

Betsi Cadwaladr University Health Board

Minutes of the Extraordinary Audit Committee held on 24 August 2023, Conference Room, Optic Centre, St Asaph

Present	
Name	Title
Karen Balmer	Independent Member, Chair
Dyfed Jones	Independent Member
In attendance	
Jason Brannan	Deputy Director of Workforce and OD
Clare Budden	Independent Member
Russell Caldicott	Interim Executive Director of Finance
Simon Cookson	Director of Audit and Assurance, Internal Audit (via link)
Richard Coxon	Interim Head of Corporate Affairs (minutes)
Andrew Doughton	Audit Wales
Dyfed Edwards	Independent Member/Health Board Chair
Matt Edwards	Audit Wales
Andrea Hughes	Interim Director of Finance
Rhian Watcyn Jones	Independent Member
Dr Nick Lyons	Executive Medical Director
Phil Meakin	Interim Board Secretary
Michelle Phoenix	Audit Wales Performance Lead
Carol Shillabeer	Interim Chief Executive Officer
Tony Utle	Interim Director of Finance
Angela Wood	Executive Director of Nursing & Midwifery

Agenda item	Action
OPENING BUSINESS	
<p>AC23.54 Welcome introductions and apologies</p> <p>AC23.54.1 Karen Balmer, Independent Member and Chair (Chair) of the Audit Committee welcomed everyone including her fellow Health Board members to the Extraordinary Audit Committee to approve the 2022/23 Annual Accounts. She thanked all parties for their efforts to get to this point and outlined a full agenda.</p> <p>AC23.54.2 Apologies were received from:</p> <ul style="list-style-type: none"> • Gareth Evans, Acting Director of Therapies & Health Science • Dave Harries, Head of Internal Audit • Nicola Jones, Deputy Head of Internal Audit • David Jenkins, Welsh Government Adviser • Prof Mike Larvin, Independent Member • Simon Monkhouse, Audit Wales • Teresa Owen, Executive Director of Public Health 	



<ul style="list-style-type: none"> • Fôn Roberts, Associate Member • Chris Stockport, Executive Director of Transformation and Planning • Gareth Williams, Independent Member • Karl Woodward, Head of Local Counter Fraud Services 	
<p>AC23.55 Declarations of interest on current agenda</p> <p>AC23.55.1 There were no declarations of interest noted.</p>	
AC23.58 ANNUAL ACCOUNTS 2022-23	
<p>AC23.59 Annual Accounts 2022-23 and Publications</p> <p>AC23.59.1 Mr Russell Caldicott (RC), Interim Executive Director of Finance introduced the presentation which had been circulated prior to the meeting. RC had met with both Audit Wales and Welsh Government to ensure they were content with the approach being taken.</p> <p>AC23.59.2 The Annual Report and Accounts 2022/23 had been split into four sections for review:</p> <ul style="list-style-type: none"> • Part A Audited Annual Accounts 2022/23 • Part B Audit Wales • Part C Annual Report 2022/23 • Part D Annual Governance Statement 2022/23 	
<p>AC23.60 Audited Annual Accounts 2022/23</p> <p>AC23.60.1 RC presented the Annual Accounts 2022/23. The 2022/23 unaudited Annual Financial statements were submitted to Welsh Government and Audit Wales on 5 May 2023, with the draft accounts presented to Audit Committee in May 2023 and further reviewed at the Audit Committee Workshop on the 24 July 2023.</p> <p>AC23.60.2 RC confirmed that the Health Board was unable to file the audited accounts as required by Welsh Government on the 31 July 2023 due to some difficulties during the audit. Audit Wales findings identified a number of non-material adjustments/ unadjusted misstatements, with management actioning the changes where practical to do so. Two key findings from Audit Wales were:</p> <ul style="list-style-type: none"> • The outturn for the year from draft to final remains consistent • The closing balances contained within the Balance Sheet for 2022/23 are supported by Audit Wales as being a true and fair view of the closing position for the Health Board <p>AC23.60.3 The Health Board Accounts for 2022/23 will receive an adverse opinion (Qualification) owing to the 2021/22 opinion and a regulatory breach in approval of an interim appointment. Carol Shillabeer, Interim Chief Executive Officer (CEO) added that it was a very difficult position for the Board to be in and to have the accounts qualified is a significant issue.</p>	



She acknowledged the Health Board open the new year accounts in a much stronger position but that there is more work to do to further strengthen the governance, recognising the challenges ahead.

