

UNCONFIRMED

ABERTAWE BRO MORGANNWG UNIVERSITY LHB MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON THURSDAY, 17TH MAY 2018 AT 9.30AM IN THE BOARDROOM, HQ

Present:	Martin Sollis	Non-Officer Member (in the chair)
	Martyn Waygood	Non-Officer Member
In Attendance:	Lynne Hamilton	Director of Finance
	Neil Thomas	Internal Audit
	Gareth Heaven	Internal Audit (shadowing)
	Geraint Norman	Wales Audit Office
	Andrew Biston	Head of Corporate Accounting (until minute 106/18)
	Len Cozens	Head of Counter Fraud Services
	Pamela Wenger	Director of Corporate Governance
	Liz Stauber	Committee Services Manager
	Angela Hopkins	Interim Director of Nursing and Patient Experience (for minute 101/18)
	Hazel Robinson	Director of Workforce and Organisational Development (OD) (for minute 96/18)

Minute		Action
90/18	WELCOME AND APOLOGIES FOR ABSENCE Apologies for absence were received from Tom Crick, Independent Member; Paula O'Connor, Head of Internal Audit and Huw Richards, NWSSP Audit and Assurance.	
91/18	DECLARATION OF INTERESTS There were no declarations of interest.	
92/18	MINUTES OF THE PREVIOUS MEETINGS The minutes of the meeting held on 19 th April 2018 were received and confirmed as a true and accurate record.	
93/18	MATTERS ARISING <u>78/18 NHS Wales Informatics Service (NWIS) Response to Business Continuity Incident</u> Martin Sollis queried whether a response had been received to the letter sent to the Chief Executive for Velindre NHS Trust (who hosted NWIS) seeking assurance that all the issues had been resolved and that there was a plan in place should another incident occur. Pam Wenger advised that a response had yet to be received and she would follow this up.	PW
94/18	ACTION LOG The action log was received and noted .	

95/18

WORK PROGRAMME

The committee's work programme was **received**.

In discussing the work programme, Len Cozens advised that the timescales for submitting the counter fraud service's self-assessment had changed and the final version was included on the current agenda, therefore it could be removed from the work programme for July 2018.

LS

Resolved: The work programme be **noted** and amended as discussed.

LS

96/18

STATUTORY AND MANDATORY TRAINING

Hazel Robinson was welcomed to the meeting.

A report providing an update in relation to statutory and mandatory training was **received**.

In introducing the report, Hazel Robinson highlighted the following points:

- A review had shown that 2,000 staff members had mistakenly completed NHS England statutory and mandatory training modules;
- Of those who had completed the NHS Wales modules, 8,000 had not undertaken the competency-assessed versions;
- As a result, 10,000 staff had not been included within the health board's performance figures and consideration was required as to how to address this efficiently;
- It was important to note that, of the 10,000 staff affected, not all would have passed the modules.

In discussing the report, the following points were raised:

Martin Sollis welcomed the open and transparent report, adding it was the first time that such challenges had been highlighted however the significance of the issues was concerning.

Martin Sollis noted that the report outlined a need for resources, adding that the benefits of these had to be evidenced before they could be agreed.

Martin Sollis queried whether mandatory training compliance had been triangulated with any complaints or concerns raised to determine if there was a link. Hazel Robinson advised that this was reviewed should a defence against a claim be required.

Martin Sollis sought an update on the review of mandatory and statutory training requirements. Hazel Robinson responded that Welsh Government had set 10 national standards, in addition to the health board's three, and it was not in the health board's control to change these. She added that there were different levels for a number of modules to reflect the fact that not all of the content would be relevant for all roles.

Martin Sollis stated that compliance with training was a significant

risk for the health board and was one of the top entries on the risk register. He added that it was essential that the board was made aware of the issue. Hazel Robinson advised that as some training was classroom based, clarity needed to be sought as to whether completion by staff was being recorded correctly. In addition, some staff should have 'automatic compliance' as a result of their day job, for example intensive care doctors and life support training.

Martyn Waygood commented that it was important that board members were also compliant with mandatory and statutory training but it was unclear as to how they could access the courses. Hazel Robinson concurred, adding that it would also be useful if competencies could transfer between NHS, not just for board members, but staff in general.

Hazel Robinson advised that staff did not view the electronic staff record (ESR) system, which was used to manage and record compliance, in a positive light. She added that the system had not been rolled-out across the health board in a sustainable way and the chance of error needed to be removed by organisations pre-loading courses for staff.

