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Bwrdd Iechyd Prifysgol
Betsi Cadwaladr
University Health Board

**Betsi Cadwaladr University Health Board (BCUHB)
Minutes of the Extraordinary Public Health Board meeting
on 24 August 2022 via Zoom conferencing**

Present:

Mark Polin, Chairman of the Board
Nichola Callow, Independent Member
John Cunliffe, Independent Member
John Gallanders, Independent Member
Gareth Evans, Acting Executive Director of Therapies and Health Sciences
Gill Harris, Deputy Chief Executive/Executive Director of Integrated Clinical Services
Hugh Evans, Independent Member
Sue Hill, Executive Finance Director
Jackie Hughes, Independent Member
Medwyn Hughes, Independent Member
Dr Nick Lyons, Executive Medical Director
Molly Marcu, Interim Board Secretary
Richard Micklewright, Independent Member
Lucy Reid, Independent Member and Vice-Chair of the Board
Fon Roberts, Associate Board Member
Jo Whitehead, Chief Executive
Jane Wild, Associate Board Member

In Attendance:

Matthew Edwards, Audit Wales
Lowri Gwyn, Translation
Fiona Lewis, Governance Officer
Simon Monkhouse, Audit Wales
Philippa Peake-Jones, Head of Corporate Affairs
Michelle Phoenix, Audit Wales
Dylan Roberts, Chief Digital and Information Officer
Llinos Roberts, Business Support Manager
David Seabrooke, Interim Assistant Director of Governance
Dawn Sharp, Assistant Director, Deputy Board Secretary
Helen Stevens-Jones, Director of Partnership, Communication and Engagement
Dave Thomas, Audit Wales

| Agenda Item | Action |
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| <p>22.176 Opening Business – Apologies for Absence</p> <p>22.176.1 The Chairman welcomed attendees including the new Associate Board Member Fon Roberts to the meeting and stated that apologies had been received from Linda Tomos. He reminded Members that this was an extraordinary meeting of the Health Board to consider the Financial Accounts, Annual Report and Annual Governance Statement and Audit Wales Audit Report on the Financial Statements and that the meeting followed on from a meeting of the Audit Committee held earlier in the day. The Chairman then called on Independent Member, Richard Medwyn Hughes to provide an update for the Board in terms of the outcomes of the earlier Audit Committee meeting.</p> <p>22.176.2 The Chairman of the Audit Committee read out a statement on behalf of the Committee to formally record Members’ dissatisfaction in terms of the position regarding the scale and scope of internal control failures in relation to the financial statements, which had resulted in substantial delays in the completion of the audit, resulting in the Annual General Meeting being postponed to the 29th September 2022. He stated that the Committee had monitored progress of the audit through a series of meetings held on 30.6.22; 13.7.22 and most recently 22.7.22.</p> <p>22.176.3 The significant internal control failures were highlighted in the Audit Wales report and the associated qualified true and fair opinion. On 22.7.22 the Committee had received and accepted the Chief Executive’s advice not to adjust the material misstatements of £10.3m upon balancing the risk on clinical services provision for the population North Wales. This amount would move the organisation towards a savings target of £45m for 2022/23, rather than the current £35m.</p> <p>22.176.4 In accepting the position the Committee had made it clear that urgent remedial actions were required to improve the internal control environment, and would be seeking an update at the October meeting.</p> <p>22.176.5 Furthermore, on 13.7.22, the Committee had agreed to oversee an external review of the financial controls, to be undertaken upon the completion of the external Audit Wales review on 19.8.22. Initial terms of reference and scope of the review was currently being agreed with Ernst and Young, in collaboration with Audit Wales, taking into account the findings from the audit.</p> <p>22.176.6 He stated that the matters had already been escalated via his Committee Chair’s Assurance report to the Board on 4.8.22 and that as part of the escalation he had also highlighted to the Board the high number of limited assurance audit opinion reports as well as the overall limited internal audit opinion. This was also incorporated within section 21 of the Annual Governance Statement, which formed part of the agenda. He concluded by stating that whilst the Committee had endorsed the financial accounts, annual report and annual governance statement, he emphasised again the dissatisfaction around the unacceptable position that the Committee found itself in. He went on to state that</p> | |

