

## UNCONFIRMED

### SWANSEA BAY UNIVERSITY HEALTH BOARD MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON WEDNESDAY 27<sup>TH</sup> MAY 2020 IN THE MILLENNIUM ROOM, SBU HQ AND SKYPE

<b>Present:</b>	Martin Sollis Nuria Zolle Tom Crick	Independent Member (in the chair) Independent Member Independent Member
<b>In Attendance:</b>	Darren Griffiths Gareth Howells Andrew Biston Neil Thomas Helen Higgs Jason Blewitt Mike Usher Daniel King Pam Wenger Claire Mulcahy	Interim Director of Finance Director of Nursing and Patient Experience Head of Accounting and Governance Internal Audit Internal Audit Audit Wales Audit Wales (Observing) Audit Wales (Observing) Director of Corporate Governance Corporate Governance Manager
<b>Minute</b>		<b>Action</b>
<b>56/20</b>	<b>WELCOME AND APOLOGIES FOR ABSENCE</b>	
	Martin Sollis welcomed all to the meeting, in particular Mike Usher and Daniel King from Audit Wales who were attending the meeting for the first time.  There were no apologies for absence.	
<b>57/20</b>	<b>DECLARATION OF INTERESTS</b>	
	There were none.	
<b>58/20</b>	<b>REVIEW OF ANNUAL ACCOUNTS (DRAFT)</b>	
	A report and presentation outlining the draft annual accounts for 2019-20 were <b>received</b> .  In introducing the report, Darren Griffiths and Andrew Biston highlighted the following; <ul style="list-style-type: none"><li>- As a result of the COVID-19 pandemic, the submission of accounts had been extended to the 22<sup>nd</sup> May 2020;</li><li>- The draft annual accounts were the first set of accounts for the Swansea Bay University Health Board following the Bridgend boundary change;</li><li>- The audited accounts, to be ratified by the Board on the 25<sup>th</sup> June 2020 will be submitted to Welsh Government on Tuesday, 30<sup>th</sup> June 2020;</li></ul>	

- The requirement for the health board to remain within its revenue resource limit for 2019/20 was not achieved, it exceeded its limit by £16.284m for the current year although this was within the agreed control total of £16.3m;
- Net operating costs for the year were £929.954m which was 1.78% above the revenue resource funding;
- Over a rolling 3 year period, the health board exceeded its resource limit by £58.580m;
- The health board received £15.3m repayable cash support in 2019-20. The accumulated cash only support from Welsh Government was £78.571m as at the 31<sup>st</sup> March 2020;
- The health board achieved the target to remain within its capital resource limit, with an underspend of £0.028m in 2019/20;
- The financial duty to have a three year approved Integrated Medium Term Plan was not achieved for 2019/20;
- Compliance with the Public Sector Prompt Payment guidance was not achieved, with performance being at 94.3% against the 95% target. This was primarily due to cash management issues in December 2019 and January 2020;
- An analytical review of the net expenditure across primary care, healthcare from other providers and hospital and community services was outlined to the committee and the high level issues were highlighted as follows;
  - Expenditure on goods and services from other NHS Wales Health Boards almost doubled from £21.969m to £42.043m primarily as a result of service level agreements now in place with Cwm Taf Morgannwg UHB following the Bridgend Boundary Change;
  - Staff costs for 2019/20 included £23.854m for the 6.3% increase in employer pension contributions funded by Welsh Government;
  - The total value of property plant and equipment reduced by £148.925m primarily as a result of the Bridgend boundary change;
  - Trade and other liabilities reduced by £27.473m primarily due to the Bridgend boundary change and the reduction in the PFI deferred creditor;
  - There was an overall reduction in clinical negligence and personal injury provisions in 2019-20, which saw a reduction of £11.334m. Cases have reduced from 396 to 346.

