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**VELINDRE UNIVERSITY NHS TRUST AUDIT COMMITTEE FOR NHS WALES SHARED SERVICES PARTNERSHIP**

**DRAFT MINUTES OF THE MEETING HELD ON**

**TUESDAY 5 APRIL 2022 / 14:00 – 16:00**

**BY TEAMS APPOINTMENT**

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| **EXPECTED ATTENDEES:** | | | |
| **ATTENDANCE** | **DESIGNATION** | | |
| **INDEPENDENT MEMBERS:** | | | | |
| Martin Veale (Chair) | Chair & Independent Member | | |
| Gareth Jones (GJ) | Independent Member | | |
| Vicky Morris (VM) | Independent Member | | |
| **ATTENDANCE** | **DESIGNATION** | **ORGANISATION** |
| Tracy Myhill (TM) | NWSSP Chair | NWSSP |
| Neil Frow (NF) | Managing Director | NWSSP |
| Andy Butler (AB) | Director of Finance & Corporate Services | NWSSP |
| Linsay Payne (LP) | Head of Financial Management | NWSSP |
| Simon Cookson (SC) | Director of Audit & Assurance | NWSSP |
| James John (JJ) | Head of Internal Audit | NWSSP |
| Sophie Corbett (SC) | Deputy Head of Internal Audit | NWSSP |
| Nigel Price (NP) | Local Counter Fraud Specialist | Cardiff and Vale UHB |
| Gareth Lavington (GL) | Lead Local Counter Fraud Specialist | Cardiff and Vale UHB |
| Steve Ham (SH) | Chief Executive | Velindre |
| Matthew Bunce (MB) | Director of Finance | Velindre |
| Lauren Fear (LF) | Director of Corporate Governance | Velindre |
| Steve Wyndham (SW) | External Audit Lead | Audit Wales |
| Peter Stephenson (PS) | Head of Finance & Business Improvement | NWSSP |
| Carly Wilce (CW) | Corporate Services Manager | NWSSP |
| Gareth Price (GP) | Personal Assistant | NWSSP |

| **Item** |  | **Action** |
| --- | --- | --- |
| 1. **STANDARD BUSINESS** | | |
| **1.1** | **Welcome and Opening Remarks**  Welcome was given to Tracy Myhill, Shared Services Partnership Committee Chair, who was attending her first NWSSP Audit Committee. |  |
| **1.2** | **Apologies**  No apologies had been received. |  |
| **1.3** | **Declarations of Interest**  None received. |  |
| **1.4** | **Minutes of Meeting held on 25 January 2022**  The minutes of the meeting held in January 2022 were **AGREED** as a true and accurate record of the meeting. |  |
| **1.5** | **Matters Arising from Meeting on 25 January 2022**  All matters arising are complete or on the agenda. |  |
| **2.0** | **NWSSP Update**  NF updated the Audit Committee on recent developments within NWSSP:   * As part of a UK-wide response coordinated by the Department for Health and Social Care to the war in Ukraine, NWSSP has donated a number of surplus items and consumables to the value of £131k; * As a consequence of the situation in Ukraine, risks of a potential cyber-attack have significantly increased, and business continuity measures are being revisited. All staff are reminded of the need to be extra vigilant; * Procurement supplier data has been reviewed to ensure compliance with the sanctions on purchasing goods and services from either Russia or Belarus. This has confirmed that NHS Wales do not purchase any goods or services directly from any company and/or businesses associated with either country; * The purchase of Matrix House in Swansea was successfully completed on 30 March 2022. Acquisition of this building reduces future revenue costs to NHS Wales and provides an opportunity to create a wider public sector hub. * The International Recruitment drive is complete and NWSSP continues to support Health Boards to recruit staff from overseas. * The CIVAS facility at IP5 was subject to its third inspection by the Medicines and Healthcare Regulatory Agency. A number of minor housekeeping issues were identified which are being rectified, and there is no need for a further inspection for another two years. * The Minister for Health and Social Care undertook a very positive visit to IP5 on 17 March to review the facilities and operations on site. * The Laundry and TrAMS programmes continue to progress, however due to significant increase in material prices, teams are in consultation with stakeholders and partners to identify ways to reduce costs. * Approval has been given by Welsh Government for recurring funding to support the Decarbonisation Strategy.   GJ highlighted that at the last Velindre Board meeting, an error was noted in the title on the contract documents for Matrix House in that the word “University” was missing from the title (i.e. of Velindre University NHS Trust). AB confirmed that all documents would be checked to ensure accuracy and any corrective actions taken if needed. (It was subsequently confirmed that this error had been rectified).  NF thanked Velindre Board Members, management and their staff for their help in getting the documentation turned round quickly for the purchase of Matrix House.  The Committee **NOTED** the update. |  |
| 1. **EXTERNAL AUDIT** | | |