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| <p>to this end, the Committee would closely monitor the financial controls review and the subsequent findings arising from it, noting the significant impact this would have on the 2022/23 financial statements.</p> <p>22.176.7 The Chairman of the Board thanked the Audit Committee Chair for his input and informed the Board that he intended to vary the order of business as had happened at the Audit Committee and to consider the Audit Wales Audit Report prior to considering the financial accounts.</p> | |
| <p>22.177 Opening Business – Declarations of Interest</p> <p>22.177.1 No declarations of interest were reported at the meeting.</p> | |
| <p>22.180 Audit Wales Report on the Financial Statements (taken out of agenda order)</p> <p>22.180.1 Audit Wales introduced the paper which reported the audit findings following completion of the audit of the Health Board’s 2021-22 Financial Statements. They intended issuing a qualified ‘true and fair’ audit opinion on the financial statements as they had been unable to obtain sufficient appropriate audit evidence that accruals, payables and related expenditure had been accounted for in the correct accounting period.</p> <p>22.180.2 The audit opinion in respect of the regularity of expenditure would also be qualified in two respects. Firstly, because the Health Board had not met its revenue resource allocation over the three-year period ending 2021-22 and secondly, following a Ministerial Direction, the accounts included expenditure and funding in relation to clinicians’ pension tax liabilities.</p> <p>22.180.3 A substantive report would be provided with the audit opinions, setting out further detail in respect of the matters. The substantive report would also refer to the Health Board not meeting its financial duty to have an approved three-year integrated medium-term plan for the period 2019-20 to 2021-22.</p> <p>22.180.4 The challenging nature of the audit was highlighted and Audit Wales explained that the £9.1m material misstatements related to what they could quantify and that the residual populations were what they were unable to audit based on the decision of the Finance Team being unable to support further testing.</p> <p>22.180.5 Both the Chief Executive and Executive Director of Finance expressed their sincere apologies for the position and stated that they accepted Audit Wales’ recommendations in full and would ensure that these were addressed in a proactive manner.</p> <p>22.180.6 Members queried the consequences of not having had approval for the £1.7m contract referenced within the audit report. The Executive Director of Finance responded to say that approval from Welsh Government (WG) had been sought but that WG had asked for further information. The Health Board had now responded to WG. A report would be presented to a future Board</p> | |

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| <p>meeting seeking formal approval for the contract prior to then seeking WG approval. The consequences of this had delayed the work progressing.</p> <p>22.180.6 The Chairman sought clarification on the £9.1m material misstatements and asked what actions were necessary to reconcile the position. The Executive Director of Finance responded to say that the surplus for 2021/22 had been understated but that the rolling statutory duty over the two years would be unaffected.</p> <p>22.180.7 Members sought clarification regarding the decision to cease further testing. The Executive Director of Finance explained that the decision had been taken by the Finance Team as to have continued would have placed further strain on Audit Wales and the Finance Team. Audit Wales stated that they had been prepared to continue auditing but that the Health Board had indicated that it could no longer support the audit.</p> <p>22.180.8 The Chairman stated that due deference had not been paid to the role of the Audit Committee. This had not been the best approach by the Executive Team and he did not wish to see a repeat. He emphasised the serious nature of the matter and reminded all present that was the reason for commissioning the external review and involving Audit Wales in drafting the scope of the review. In relation to the written response to Audit Wales this was to be overseen by Independent Members.</p> <p>RESOLVED: That</p> <p>(1) the content of the report be noted and the recommendations included within the Auditor General for Wales report to the Senedd (appendix 3 of the report) be accepted, namely that the Health Board:</p> <ul style="list-style-type: none"> • undertakes a comprehensive exercise to identify, and correct for, the errors in its accounting records; • identifies the corrections it needs to make to ensure that its 2022-23 accounts give a true and fair view; and • undertakes a review to understand why these issues occurred and to strengthen its controls accordingly; and <p>(2) a written response from the Health Board be provided to the Auditor General by 30 September 2022 setting out how it proposes to respond to the recommendations.</p> | JW/SH |
| <p>22.178 Financial Accounts 2021/22</p> <p>22.178.1 The Health Board had a statutory requirement to prepare a set of annual financial statements in a standard format provided by Welsh Government, with the approval of H M Treasury. The annual financial statements had been completed in accordance with the National Health Services (Wales)</p> | |