In discussion of the presentation and the draft annual accounts, the

	<p>following points were raised:</p> <p>Martin Sollis advised that he had contacted Andrew Biston separately with detailed comments on the draft accounts. He stated that key issues had been covered off within the presentation but there were some areas he would follow up on.</p> <p>Regarding the 26.3% variance in the estimate in Primary Care and Prescribing expenditure, Andrew Biston advised that the same methodology was used in previous years to estimate the last two months of expenditure. However because COVID -19, changes made in March 2020 in relation to the issuing of 12 week prescriptions had materially increased costs by £900k, it was agreed that actual costs would be used instead of the estimate. Welsh Government were currently working through the position with all health boards and they were likely to issue a late additional allocation to health boards to cover the increases. The health board will be required to change the accounts to reflect this change but it would have no impact on the reported performance.</p> <p>Concerning the NHS pensions increase, Martin Sollis commented that he felt the inclusion of the 6.3% notional funding throughout the accounts was unusual as this had been paid directly to the NHS Pension's Agency. Mike Usher informed members that this was a requirement across all health boards from Welsh Government;</p> <p>Martin Sollis advised that he was glad to see a COVID-19 note within the accounts. This would be an exceptional item in terms of a comparison to previous years and he envisaged that this would be a major issue to cover within the 2020/21 accounts process.</p> <p>Tom Crick referred to the increase in agency costs, advising that this had been a Workforce and OD Committee focus over the last 6 months. He stated that he felt assured by the explanation of it in terms of the implementation of the Nurse Staffing Levels (Wales) Act 2016. Gareth Howells further added that the increase in agency cost needed to be brought into context with both the act and the surge of non-funded beds for urgent care. It was important to compare usage especially with the vacancy rates as last year there were around 400 nursing vacancies and this year there had been as many as 50 extra beds open in terms of extra urgent care.</p> <p>Gareth Howells made the reflection that it was important not to lose pace in the improvement made with costs of continuing health care (CHC). Good progress had been made with local authorities in terms of the splitting of the children's costs. Martin Sollis stated that the Board needed to ensure that this was picked up as part of our innovation and improvements work to ensure it was pushed forward next year. He requested that Gareth Howells raise this at the Recovery Group in order to take this forward. Darren Griffiths further advised that CHC was also within the pipeline savings opportunities and would also be picked up as part of this programme.</p> <p>Nuria Zolle made reference to recent media discussions in which historical NHS debt in England would be written off following the</p>	<p><b>GH</b></p>
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	<p>pandemic. Darren Griffiths advised that while there had been no discussions of this at All-Wales Directors of Finance Group, it was important for the health board to understand how we would recover and adjust for COVID-19 in terms of funding, However no specific conversations have occurred on the treatment of deficits to date. Martin Sollis added that it was important for the health board to work towards returning to a balanced position first. As part of Targeted Intervention, the Board need to ensure its plans were in place to demonstrate that a sustainable position could be achieved in future.</p> <p>Martin Sollis gave his thanks to Andrew Biston and his team for the great work undertaken in preparation of the accounts.</p>	
<b>Resolved:</b>	<ul style="list-style-type: none"> <li>- Gareth Howells to raise the issue of progress of CHC savings in relation to innovations and improvements at the next Recovery Group.</li> <li>- The Audit Committee to <b>note</b> the current draft annual accounts for 2019/20 and to further note that any issues or changes that may arise from the ongoing audit of the account by Audit Wales and others would be reported at the next meeting on 25<sup>th</sup> June.</li> </ul>	<b>GH</b>
<b>59/20</b>	<b>REMUNERATION AND STAFF REPORT (DRAFT)</b>	
	<p>The draft remuneration report for 2019-20 was <b>received</b>.</p> <p>In introducing the report, Andrew Biston highlighted the following points:</p> <ul style="list-style-type: none"> <li>- The report forms part of the accountability report;</li> <li>- The report provided information in relation to Executive Directors, Independent Members and Board Secretary remuneration;</li> <li>- It also included information on staff numbers, composition and sickness absence data, consultancy expenditure, off-payroll engagements and exit packages;</li> </ul> <p>In discussing the report, the following points were raised:</p> <p>Andrew Biston advised that the report was currently being audited. He advised that typographical errors on page 8 and page 10 had been picked up and would be amended. Concerning the Director of Finance compensation payment, an explanatory note had been added to the report. Pam Wenger suggested some minor amendments in terms of an update to some Directors and the Chair's job titles.</p> <p>Martin Sollis queried whether the report had been circulated for comment to those included due to the sensitivity of the information. Andrew Biston added that Board members had received letters, there had been no disputes regarding the information. Pam Wenger further advised that the report had not yet been through Executive Team but this would take place within the next week.</p>	