| **3.1** | **Audit Wales Update**  SW presented the latest position statement and detail as to current and planned work. The 2021-22 financial audit work and associated audit assurance arrangements remain ongoing and are on track to complete within the agreed timescales for the next Audit Committee in July. There are no significant matters to raise at present and any findings would be brought back to the next meeting. It was agreed that any discussion over stock would be deferred until later in the agenda when there were papers covering this specific item.  The Committee **NOTED** the update. |  |
| 1. **INTERNAL AUDIT** | | |
| **4.1** | **Internal Audit Position Statement**  JJ presented the latest Internal Audit Position Statement together with an overview of other activity undertaken since the previous meeting. Good progress continues to be made in completing the 2021-22 plan. There are three finalised reports on the agenda for the consideration of the Committee. The planned audit work on Agile has been deferred. The draft 2022-23 internal audit plan has been prepared and is included later on the agenda seeking Committee approval.  The Committee **NOTED** the Position Statement. |  |
| **4.2** | **Internal Audit Reports**  The following internal audits were presented to the Audit Committee for consideration.   * The overall objective of the Primary Care Contractor Payments review was to assess the controls in place for the administration of timely and accurate payments to Primary Care Contractors. The review achieved Substantial Assurance with only one medium and one low priority recommendation for action. * The purpose of the Legal and Risk Services review was to establish whether appropriate arrangements are in place for the governance, performance, and risk monitoring within the Directorate. There was only one medium priority recommendation for action, with an overall rating of substantial assurance. A discussion took place concerning the management response regarding PADRs and whether the timescale was achievable. NF emphasised that he was confident that it would be achieved.      * The scope of the Procure to Pay (P2P) review had been extended to include Procurement Services. The review received, one high priority, two medium and three low recommendations, and an overall rating of reasonable assurance. The high-rated recommendation related to an approximately 30% increase in the number of invoices on hold since the start of the 2021/22 financial year. AB highlighted that this was an issue that would be raised at the Finance Academy P2P group. There was also discussion on the medium finding relating to supplier bank account mandate changes where a number of attempted and actual frauds were noted in March 2021. Controls were enhanced to mitigate frauds and only one further fraudulent attempt had been made in the early summer of 2021 which was picked up by the enhanced checks and no loss was incurred. However, AB reported that a further attempted fraud had been made on the morning of the Committee, but which again had been picked up by NWSSP with no loss to suppliers or the NHS. AB also highlighted that he had shared the findings in respect of delegated authority with the Directors of Finance of the three NHS bodies concerned.   VM congratulated NWSSP on the very positive report outcomes of those listed above.  The Committee **NOTED** the Internal Audit Reports. |  |
| **4.3** | **Internal Audit Operational Plan 2022-23**  JJ presented the draft 2022-23 Internal Audit Operational Plan and Charter. The plan has been developed following discussion with the Director of Finance & Corporate Services and the Head of Finance & Business Development and had also been presented to the NWSSP Senior Leadership Group in March. It was reiterated that the plan would be subject to continual review throughout the year, and it was highly likely that additional and/or replacement audits would be included to respond to changing circumstances and risks. Any such changes are always reported to the Audit Committee for formal approval. The plan has been completed in compliance with required standards, which are documented in the Internal Audit Charter along with the key indicators to measure performance.  The Committee **APPROVED** the Internal Audit Operational Plan and the Internal Audit Charter for 2022-23**.** |  |
| 1. **COUNTER FRAUD** | | |
| **5.1** | **Counter Fraud Position Statement**  MV welcomed the newly appointed Lead Local Counter Fraud Specialist, Gareth Lavington to the Audit Committee meeting. Gareth has been appointed to fill the vacancy in the C&VUHB team caused by Craig Greenstock’s retirement.  NP presented the Counter Fraud Position Statement to the Committee, with an overview of other activity. There has been one opened and one closed case during the reporting period and one further case remains open. All 75 days assigned to NWSSP have been completed.  The team recently undertook a Risk Assessment exercise across several organisations to test the integrity and effectiveness of pre-employment checks carried out by recruiting agencies. The review was positive with only one anomaly noted. A number of recommendations have been made to mitigate any future risks.  NP confirmed that the 2022-23 Counter Fraud Work Plan would be brought to the July 2022 meeting for review and ratification.  The Committee **NOTED** the Position Statement. |  |