Martin Sollis queried as to how the executive directors were driving forward an improvement in compliance. Hazel Robinson responded that it was raised as part of the units' performance reviews but fundamentally discussions were required as to how to make ESR easier for staff to use.

Lynne Hamilton commented that ABMU was the only health board in which ESR was managed by the finance team as opposed to workforce. She said that there were few staff resources available to support it and as such, this could not immediately have a major impact on its success. Hazel Robinson concurred, adding that not only did the culture need to change but so did the process, technology and workforce strategy. She stated that ESR was a part of the workforce digital agenda as it would streamline other processes, such as occupational health.

Martin Sollis queried whether provision had been allocated in the next annual plan to address some of the fundamental issues. Lynne Hamilton advised that that they had not as the plan focused on reducing corporate costs by £1m, challenging the organisation to develop the skills and expertise to move forward digitally. Hazel Robinson concurred, adding that the health board had a digital strategy but this had a clinical focus and a strategy was required for workforce systems. She stated that the national programme was developing a model for improvement.

Martin Sollis suggested there be a discussion at a board development session to discuss and escalate the risks and issues. This was agreed.

PW

- Resolved:**
- The report be **noted**.
 - Board development session be arranged to discuss and

PW

escalate the risks and issues.

97/18 GOVERNANCE STOCKTAKE AND OUTLINE WORK PROGRAMME

The integrated governance work plan was **received** and **approved**.

98/18 ORGANISATIONAL ANNUAL REPORT

A report outlining the process to review and agree the organisational annual report for 2017-18 was **received** and **noted**.

99/18 DRAFT ACCOUNTABILITY REPORT

The draft accountability report for 2017-18 was **received**.

In introducing the report, Pam Wenger highlighted the following points:

- This was a draft version of the report and was currently out for comments;
- A copy had also been shared with Welsh Government for a review against guidance and feedback had been received;
- Comments were invited from Audit Committee members by 22nd May 2018 to enable the report to be finalised for the special Audit Committee and board meetings on 30th May 2018;
- A revised version was to be reviewed by the executive team the following week.

In discussing the report, the following points were raised:

Martin Sollis stated that it was important that the health board's non-compliance with statutory duties was acknowledged in the report. Lynne Hamilton undertook to address this.

LH/PW

Martin Sollis advised that he had a number of small comments and undertook to discuss these with Pam Wenger outside of the committee. Martyn Waygood undertook to do the same.

MS/MW/PW

- Resolved:**
- The report be **noted**.
 - Non-compliance with statutory duties to be addressed within the report.
 - Martin Sollis and Martyn Waygood to discuss comments on the report outside of the committee.

LH/PW

MS/MW/PW

100/18 REVIEW STANDING ORDERS

A report outlining changes to the standing orders was **received**.

In introducing the report, Pam Wenger highlighted the following points:

- A review of standing orders had resulted in a number of proposed changes;

- Wales Audit Office's structured assessment had identified the need to clearly identify delegated limits for capital expenditure and as such, these were under review;
- The current scheme of delegation was complex and did not align with the national standard, therefore this was to be reviewed further;
- Some of the sections required further scrutiny and would be brought back to the committee in due course for review.

In discussing the report, the following points were raised:

Martin Sollis stated that it was important that the executive directors reviewed and signed-off the relevant sections of standing orders for their portfolios in order to be held to account. Lynne Hamilton concurred, adding that recommendation 15 of the structured assessment referenced the need to clarify executive accountabilities for performance information and management.

Martin Sollis suggested that the committee accept the proposed changes with the expectation that the board would read the documents and sign-off the content to start addressing some of the areas within the governance review. This was agreed.

PW

- Resolved:**
- The report be **noted**.
 - The proposed amendments to the standing orders be **approved**, subject to the caveat outlined.

PW

101/18 STRATEGIC RISK REPORT

The strategic risk report was **received**.

In introducing the report, Angela Hopkins highlighted the following points:

- It was at this point of the year that each executive director was asked to review their entries on the risk register to confirm they were satisfied that risks were being managed;
- The current iteration had been discussed by the executive team at its meeting with the service directors the previous week;
- Work was ongoing with Pam Wenger to develop the register and to meet the recommendations within the structured assessment;
- The risk register would form part of the board assurance framework once developed;
- Workforce planning in relation to staffing levels continued to be a high risk;
- The risks associated with the emergency department systems mainly related to Princess of Wales and Morriston hospitals and were more apparent following two further 'outages' of national systems that week.