AC23.60.4 Gareth Williams, Independent Member, had submitted comments and questions through the Interim Board Secretary as he was unable to attend the meeting.

AC23.60.5 Trade and other payables outstanding - £237m – this seems very high given achievement of 95% target in paying non-NHS bills. Largest item Non-NHS accruals – are these items not yet invoiced? RC responded, The 95% target relates to the public payment policy for invoices. The largest item relates to primary care payments which are direct payments not invoices and are paid in arrears hence the inclusion within the Trade Payables. This area also includes items such as HMRC and Pensions.

AC23.60.6 Expenditure on staff – up by over 10% compared to previous year. Number of staff though increased by only 3%. Do national pay awards really account for this – seems high? Or is mix of grades changing? RC responded, The pay awards for 22/23 do represent a significant part of the change – they include 4.95% plus a further 3.0% (1.5% non-consolidated and 1.5% consolidated). They also include the ENIC Levy for the April to October period.

AC23.60.7 Agency staff pay increase concerning as we know but it is striking that 41% or £30million (a 50% increase on previous year) is spent on 'other staff', Would be useful to know what proportion of this are patient-facing, allied professions and what back office. RC responded, The majority of Agency costs are incurred on patient facing and allied professional roles. Whilst there is Agency spend coded to A&C staff, many of these are also in patient facing roles.

AC23.60.8 Following consideration of Audit Wales findings on review of the Financial Statements, the Audit Committee agreed that they would recommend adoption of the 2022/23 Annual Accounts to the Health Board.

AC23.61 Audit Wales

AC23.61.1 Matt Edwards, Audit Wales presented the report and it was noted that a significant amount of work had been undertaken post submission to resolve accuracy issues, and a significant number of amendments had been made in appendix four.

AC23.61.2 The Committee were briefed that the Auditor General for Wales intends to issue a qualified "true and fair" audit opinion as he has been unable to obtain sufficient appropriate audit evidence that the opening balances of accruals and payables brought forward from the 2021/22 financial year, along with related expenditure, has been accounted for in



the correct accounting period. The audit opinion will also be qualified as the Health Board incurred irregular expenditure and breached its standing financial instructions in making payments to an Interim Executive member of the Board.

AC23.61.3 ME alerted the committee to the volume of adjustments/corrections to the accounts which was higher than normal due to staff turnover/ capacity issues and a higher volume of staff without the historical knowledge of the financial year in question. It was unanimously agreed that the situation was unacceptable and that the health board could not find itself in this position again. Furthermore, the audit committee would be monitoring recruitment and retention issues within the finance dept going forward.

AC23.61.4 The Chair invited questions from the Committee. RC confirmed we wanted an open and transparent set of accounts and there were three uncorrected misstatements that were not changed. The three adjustments were not material and the Committee were drawn to page 15 of the letter of representation for further rationale. In response to a direct question from the Chair, Audit Wales confirmed that the uncorrected misstatements were not material and that as BCUHB's auditors were not recommending any further action to correct these.

AC23.61.5 Gareth Williams had submitted a question which was "how confident are we that we can reduce the level of errors below the materiality threshold". RC highlighted the opportunities that are available to resolve some of these issues in the future, which included sharing information, strengthening the technical team in finance and communicating with Audit Wales and Audit Committee.

AC23.61.6 The Chair acknowledged where we were and the balance of needing to be open and transparent. Progress had been made and more things for the Board to explore and recognised the additional time that had been taken to correct the errors and thanked all of the colleagues at Audit Wales for their effort and support who went above and beyond what was asked of them.

