

## Bundle Audit & Assurance Committee - Open 26 May 2020

### AGENDA

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  - 1.1 Welcome & Introductions
  - 1.2 Apologies for Absence
  - 1.3 Declarations of Interest
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  - 3 PART 3 - CLOSE
    - 3.1 Any Other Business
      - 3.1.1 • Audit Wales Work Programme
        - 3.1.1 - AC190 - Letter to Chief Executives.pdf
      - 3.2 Dates of Next Meeting:
        - 3.2.1 • Tuesday, 23 June 2020 at 1.00pm in HEIW Meeting Room 2, Ty Dysgu
        - 3.2.2 • Thursday, 16 July 2020 at 10.00am in the HEIW Conference Room

## AUDIT AND ASSURANCE COMMITTEE

**Tuesday, 26 May 2020**  
**10.00am – 11.30pm**  
**Via Skype/Teleconference**

### AGENDA

<b>PART 1</b>	<b>PRELIMINARY MATTERS</b>	<b>10:00-10:10</b>
1.1	Welcome and Introductions	Chair/ Oral
1.2	Apologies for Absence	Chair/ Oral
1.3	Declarations of Interest	Chair/ Oral
1.4	Draft Minutes of the Audit Committee meeting held on 6 May 2020	Chair/ Attachment
1.5	Action Log following the meeting held on 6 May 2020	Chair/ Attachment
1.6	Matters Arising	Chair/ Attachment
<b>PART 2</b>	<b>MATTERS FOR CONSIDERATION</b>	<b>10:10-11:20</b>
2.1	Counter Fraud: • Counter Fraud Annual Report 2019/2020	Counter Fraud Manager Cardiff & Vale UHB/ Attachment
2.2	Draft Annual Governance Statement	Board Secretary/ Attachment
2.3	Review of Final Annual Accounts 2019/2020	Director of Finance/ Attachment
2.4	Audit Wales: • Audit of Financial Statements Report (ISA 260) and Letter of Representation	Audit Wales/ Attachment
2.5	Welsh Government Guidance Note: Discharging Board Committee Responsibilities during COVID-19 Response Phase	Board Secretary/ Attachment
<b>PART 3</b>	<b>CLOSE</b>	<b>11:20-11:30</b>
3.1	Any Other Business: • Audit Wales Work Programme	Audit Wales/ Attachment
3.2	Dates of Next Meeting: <b>Tuesday, 23 June 2020</b> at 1.00pm in HEIW Meeting Room 2, Ty Dysgu <b>Thursday, 16 July 2020</b> at 10:00am in the HEIW Conference Room	

In accordance with the provision of Section 1(2) of the Public Bodies (Admissions to Meetings) Act 1960 it shall be resolved that representatives of the press and other members of the public be excluded from the latter part of the meeting on the grounds that it would be prejudicial to the public interest due to the confidential nature of the business transacted. This section of the meeting is to be held in private session.

**UNCONFIRMED**

**DRAFT Minutes of the Audit and Assurance Committee  
held on 6 May 2020  
Via Skype/Teleconference**

**Present:**

Gill Lewis	Independent Member (Chair)
John Hill Tout	Independent Member (Vice Chair HEIW)
Dr Ruth Hall	Independent Member

**In Attendance:**

Dafydd Bebb	Board Secretary
Eifion Williams	Director of Finance
Martyn Pennell	Head of Financial Accounting
Helen Goddard	External Audit Manager, Wales Audit Office
Clare James	Performance Audit Lead, Wales Audit Office
Helen James	Head of Procurement NWSSP
Paul Dalton	Head of Internal Audit, NWSSP
Emma Samways	Deputy Head of Internal Audit, NWSSP
Martyn Lewis	IT Audit Manager, NWSSP
Kenneth Hughes	Audit Manager, NWSSP (Observer)
Kay Barrow	Corporate Services Manager (Secretariat)