In discussing the report, the following points were raised:

Martin Sollis sought further details as to the two national system outages. Angela Hopkins advised that the pathology systems had been unavailable on two occasions that week. Martin Sollis sought assurance that no patients had come to harm as a result. Angela Hopkins responded that the outages had led to delays in pathology test results and a review was still ongoing as to whether there had been any clinical impact. She added that with the previous three, there had not been any harm identified however the impact on staff had not been measured despite increased stress levels and the need to return to the use of manual records management.

Martyn Waygood stated that it was concerning to hear of more outages as there was potential for systematic failure which could affect records accuracy and treatment as well as performance. Angela Hopkins concurred, adding that it was rare for a patient to be brought into an emergency department not to need a blood test, which meant that patients were delayed within the departments for longer or admitted to a ward when the pathology systems failed, as clinical decisions could not be made. She stated that the outages had also resulted in significant backlogs of tests.

Martin Sollis sought further details of the risk relating to the emergency department systems. Angela Hopkins responded that the health board did not have a single system and the two systems currently in place were old and had limitations. Martin Sollis queried whether there was a change programme in place. Angela Hopkins advised that a business case had been submitted in December 2017 but there was now a plan nationally to develop a Wales-wide system.

Lynne Hamilton stated that discussions were being undertaken with the Chief Executive with regard to having a portfolio and senior responsible officer approach to the transformational work such as this and if a similar approach was taken with other governance structures, the board may not feel as unsighted.

Resolved: The report be **noted**.

102/18 LOSSES AND SPECIAL PAYMENTS

A report outlining losses and special payments for the period 1st February 2018 to 31st March 2018 was **received**.

In discussing the report, the following points were raised:

Martyn Waygood stated that the level of losses and special payments was concerning, adding that lessons needed to be learned from each of the cases as some of the consequences were life-changing. Martin Sollis concurred, adding that the annual governance statement implied that the Welsh Risk Pool was viewed by some as a 'safety net' as it provided the majority of the monies for claims. He stated that it was important that the Audit Committee and Quality and Safety Committee worked together to address these concerns. Pam Wenger suggested that she discuss

	the way forward with the chairs of both committees. This was agreed.	PW
	Geraint Norman advised that Wales Audit Office was considering a review of future claims as often cases took time to be raised and an increasing trend was evident.	
Resolved:	<ul style="list-style-type: none"> - The report be noted. - Losses and special payments be approved. - Discussion to take place with the chairs of Audit and Quality and Safety committees as to how to address losses and special payment trends and lessons. 	LH PW
103/18	NHS RESEARCH AND DEVELOPMENT FINANCE POLICY	
	A report seeking the ratification of the research and development finance policy was received and approved .	LH
104/18	DRAFT ANNUAL ACCOUNTS 2017-18	
	<p>A report and presentation outlining the draft annual accounts for 2017-18 were received.</p> <p>In introducing the report, Lynne Hamilton and Andrew Biston highlighted the following points:</p> <ul style="list-style-type: none"> - 2017-18 had a carry forward of £53m and together with cost and demand growth amounting to £28.9m, the total cost requirement had been £81.9m. This had been offset by additional Welsh Government funding of £45.9m, leaving a forecast end-of-year deficit position of £36m; - The final end-of-year financial position was £32.4m, which was an improvement on the original forecast, but not as good as it could have been due to a £7.4m 'clawback' of planned care monies as a result of non-achievement of targets; - Capital resource performance had an underspend of £42,000, which was 0.10% of the target, which meant that the duty to break even against the capital resource limit over the three years (2015-16 – 2017-18) had been met; - The health board had failed to meet two financial duties: <ul style="list-style-type: none"> • Revenue resource performance had an overspend of £32.4m, which was 2.96% of the target; • 94% of non-NHS invoices were paid within the 30-day requirement, against a target of 95%; - As the health board did not have an approved integrated medium term plan (IMTP – three year plan), it also failed to meet this statutory duty; - Net operating costs for the year were £1.129 billion; - An analytical review of the net expenditure across primary care, healthcare from other providers and hospital and 	

community services was outlined to the committee;

- The committee would review the audited accounts and receive the ISA 260 report from Wales Audit Office on 30th May 2018. This would be followed by a special meeting of the health board to adopt the accounts.