<b>Resolved:</b>	- Subject to the minor amendments, the draft report was <b>approved.</b>	
<b>60/20</b>	<b>“AUDIT ENQUIRIES TO THOSE CHARGED WITH GOVERNANCE AND MANAGEMENT” REPORT</b>	
	<p>A report in response to the letter from the Auditor General for Wales was <b>received.</b></p> <p>In introducing the report, Pam Wenger highlighted the following points:</p> <ul style="list-style-type: none"> <li>- The health board were required to provide information on a number of the governance areas that impact on the health board’s financial statements audit and to provide evidence of how management and those charged with governance were discharging their responsibilities;</li> <li>- The draft response had been received at the previous Audit Committee and this was the amended version.</li> <li>- Audit Wales had made some suggestions outside of the committee regarding the strengthening of the COVID-19 response.</li> </ul>	
<b>Resolved:</b>	- The committee <b>approved</b> the response subject to the amendments suggested by Audit Wales.	<b>PW</b>
<b>61/20</b>	<b>RESPONSE TO ACCOUNTABLE OFFICER LETTER</b>	
	<p>A report outlining the response to the Welsh Government Guidance (COVID-19 Decision Making &amp; Financial Guidance) was <b>received.</b></p> <p>In introducing the report, Darren Griffiths highlighted the following points;</p> <ul style="list-style-type: none"> <li>- The guidance letter was received from the NHS Wales Director General on the 30<sup>th</sup> March 2020;</li> <li>- The health board had seen its first COVID-19 patient on the 28<sup>th</sup> February 2020 in which considerable work had been undertaken for around 3 weeks prior to the guidance being issued;</li> <li>- The guidance was structured into a number categories which included financial governance, core financial systems and processes and counter fraud;</li> <li>- The report set out how the health board has responded to each of the aspects and these remain under constant review as the pandemic develops;</li> <li>- A decision log is capturing decisions made in real time and this is a key part of the health board’s record keeping and governance record;</li> <li>- The health board’s response would benefit from internal audit scrutiny.</li> </ul>	



	<p>learning, the gathering and analysis of information and disseminating to the public service bodies. He added that there needed to be an element of pragmatism and realism in the scrutiny of work undertaken during the pandemic, brave and urgent decisions have had to be made and auditors would take a reasonable approach. In terms of expenditure decisions, they will be looking at what information was available when the decision was made; whether everything was appropriately documented and also the value for money element.</p> <p>Martin Sollis thanked Mike Usher for the guidance and insight into the pragmatic approach that would be adopted .</p>	
	<ul style="list-style-type: none"> <li>- Martin Sollis requested an update at next committee, which outlines the Local Counter Fraud response to COVID-19.</li> <li>- To receive the COVID-19 Decision Log at the next committee.</li> <li>- The report was <b>noted</b>.</li> </ul>	<p><b>DG</b></p> <p><b>DG</b></p>
<b>62/20</b>	<b>EMERGENCY MEDICAL RETRIEVAL AND TRANSFER SERVICE (EMRTS) ANNUAL REPORT 2019-20</b>	
	<p>The annual governance report from Emergency Medical Retrieval and Transfer Service (EMRTS) was <b>received</b>.</p> <p>In introducing the report, the following points were raised;</p> <ul style="list-style-type: none"> <li>- During 2019-20, the hosted agencies sub-committee was stood down;</li> <li>- As part of the governance arrangements, it was agreed that an annual governance report would be received at Audit Committee</li> </ul> <p>In discussion, the following points were raised;</p> <p>Tom Crick commented as the Chair of the previous hosted agencies sub-committee, that he felt happy with the content of the report and felt assured with the governance arrangements in place.</p> <p>Martin Sollis queried the clinical governance element of the report; Pam Wenger advised that representatives from EMRTS attend Quality and Safety Committee to present the clinical governance report on a quarterly basis. The Quality and Safety committee is attended by key individuals within the health board including the Medical Director in which assurance is sought and scrutiny is provided if needed.</p>	
<b>Resolved:</b>	The report be <b>noted</b> .	
<b>63/20</b>	<b>ANY OTHER BUSINESS</b>	
	There was no further business and the meeting was closed.	
<b>64/20</b>	<b>NEXT MEETING: Thursday, 9<sup>th</sup> July 2020.</b>	

