. The deficit was described and when aggregated over a three year period there was a deficit of £56.028m, and it therefore also failed this part of its revenue financial duty.

The Health Board had a track record of coming in below the Capital Resource Limit (CRL) and the Health Board came in lower than our approved spend with a three year rolling aggregated position of a £0.226m surplus. Therefore, the UHB had met its financial duty to break-even against its capital resource limit over the three years 2015/16 to 2017/18.

Alongside the response to audit enquiries and Letter of representation which was to provide further clarification, the WAO ISA 260 report was the final assurance on the Health Boards financial statements.

Members commented there was no annual report received from the Audit Chair with a summary of all the work the Committee had undertaken and should be brought to the Committee to provide additional assurance. This should go forward to Board to have sight of the work brought to the Audit Committee.

- **NOTED** the reported financial performance contained within the Annual Accounts and that the UHB had breached its statutory financial duties in respect of revenue expenditure
- **NOTED** the changes made to the Draft Annual Accounts
- **RECOMMENDED** to the Board that it agrees and endorses for 2017/18 the Annual Accounts, the Letter of Representation, the response to the audit enquiries of those charged with governance and management, the ISA 260 report, the Annual Accountability Report and Head of Internal Audit opinion and Annual Report

## **AC: 18/039 THE WALES AUDIT OFFICE ISA 260 REPORT**

Mr John Herniman, Wales Audit Office highlighted the key issues of the report stating producing the report was a huge task and was grateful to the finance team and the work undertaken. The accounts were true and fair and an unqualified opinion would be issued but because the Health Board failed in its statutory duty to break even over the three year period, a qualified irregularity opinion would be published. It was explained that because the requirements to break even over the three year period had been breached small sums would have to be recorded.

Mr Mark Jones, Wales Audit Office, thanked officers who played a role in the Accountability Report and commended the finance team. It was highlighted:

- All figures in the narrative were materially accurate.
- Two associated members had been named as they had not attended meetings since January 2017 and were not remunerated in the remuneration report. The Health Board was unable to find records of whether they had accepted the appointment or not. It was acknowledged there was no signed copy of the contract in the office.
- It was explained that they were not members of the Board and had no voting rights. It had since come to light that they had both retired from their current jobs. Therefore zero attendance had been put in the remuneration report and listed in the accountability report.
- It was confirmed that both individuals were aware they were associate members.
- When a new officer is appointed by the Welsh Government, a letter should go to the Wales Audit Office of the appointment as evidence.
- Other significant issues arising from audit was explained around ledger entries and payment performance and how this is calculated by the system.
- There will be a separate report on recommendations arising from 2017/18 audit. One of the issues was in regard to related parties where former members who have left the organisation did not submit Declaration of Interest forms.
- Members were informed that a check list would be developed as part of an exit interview.
- In summary, it was stated the report was a fair reflection of what was dealt with during this year.

The Committee:

- **REVIEWED** and **NOTED** the Wales Audit Office ISA 260 Report

## **AC: 18/040 INTERNAL AUDIT ANNUAL REPORT FOR 2017/18**

Mr James Johns, Head of Internal Audit, presented the Annual Report and Opinion stating it was a culmination of work undertaken. The audit plan was also presented. The report provided an overall opinion with governance and risk for the organisation and was a key document which is brought through the Committee. The overall annual opinion gave Reasonable Assurance regarding arrangements to secure governance around the Health Board. Key highlights were:

- Public sector standards and internal audit standards had an assessment of work against Public Sector Standards. This went through the process this year and external audits concluded positively that they generally conform to standards required.
- Out of the eight assurance domains an opinion was provided for each domain and received Reasonable Assurance.

- During the course of the year six reports were issued with Limited Assurance and highlighted a number of those related to follow-up reports. This would be a key issue for the Health Board to ensure timely action and addressing of actions for reports for the next year.
- The Limited Assurance reports was split across the assurance domains and the impact did not affect the overall opinion.
- There was narrative around domains and key points was explained in the report. The other considerations Internal Audit undertake is to look across the domains individually and overall.
- It was suggested for the Internal Audit to liaise with the Chair of Audit Committee and lead executive to review how the Reasonable Assurance could be elevated to Substantial Assurance. In response it was stated the Director of Internal Audit also reviews the domains to see whether they could be influenced.
- The Health Board would like to have the opportunity to influence Internal Audit if it was considered one of the domains could be higher.
- Other work on an all Wales basis which effects the Health Board locally was explained.
- The remainder of report set out the scope of work undertaken throughout the year.
- Appendices provide detail of how we operate against individual standards and public sector standards.

The Committee:

- **AGREED** and **ENDORSED** the report

#### **AC: 18/041 LETTER OF REPRESENTATION**

The Committee **AGREED** and **ENDORSED** the Letter of Representation which was in a standard format.

#### **AC: 18/042 AUDIT ENQUIRIES TO THOSE CHARGED WITH GOVERNANCE AND MANAGEMENT**

The Committee **REVIEWED** the response to the audit enquiries to those charged with governance and management and **AGREED** and **ENDORSED** its submission to the Wales Audit Office. This was previously been reviewed by Audit committee and endorsed by CEO and UHB Chair.

#### **AC: 18/043 ANNUAL ACCOUNTABILITY REPORT INCLUDING THE FINANCIAL STATEMENTS**

The Director of Corporate Governance, presented the report and commended the governance team on the detailed work involved. The document had been scrutinized

externally by Wales Audit Office and Internal Audit. Welsh Government for the second year had introduced further changes in order to streamline the reports. The following key points were highlighted:

- The Health Board had been scrutinized by two external bodies, namely Deloitte's Financial Governance Review and the Contractual Relationships with RKC Associates and its Owner - Wales Audit Office report, stating it complied with Welsh Government. An action plan had been produced for both reports and obtained Substantial Assurance ratings.
- There was disappointment in receiving six Limited Assurance reports but highlighted that 85% of reports were of reasonable and substantial ratings.
- There had been 13 major changes made to the Board and will be liaising with Welsh Government for future appointments to be staggered as this had an effect on the working of the Board.
- As commissioned by the Board in May 2017, a comprehensive review of risk management had been completed which will be presented to Board in July 2018.
- The report will form part of the Annual Report at the Annual General Meeting in July 2018.

Members commended the report stating it was easy to read and was superior to those they had seen elsewhere.

The Committee:

- **REVIEWED** and **AGREED** and **ENDORSED** the Accountability Report including the Financial Statements

The Audit Committee based on the reports received during the meeting, recommended that the Board agreed and endorsed for 2017/18 the Annual Accounts, the Letter of Representation, the response to the audit enquiries of those charged with governance and management, the ISA 260 report, the Annual Accountability Report and Head of Internal Audit opinion and Annual Report

#### **AC: 18/044 URGENT BUSINESS**

There was no urgent business.

#### **AC: 18/045 DATE OF NEXT MEETING**

The next Audit Committee meeting is scheduled to take place at **9.00am** on **Tuesday, 25 September 2018** in the Corporate Meeting Room, Headquarters, UHW