In discussing the report, the following points were raised:

Martin Sollis referenced the table outlining performance against the revenue resource performance statutory duty, stating that he would expect to see such detail included within the annual governance statement. Lynne Hamilton undertook to work with Pam Wenger to address this.

LH/PW

Martin Sollis stated that it was important to note that the requirement to have an approved IMTP was not a financial statutory duty, rather a planning one. Lynne Hamilton concurred but added it was aligned with the requirement to financially balance, therefore the two duties were strategically linked. Pam Wenger suggested that the final version of the accounts could make specific reference to the relevant sections of the financial act and then outline performance against each of the duties.

LH/AB

Martin Sollis queried whether it was the failure to meet the IMTP statutory duty that resulted in health boards having qualified accounts. Geraint Norman advised that the Auditor General's requirements for unqualified accounts were financial balance and an approved IMTP.

Martin Sollis commented it was pleasing to see the increase in investment within primary care as this should be the trend as more services become community-based. Martyn Waygood concurred, and queried whether the provision of the anti-coagulant warfarin within the community would reduce such expenditure within hospitals. Andrew Biston advised that this was the anticipated outcome.

Martyn Waygood noted the increase in prescribed drugs and queried whether GPs were monitored to ensure that they were prescribing appropriately. Lynne Hamilton confirmed that the pharmacy team in ABMU had developed dashboards which could enable benchmarking.

Lynne Hamilton stated that significant data had been collated with regard to clinical consumable expenditure with a view to mobilising that particular recovery and sustainability workstream.

Martin Sollis noted that hospital and community drugs expenditure had plateaued this year and queried whether this could be sustained. Lynne Hamilton advised that this was the aim and a discussion had taken place at the all-Wales directors of finance meeting as to how to use the efficiency framework to compare health boards' performance and develop a consistent approach. Martin Sollis stated that the good performance in this area needed to be acknowledged at the board.

LH/AB

Martin Sollis commented that it was important that all recruitment

was monitored closely to ensure appointments were relevant and appropriate. He added that this was particularly true for replacement posts as consideration needed to be given as to whether it was necessary to recruit into the role or whether the service could be redesigned. Lynne Hamilton responded that the workforce workstream would be focussing on this with the units business and finance partners, particularly in regard to assumptions made for vacant posts.

Martin Sollis stated that further context was required in relation to the change in discount rate for clinical negligence cases.

Martin Sollis queried whether the table in the presentation could be used within the narrative of the accounts to clarify the position regarding the IMTP, as the health board had a one-year plan in lieu of this. Andrew Biston stated that the guidelines were restrictive as to what could be included within the narrative however Welsh Government had issued a suggested form of words for one-year plans the previous day which could be incorporated.

Martin Sollis referenced the related party transactions paid to organisations for which board members had expressed an interest, noting that the amounts were outlined by the individual. He added it would also be useful to know the organisations. Geraint Norman advised that the current presentation was in-line with the manual for accounts and other health boards took a similar approach.

Martin Sollis complimented the approach to the annual accounts, stating that all the major judgements and estimates had been covered and the work undertaken by the accounts team had been exemplary.

Geraint Norman stated that no significant issues had been identified to date during the audit of the accounts and offered his thanks to Lynne Hamilton, Andrew Biston and the team for the speed and quality of the information provided. He added that a meeting had been arranged for the following week to discuss the ISA 260 report.

- Resolved:**
- The report be **noted**.
 - Table outlining performance against the revenue resource performance statutory duty be included within the annual governance statement.
 - The annual accounts 2017-18 be updated in-line with the discussion.

105/18 DRAFT REMUNERATION REPORT

The draft remuneration report for 2017-18 was **received**.

In introducing the report, Andrew Biston highlighted the following points:

- It was proving challenging to obtain pension information for one board member and as such, discussions would be required as to the narrative within the disclosure should the