<b>PART 1</b>	<b>PRELIMINARY MATTERS</b>	<b>Action</b>
<b>AAC: 06/05/1.1</b>	<b>Welcome and Introductions</b>	
	The Chair welcomed everyone to the meeting.	
<b>AAC: 06/05/1.2</b>	<b>Apologies for Absence</b>	
	Apologies were received from Craig Greenstock, Counter Fraud Manager (Cardiff & Vale UHB) and Mike Usher, Engagement Director (Wales Audit Office).	
<b>AAC: 06/05/1.3</b>	<b>Declarations of Interest</b>	
	There were no declarations of interest.	
<b>AAC: 06/05/1.4</b>	<b>Minutes of the Meeting held on 1 April 2020</b>	
	The minutes of the meeting held on 1 April 2020 were <b>received</b> and <b>approved</b> as an accurate record of the meeting subject to the following amendment: <ul style="list-style-type: none"> <li><b>AAC: 01/04/2.3.1 Progress Report including an Update on 2020 Audit Plan and Fee:</b> Last sentence of the fourth paragraph to be</li> </ul>	

	amended so that it reads 'It was noted that WAO was also working with NWSSP to arrange remote access to NHS financial systems to ensure the continuation of the financial auditing of the accounts'.	
<b>AAC: 06/05/1.5</b>	<b>Action Log</b>	
	<p>The Committee <b>received</b> and <b>considered</b> the Action Log from the meeting held on 1 April 2020.</p> <p>Dafydd Bebb advised that the Action Log contained a number of items that had been deferred to a later date because of the decision to streamline meeting agendas to only concentrate on business critical items and those matters related to the COVID 19 Pandemic. These items would be scheduled into the Committee Forward Work Programme once 'business as usual' had resumed. The following verbal updates were received:</p> <ul style="list-style-type: none"> <li>• <b>AAC 27/01/2.1 Independent Review of HEIW's Procurement Systems and Processes:</b> The Committee noted that the review had been paused. This was because the Independent Reviewer had been re-employed within NWSSP Procurement Services to cover the secondment of the Head of Procurement. Due to the increased focus for NWSSP Procurement Services in response to the COVID 19 Pandemic, the review would be picked up as a priority once normal business had resumed.</li> </ul>	
<b>Resolved</b>	The Committee <b>noted</b> the update.	
	<ul style="list-style-type: none"> <li>• <b>AAC 27/01/2.10 Declarations of Interest – Review of Practices within other organisations:</b> Eifion Williams clarified the process within procurement regarding the conflicts of interest process for Procurement Evaluation Panel members. Helen James advised that Procurement Services did not have a robust process to follow up the validation of the completed declarations to authenticate the information being declared. She explained that she would be developing a mechanism to test the validity of the declarations made during the process.</li> </ul> <p>The Committee remained concerned in relation to the process for those purchases where Procurement had not been involved and were highlighted as 'not endorsed' in the Committee reporting. Helen James advised that she would undertake a retrospective review of those items reported as 'not endorsed' in relation to any conflicts of interest and provide feedback to the Committee.</p>	
<b>Resolved</b>	<p>The Committee:</p> <ul style="list-style-type: none"> <li>• <b>noted</b> the update</li> <li>• <b>requested</b> feedback from the 'retrospective' review of those items reported as 'not endorsed' in relation to any conflicts of interest.</li> </ul>	<b>HJ</b>
	<ul style="list-style-type: none"> <li>• <b>AAC 01/04/2.2.6 Internal Audit Plan 2020/21:</b> Dafydd Bebb confirmed that he had liaised with Paul Dalton and discussed the prioritisation of the Internal Audit Plan for 2020/21. It was noted that</li> </ul>	

	<p>Internal Audit would progress the audit work where practicably possible.</p> <p>In relation to whether the delivery of the Internal Audit Plan for 2020/21 should be added onto the Corporate Risk Register, it was noted that following discussions with Internal Audit it was deemed too early in the financial year for this to be added as a risk. However, the position would be monitored and reported to the Committee as part of the Internal Audit progress update.</p>	
<b>Resolved</b>	The Committee <b>noted</b> the update.	
	<ul style="list-style-type: none"> <li>• <b>AAC 01/04/2.8 Procurement Compliance Report:</b> This matter would be picked up later in the agenda under item 2.3 – minute reference AAC 06/05/2.3 Procurement Compliance Annual Report 2019/2020.</li> </ul>	
<b>AAC: 06/05/1.6</b>	<b>Matters Arising</b>	
	There were no matters arising from the previous meeting.	
<b>PART 2</b>	<b>MATTERS FOR CONSIDERATION</b>	
<b>AAC: 06/05/2.1</b>	<b>Internal Audit:</b>	
<b>AAC: 06/05/2.1.1</b>	<p><b>Information Governance: General Data Protection Regulation (GDPR) Internal Audit Report</b></p> <p>The Committee <b>received</b> the report.</p> <p>In presenting the report, Martyn Lewis highlighted the scope and focus of the audit had been to evaluate and determine the adequacy of the systems and controls in place in order to enable compliance with GDPR. The overall assessment for the review was that of reasonable assurance. The findings from the review highlighted one issue that was classified as a weakness in the system control/design and four issues classified as weaknesses in the operation of the designed system/control. There were five recommendations, one high priority, two medium priorities and two low priorities.</p> <p>There were a number of areas of good practice highlighted during the review, which included an action plan in place to drive GDPR compliance that was based on the ICO 12 step programme. However, compliance with online and face to face training was low, and the Information Asset Register was still in development.</p> <p>In answer to a query regarding the low compliance with training, it was highlighted that compliance with statutory and mandatory training was an issue for HEIW especially for the medical directorate. There are a number of focussed initiatives in place to address this which include additional Information Governance training sessions to be rolled out to staff once 'business as usual' had been resumed.</p>	