Act 2006, the Welsh Government Health Board Manual for Accounts and HM Treasury's Financial Reporting manual (FReM) in order to reflect:

- International Financial Reporting Standards (IFRS);
- Accounting and disclosure requirements of the Companies Act 2006, where appropriate;
- Any other pronouncements made, or endorsed by, the International Accounting Standards Board.

22.178.2 The unaudited annual financial statements for 2021-22 had been submitted to Welsh Government and Audit Wales on 29.4.22. Following completion of their financial audit, Audit Wales had prepared an Audit of Financial Statements Report providing a summary of amendments made to the unaudited financial statements along with findings and recommendations arising from their audit work.

22.178.3 The audited annual financial statements required approval by the Audit Committee prior to submission to Welsh Government and the Auditor General for Wales. Members acknowledged that the Audit Committee had met earlier in the day and had recommended approval of the 2021/22 annual financial statements to the Board.

22.178.4 The Executive Director of Finance presented the report and highlighted that Audit Wales had identified a number of issues within the accounts finally concluding at £9.1m material misstatements. She recommended approval of the accounts, recognising that mitigations were being put in place as outlined in the earlier item.

RESOLVED: That the Health Board's 2021-22 annual financial statements be approved.

22.179 End of Year Reporting 2021/22

22.179.1 The Interim Board Secretary presented the report. The Annual Governance Statement (AGS) was part of the Health Board's statutory Annual Report to Welsh Government. Its content was in a standard format in accordance with the reporting arrangements prescribed in the Manual for Accounts.

22.179.2 The delay in the receipt of the final audited accounts had resulted in the Board not being able to sign off its accounts, annual report and AGS in time for the original deadline of 15.6.22 set by Welsh Government and accordingly the Board was unable to hold its Annual General Meeting as scheduled for 28.7.22.

22.179.3 Members acknowledged that the Audit Committee had held a number of meetings over the period (namely 30.6.22, 13.7.22 and 22.7.22) in an attempt to understand the issues being presented and working with Audit Wales and the Finance Team to reach a position where it could sign off the accounts. The

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| <p>Chair's Assurance report presented to the Board on 4.8.22 had highlighted to the Board the issues of concern.</p> <p>22.179.4 The Audit Committee which had met earlier in the day had considered the latest iteration of the Annual Report including the AGS (the latter which had been updated to reflect the findings of the financial audit of accounts). The Committee had recommended approval of the documentation to the Board. The Interim Board Secretary highlighted Section 21 of the AGS which provided an overview of the governance issues facing the Board and stated the commitment of the Executive Team to address those issues. Where appropriate, elements would be delegated to appropriate committees to monitor progress.</p> <p>22.179.5 The Chief Executive commented on the scale of the issues and stated that a range of measures had been put in place to address these and that the Executive Team were already making progress.</p> <p>22.179.6 It was suggested that it would be helpful to have the actions clearly set out in a robust action plan to ensure that the matters were being taken seriously and that progress could be monitored easily.</p> <p>22.179.7 Members acknowledged that the Annual Report would be presented to the rescheduled Annual Meeting on 29.9.22.</p> <p>RESOLVED: That the Annual Report (including the Annual Governance Statement) be approved for submission to Welsh Government.</p> | MM |
| <p>The meeting concluded at 14:41.</p> | |