AC23.61.7 Gareth Williams had submitted: Noting staff changes and shortages have not helped the current situation, what assurance is there that any systemic issues have been addressed? The CEO also recognised the efforts of the finance team to deliver these accounts. Planning, tracking and escalation needs to be in place so we fundamentally change the system and processes around the SO, SFI, SoRD and senior managers will have the same training as well as procurement training. These will be undertaken as a matter of priority.

AC23.61.8 The Chair of the Audit Committee endorsed the considerable effort of all parties involved.

<p>AC23.61.9 ME advised that the annual audit had been undertaken under the new revised standard which was more granular in its approach. The new standard had been adopted as a result of the collapse of Carillion.</p> <p>AC23.61.9 The Audit Committee noted the content of the report and any recommendations included within the Auditor General for Wales report to the Senedd.</p>	
<p>AC23.62 Annual Report 2022/23</p> <p>AC23.62.1 The CEO presented the Annual Report for 2022/23 recognising that she has not been in post during the time period but thanked colleagues for their support. It is a requirement to produce an Annual Report and an Annual General Meeting (AGM) which would be on the 27 September 2023 and offers the public with an opportunity to engage and ask questions of the Health Board.</p> <p>AC23.62.2 The CEO confirmed that the Annual Report was compliant but drew attention to the performance section where there were a significant number of performance issues which align to the special measures' activity.</p> <p>AC23.62.3 It was agreed that sustainability was important and the Board should revisit.</p> <p>ACTION: The Executive Director of Finance to consider where this is best placed to enable the Board to look at sustainability.</p> <p>AC23.62.4 The CEO reminded the Committee that it is currently in the stabilisation phase of work.</p> <p>AC23.62.4 Gareth Williams submitted a question about the length of the report. It was confirmed that this was a statutory duty but looking forward to the AGM, a user-friendly public facing version would be produced along with a translated Welsh version.</p> <p>AC23.62.5 Gareth Williams noted that NHS Wales had adopted the National Living Wage of £9.90 an hour. Assurance was sought that this wasn't what used to be called the national minimum wage. If it, was it was inappropriate to say we adopted it as it was mandated?</p> <p>ACTION: Confirmation to be sought outside of this meeting</p> <p>AC23.62.6 The Committee approved the content of the Annual Report for submission to Welsh Government and for publication.</p>	<p>RC</p> <p>JB</p>
<p>AC23.63 Annual Governance Statement 2022/23</p> <p>AC23.63.1 Phil Meakin (PM), Interim Board Secretary presented the item</p>	



<p>and confirmed that the most current version of the Annual Governance Statement had been uploaded to iBabs. He explained that the Annual Governance Statement and the Annual Accounts all became part of the Annual Report. It was highlighted that there had been a number of amends to get the report right both from Audit Wales and the Office of the Board Secretary.</p> <p>AC23.63.2 PM highlighted that the section on the standing orders had been strengthened and the risk section had updated controls. There were significant rewrites in the committee and membership attendance and the remuneration sections to improve its accuracy and this has been verified with Audit Wales.</p> <p>AC23.63.3 It was noted that there were two sections both given the number 23.2.</p> <p>ACTION: The Board Secretary to amend</p> <p>AC23.63.4 The CEO drew out the weaknesses that exist in the risk management arrangements and what was being done about it, culminating in a new framework being submitted to the Board in September for approval as well as some board effectiveness work which is being planned with Audit Wales. The current internal controls have some limitations which are clear as well as some services that require significant improvement</p> <p>AC23.63.5 The CEO confirmed that they intend to bring an integrated planning framework to the Board shortly. Whilst the year started with targeted intervention, and ended with special measures, there is progress and more can be made. The CEO advised of the internal audit's limited assurance opinion, the improvements recommended by HCIWand that the IMTP had not been approved. The CEO add ed that it will take time and energy but the improvement journey has already begun.</p> <p>AC23.63.6 The Audit Committee agreed that they would recommend adoption of the 2022/23 Annual Governance Statement to the Health Board and reiterated the plan to retain oversight of the improvement plans in train through special measures.</p>	<p>PM</p>
<p>AC23.64 Head of Internal Audit Opinion</p> <p>AC23.64.1 Simon Cookson, Director of Audit and Assurance, Internal Audit presented the report. He explained that the Head of Internal Audit (HIA) is required to provide an annual opinion, based upon and limited to the work performed on the overall adequacy and effectiveness of the Health Board's risk management, control and governance processes. SC confirmed that Internal Audit were providing a Limited Assurance opinion for 2022/3.</p> <p>AC23.64.2 SC added that there were a number of areas where there was</p>	