| 1. **GOVERNANCE, ASSURANCE AND RISK** | | |
| **6.1** | **Stock Taking Update**  AB presented the Inventory Stock Assurance Arrangements Report updating the Committee on current stock taking arrangements. As a result of Audit Wales being unable to undertake a physical stocktake for 2020-21 period due to the pandemic, a ‘limitation of scope’ for the financial period was received.  Significant effort has been undertaken to ensure that this problem does not reoccur, and thus far Audit Wales have been able to attend six physical stock takes across stores operated or outsourced by NWSSP with no significant issues raised. Stock volumes continue to remain high but are starting to fall as stock continues to be utilised. SW explained that there is still more audit work to do but that plans remain on target and results thus far are positive. SW thanked all those who made the necessary access arrangements for respective sites to support Audit Wales in carrying out their reviews.  Questions were asked of SW regarding the opening balance position for stock, given that Audit Wales were unable to attend and/or test closing stock balances in the previous year. NWSSP, following discussions with Audit Wales, had undertaken a lot of work in reconciling back from closing balances at the end of 2021/22, recording all receipts and issues, to validate the opening balance. This has required support from the NWSSP Central Team to develop a sophisticated programme to interrogate the Oracle databases and the significant number of PPE transactions. SW was asked whether he could give any assurance as to whether he would be able to rely on this work to support the opening balances. SW acknowledged the support provided by NWSSP and was hopeful that the programme would provide them with the requisite audit assurance. Notwithstanding that SW stated that Audit Wales had not had the reconciliation figures for long, and would need to undertake and complete their audit testing before he could provide this assurance. GJ stated that it seemed very unfair for NWSSP and the Trust to be potentially hit with a double whammy (i.e. qualification accounts in 2020/21 of the closing stock balance, and then again in 2021/22 over the opening balances). SW was unable to provide any assurances, but he was asked to ensure that there were no last-minute surprises (i.e. to communicate any potential issues as soon as he was able to).  AB confirmed that a full-scale review of current warehouse provisions is underway, to determine a potential solution of storage requirements.  The Committee **NOTED** the update. |  |
| **6.2** | **Valuation of PPE – DHSC/NHS Wales**  AB presented the Valuation of PPE report to the Audit Committee. Following recent media coverage regarding the write off of PPE for 2020/21 accounts in NHS England, this report was prepared at the request of the Audit Committee Chair and sets out the Welsh position against the category of headings reported in England.  AB reminded the Committee that Welsh Government policy was for NWSSP to hold 16 weeks’ worth of stock, which has posed some challenges concerning the devaluation of stock and equipment approaching lifetime expiry. To reduce the impact of loss across the UK, Surgical Materials Testing Laboratory (SMTL) are working with the UK Department of Health & Social Care (DHSC) to potentially identify new ways to extend the shelf life of specific PPE products.  In England, the DHSC estimates that there has been a loss in value of £8.7 billion of the £12.1 billion of PPE purchased in 2020-21. By comparison, in NHS Wales, the total PPE spend to the end of February 2022 was £385m. The loss in NHSE was spread over the following categories:   * Defective PPE (£0.67bn in England) – the figure for Wales is £0 although there is one order for gowns which have been potentially identified as faulty. The value of this order is £9.4m but we anticipate that this stock will either be determined as being useable or will be replaced by the supplier; * PPE unsuitable for use in the NHS or Social Care but which may be able to be used elsewhere (£2.6bn in England) – the figure for Wales is £0 in this category; * Surplus stocks (i.e. that may go out of date before they can be used – (£0.75bn in England)). In Wales there are a number of items that my need to be included in this category as follows:   + Fit Test Solutions – Due to the implementation of a new fit testing methodology these solutions are no longer required in Wales and as such will become out of date. There are currently 26,000 items in stock at a total value of £0.277m.   + Face Visors – At the height of the pandemic 131,000 visors were issued each week. This has now fallen to approximately 14,000 items per week. Consequently, there are approximately 620,000 visors with a book value of £1.055m in stock. SMTL have been commissioned by NHS England to investigate the possibility of extending the date life of their visors. The results of the testing will be reviewed once completed and it may be possible to extend the shelf life of the visors that NWSSP have in stock.   + Type II Masks - 237,000 Type II masks with a value of £0.159m will reach the end of their date life within a month. This product was widely used prior to the pandemic but has been replaced with the fluid resistant Type IIR mask and there is no longer a market for this product. * A provision of £1.491m will be made for the above items in the 2021/22 accounts. Regular discussions have been held with Welsh Government who have agreed to provide funding to cover the provision. * Adjustment to Year-End Valuation due to falling prices (£4.7bn in England) – the NHS Wales Manual of Accounts allows NHS stocks to be valued at cost, rather than net realisable value, on the basis that stocks are not held for resale and that they turnover relatively quickly. NWSSP have valued stocks on this basis which avoids significant write-downs in value, but there are two items which are considered slow-moving, and which therefore need to be written down to the current market price as follows:   + ***Gowns*** – As highlighted above NWSSP is holding a stock of 2,242,676 gowns from a single supplier where problems have been experienced with the quality of the items. This issue is being pursued with the supplier and it is anticipated that this will be resolved through product replacement. Following discussions with Welsh Government it has been considered prudent to revalue the stock at 28p per item. resulting in a devaluation of £8.793m   + ***Goggles*** – Currently a stock of 585,000 goggles is held. Early in the pandemic, national guidance required the use of goggles, and these were purchased at £5.03 each in early 2020. The guidance was amended to require the use of face visors in mid-2020 and, therefore, these goggles were not issued and remain in store. This product is used as eye protection in some areas of NHS Wales where purchases are made directly with the suppliers. To facilitate the promoting of this product to this new market it is proposed to revalue this product to the current market price of £2.50, resulting in a reduction in value of £1.457m * An adjustment of £10.250m will be made against the value of the above stocks in the 2021/22 accounts. This has been discussed with WG who have agreed to provide funding to cover this.   The paper included a comparison with the position in NHS England, where 72% of the total spend on PPE is being written off compared to just over 3% in NHS Wales.  The Audit Committee **APPROVED** the application for NWSSP to seek approval from Welsh Government to write off loss for PPE. |  |
| **6.3** | **Stock Write-Offs/Donations**  A further report was presented by AB to provide background information to three sub-papers relating to the donations of PPE and other medical supplies and equipment to Ukraine and Namibia, and the general write-off of stock at year-end.  Checklists were presented to seek approval from the Audit Committee to formally request Welsh Government approval to write off losses for the following-   * Ukraine, additional surplus PPE, and Medical Equipment to the value of £10,138.36 * Namibia, Surplus PPE to the value of £156,092 to reflect a price adjustment to a previously approved write-off by the Audit Committee in 2021 increasing the total value of the donation to Namibia to £11.147m; and * Year End Stock adjustment to the value of PPE and general stock to the value of £11.6m – these largely relate to the items documented in 6.2 above.   The Audit Committee **APPROVED** the write-offs of the stock donated separately to Ukraine and Namibia, and the stock impairment in the 2021/22 accounts. |  |
| **6.4** | **Energy Update**  The Committee received a paper relating to the current situation with energy prices. Due to the nature of the markets and high expenditure, the Energy Price Risk Management Group (EPRMG) was formed in 2005 to manage exposure to risk across the NHS Wales energy contracts. The overarching aim of the group is to minimise the impact of energy price rises through proactive management and forward buying.  There have been very significant increases in gas and electricity prices during the year, particularly during recent weeks following the outbreak of the Ukraine war. The EPRMG strategy of purchasing ahead has meant that NHS Wales has benefitted substantially and avoided most of the price increases for gas and electric supply. Whilst this strategy has protected NHS Wales from the huge increase in market prices for 2021/22 it is likely that there will be very significant hikes in energy costs in 2022/23 because of current contracts coming to an end.  The recent increase in energy costs is very unwelcome, but is unavoidable given the current war in Ukraine, the sanctions applied to Russia and the removal of Russian Gas and Oil from supplying the global market. However, the EPMRG will attempt to manage the energy costs for NHS Wales as best as we can over the year ahead.  The Committee **NOTED** the paper. |  |