LH/AB

LH/PW

LH/AB

	<p>information not be forthcoming;</p> <ul style="list-style-type: none"> - This was the first year for which board secretaries were required to be included; - Staff sickness information had now been received and would be included in the final iteration; - Comments had been received from Wales Audit Office and the relevant amendments were to be incorporated. <p>In discussing the report, the following points were raised:</p> <p>Martin Sollis noted that the board had undergone a significant change in membership and asked that start or finish dates be added to the relevant entries as this would explain salary variations. He also suggested that a narrative be added to explain benefits in kind. Andrew Biston undertook to include these and clarified that benefits in kind referred to lease cars.</p> <p>Martin Sollis queried whether the draft report was reviewed by the Remuneration and Terms of Service Committee. Pam Wenger advised that this could be considered as part of the process for future years.</p> <p>Martyn Waygood noted that his start date was stated as October 2017, adding that he commenced with the health board in June 2017 but was non-remunerated until October 2017.</p> <p>Martin Sollis stated that as the two highest paid members of staff were not the Chief Executive or Medical Director, a note should be added by way of explanation. Andrew Biston undertook to include this but clarified that it related to waiting list initiatives.</p>	
Resolved:	<ul style="list-style-type: none"> - The report be noted. - The report be updated in-line with the discussion. 	LH/AB
106/18	<p>HEAD OF INTERNAL AUDIT OPINION (FINAL) AND ANNUAL REPORT</p> <p>The head of internal audit annual report, including the final audit opinion, was received.</p> <p>In introducing the report, Neil Thomas highlighted the following points:</p> <ul style="list-style-type: none"> - The annual report summarised the work of internal audit during 2017-18 and included the head of internal audit opinion; - Five of the eight domains had an overall rating of <i>reasonable assurance</i>, while the others were <i>limited assurance</i>; - The overall internal audit opinion for the year was <i>limited assurance</i> and organisational context had now been included; - A small number of the reports within the audit plan for 2017-18 were in draft and would be finalised shortly however the 	LH/AB

ratings will remain unchanged and there would be no change to the overall opinion;

- There were a number of assignments that had been mandated nationally. Most of these had been reported during the year and were listed. The outcomes from two were presented within the annual report itself: health and care standards and the governance and accountability board self-assessment processes.

In discussing the report, the following points were raised:

Martin Sollis referenced the details included for hosted NHS services and queried whether the committee could take assurance from this. Neil Thomas confirmed that it could as anything pertinent would be raised within the report. Pam Wenger added that host organisations would also circulate annual governance statements.

Martin Waygood complimented the internal audit on a very professional report. Pam Wenger concurred, adding her thanks to the team with whom she had been working closely on the annual governance statement.

Resolved: The report be **noted**.

107/18 POST-PAYMENT VERIFICATION REPORT

The post-payment verification report was **received**.

In discussing the report, Martin Sollis suggested that he and Lynne Hamilton meet with the post-payment verification team and primary and community services team to discuss how to improve the report in order for the committee to gain more assurance. This was agreed.

MS/LH

- Resolved:**
- The report be **noted**.
 - Martin Sollis and Lynne Hamilton to meet with the post-payment verification team and primary and community services team to discuss how improve the report in order for the committee to gain more assurance.

MS/LH

108/18 LOCAL COUNTER FRAUD SERVICE ANNUAL PLAN 2019-19

The local counter fraud service annual plan for 2018-19 was **received**.

In introducing the report, Len Cozens highlighted the following points:

- The annual plan for 2018-19 had been reviewed and signed-off by Lynne Hamilton;
- The structure remained consistent with previous years and it provided time to meet the national standards for the counter fraud service as well as capacity to undertake investigations;
- This would be the second year that the service provided support to Powys teaching Health Board and positive

feedback had been received from the previous year.

In discussing the report, the following points were raised:

Martin Sollis stated that the counter fraud reports were always very professional. He added that it was difficult to plan counter fraud work but the committee was available to provide support in any way that it could. Len Cozens advised that as some of the casework could be reactive, there was national oversight to quality assure the process, including timeliness, and the service was yet to be penalised for taking too long for an investigation.

- Resolved:**
- The report be **noted**.
 - The counter fraud annual plan 2018-19 be **approved**.

LC

109/18 HOSPITALITY REGISTER

A report outlining the hospitality register was **received**.

In introducing the report, Pam Wenger stated that the health board's hospitality process required a significant review in order to strengthen the policy however in the meantime, staff had been reminded of their responsibilities to make declarations.

In discussing the report, Martin Sollis commented that the process did need to improve, but if it was going to take time to develop a consistent approach, board members, senior managers, procurement and estates should be the first focus, with clinicians in the second stage. Len Cozens concurred, stating that secondary employments also needed to be better reported.

- Resolved:** The report be **noted**.

110/18 ANY OTHER BUSINESS

There was no further business and the meeting was closed.

111/18 NEXT MEETING: Wednesday, 30th May 2018 at 10am.