<p>limited or no assurance taken from the audit work that was undertaken:</p> <p>AC23.64.3 The Chair of the Audit Committee stressed the need to work through these considering how the Health Board can strengthen controls through the next audit programme.</p> <p>AC23.64.4 The Audit Committee noted and received the Head of Internal Audit opinion and annual report for 2022/23.</p>	
<p>AC23.65 Structured Assessment 2022/23</p> <p>AC23.65.1 2022/23 structured assessment is a review undertaken across all statutory bodies across Wales looking at governance including finance, planning and strategy. The structured assessment review was completed by Audit Wales and first submitted to the Audit Committee in May 2023.</p> <p>AC23.65.2 The report has now been updated to include the management response. The Committee were mindful of not duplicating effort and so the board effectiveness report is now in the board effectiveness review.</p> <p>AC23.65.3 PM thanked the team at Audit Wales for their flexibility with an acknowledgement for their support during a busy period and in particular, the positive working relationship with the administration teams was noted.</p> <p>AC23.65.4 The CEO added that the work to be done aligns to the special measures work and we can avoid duplication. The findings were clear and will be addressed. Dyfed Edwards, Chair of the Health Board as an observer (not a member of Audit Committee) addressed the committee adding that the SAR is a very important piece of work for the committee. Clarity was sought by DE that the report referred to 2022/23 rather than a calendar year. ME confirmed that the finances refer to a financial year and the other work to a point in time when the work was undertaken</p> <p>AC23.65.5 The Committee Chair confirmed our commitment to timely responses and apologised to our colleagues on behalf of the Health Board.</p> <p>AC23.65.6 The Audit Committee received the Structured Assessment 2022–23.</p>	
<p>AC23.66 Audit Wales - Audit Committee Update</p> <p>AC23.66.1 Michelle Phoenix, Audit Wales, presented the Audit Wales Update report which provided the Audit Committee with an update on the work Audit Wales were undertaking with the Health Board.</p> <p>AC23.66.2 It was noted that the Charitable Funds audit will occur towards the end of the year due to financial reporting window to the Charity Commission.</p>	



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<p>AC23.66.3 Andrew Doughton, Audit Wales noted that there would be some follow up work on the board effectiveness review . The Chief Executive welcomed this but reminded that we must be realistic in terms of improvement trajectories.</p> <p>AC23.66.4 The Audit Committee received the Audit Wales Update Report.</p>	
ITEMS FOR NOTING	
<p>AC23.67 Annual Report of Local Counter Fraud Service Work 2021 - 2022</p> <p>AC23.67.1 Karl Woodward, Head of Local Counter Fraud Services, had presented the report which should have gone to the Audit Committee meeting in October 2022 in the Audit Workshop in July. He was unable to attend today's meeting but would bring the Annual Report of Local Counter Fraud Service Work 2022 – 2023 to the next meeting.</p> <p>AC23.67.2 The Committee received and noted the report.</p>	
AC23.68 CLOSING BUSINESS	
<p>AC23.69 Reflections on meeting</p> <p>The Chair thanked all those in attendance for their contribution to the meeting discussions.</p>	
<p>AC23.70 New Risks</p> <p>There were no new risks identified during the meeting.</p>	
<p>AC23.71 Date of Next Meeting</p> <p>The date of the next meeting – 15 September 2023.</p>	