| **6.5** | **Governance Matters**  AB presented the Governance Matters paper, providing the Committee with the contracting activity since the last meeting. The report summarises that:   * There were no departures from the Standing Orders; * NWSSP let 43 contracts during the reporting period; * 64 All-Wales contracts were let of which 20 were at briefing stage, 35 at ratification stage and nine were extensions against contracts; * There have been two declarations as to gifts, hospitality, or sponsorship made since the last reporting period.   GJ raised a question regarding the contract details included in Appendix B, asking for clarity on what the Committee were being asked to with regards to these. As an example, he quoted Ref 34 relating to a DHCW framework contract for £105m where prior to the establishment of DHCW as a legal entity, the responsibility for this contract would fall to the Velindre Board. Subsequent discussion outside of the meeting highlighted that the current title of Appendix B (All-Wales Contracting Activity in Progress) contains both contract details for activity taken on an all-Wales basis, but also for contracts relating to specific NHS Wales bodies (e.g. DHCW in the case of item 34). It was therefore agreed that in future the report would be split as follows:   * Appendix A – internal contracts within NWSSP; * Appendix B – contracts let by NWSSP on an all-Wales basis; and * Appendix C – all other contracting activity for NHS Wales organisations.   The Committee **NOTED** the report. |  |
| **6.6** | **Corporate Risk Register**  PS presented the Corporate Risk Register, which contains two red risks, relating to the pressure on Recruitment and Payroll functions due to the increased demand across NHS Wales, and the impact of increasing energy costs as a result of the war in Ukraine. These risks would continue to be monitored and assessed.  The Committee **NOTED** the Corporate Risk Register. |  |
| **6.7** | **Tracking of Audit Recommendations**  PS presented the tracking of audit recommendation paper to the committee and noted the following summary:   * The tracker contains information on 64 reports, of which 17 achieved substantial assurance, 27 reasonable assurance, one limited assurance and 19 reports were generated with no assurance applicable (e.g. Advisory reports); * The tracker contains 241 recommendations, of which 226 were implemented, 11 were not yet due, three are outstanding and one is not within NWSSP’s gift to implement.   Of the three outstanding audit recommendations, one relates to an issue that has been overdue for some time and where the Overpayments Policy needs to be approved on an all-Wales basis and this is currently proving difficult. The other two outstanding recommendations were due for completion either at the end of February or March 2022, and the Committee were asked for a short extension in the due dates for each for the following reasons:   * Review of National Hosted NHS IT Systems. Oracle Financial Management System: Extension requested from 28/02/2022 to 31/05/2022. The planned disaster recovery testing of the Oracle system in mid-February had to be postponed due to Storm Eunice; and * Review of Laundry Services: Extension requested from 31/03/2022 to 31/05/2022. Good progress has been made in completing PADRs, but a few remain outstanding. The lack of any information from previous employers has hindered the process.   The Audit Committee **APPROVED** the revised deadlines for the two recommendations detailed above. |  |
| **6.8** | **Draft Annual Governance Statement 2021/22**  PSprovided the Audit Committee with an update and reported that good progress has been made in completing the Statement which requires formal sign-off at the July Committee. To ensure that Committee members had sufficient time to review the Statement, it was proposed that the draft Statement be e-mailed to each Audit Committee member once available for comment and the final version be brought back to the July meeting for approval.  The Audit Committee **NOTED** the arrangements for the review of the Draft Annual Governance Statement. |  |
| 1. **ITEMS FOR INFORMATION** | | |
| **7.1** | **NWSSP Counter Fraud Newsletter**  Provided for information only – no further comment. |  |
| **7.2** | **Audit Committee Forward Plan 2022-23**  Provided for information only – no further comment. |  |
| 1. **ANY OTHER BUSINESS** | | |
| **8.1** | **Any Other Business**  No further issues were raised. |  |
| **DATE OF NEXT MEETING:**  Wednesday, 13 July 2022 from 14:00-16:00 via Teams | | |