	<p>Concerns were raised around the impact and risks due to an incomplete Information Asset Register. It was noted that work was progressing to complete the Register.</p> <p>Concerns were raised in relation to the recruitment of a permanent Information Governance Officer. It was clarified that two rounds of recruitment had taken place but there were not suitable candidates due to the special skill set required. A review of the job description and person specification had been undertaken in preparation for a third recruitment round. It was emphasised that the current secondee would remain on secondment to HEIW until an appointment has been secured.</p> <p>The Committee was pleased with the reasonable assurance rating but recognised that there were a number of areas for improvement.</p>	
<b>Resolved</b>	The Committee <b>noted</b> the report.	
<b>AAC: 06/05/2.1.2</b>	<p><b>IT Review Internal Audit Report</b></p> <p>The Committee <b>received</b> the report.</p> <p>In presenting the report, Martyn Lewis advised that this was a follow up of the IT Baseline Review undertaken during April 2019. The overall assessment for the review was that of reasonable assurance. The findings from the review highlighted four issues classified as weaknesses in the operation of the designed system/control. There were four recommendations, three medium priorities and one low priority.</p> <p>It was noted that there was good practice identified during the review. However, work had been paused on the development of the Digital Strategy awaiting the recruitment of the new post of Director of Digital. It was emphasised that without an agreed Digital Strategy, caution was required in relation to decision-making around new technologies that may not suit the longer term Information and Communications Technology (ICT) objectives.</p> <p>Concerns were raised in relation to the progressing the areas identified with low resources and the risk implications. It was confirmed that the recruitment into the roles would be progressed as soon as practicably possible.</p> <p>It was clarified that Internal Audit routinely undertake a follow-up of the recommendations at around 3-4 months from the issue of the final report.</p> <p>The Committee received reassurance that Martyn Lewis was the national Internal Audit Lead for ICT and was therefore kept aware of any areas of concern.</p>	
<b>Resolved</b>	The Committee <b>noted</b> the report.	
	Martyn Lewis left the meeting.	

<b>AAC:</b> <b>06/05/2.1.3</b>	<b>Draft Head of Internal Audit Opinion and Annual Report 2019/2020</b>  <p>The Committee <b>received</b> the draft report.</p> <p>In presenting the report, Paul Dalton emphasised that the report was the draft position and followed the same format as the previous year. The report also contributed to the assurance required by the Accountable Officer and was a key element of the Annual Governance Statement. He advised that sufficient audit work had been completed to comply with requirements of the Public Sector Internal Audit Standards.</p> <p>The overall draft Head of Internal Audit Opinion was that of reasonable assurance. This was based on the completion of 11 out of the 12 audits within the Plan. It was noted that as a result of the COVID 19 Pandemic the medical training commissioning review had not been completed but the work undertaken was used to inform the overall opinion.</p> <p>A number of internal audits had been undertaken for other NHS organisations for services relevant to HEIW and these related to services delivered by NWSSP and NWIS. Paul Dalton explained that a review of the audit reports had been undertaken and that there were no matters of materiality to draw to the attention of HEIW.</p> <p>In terms of the low compliance with the post audit questionnaires, it was highlighted that due to the reporting cycle and issue of reports, the rate of compliance should increase as the questionnaires are returned.</p> <p>The Committee was content with the report however, asked that the content of the report be reviewed and amended to reflect the finalisation of the GDPR report and to amend the penultimate paragraph in section 3 to reflect the update provided.</p> <p>The Committee thanked Internal Audit for their work in support of HEIW.</p>	
<b>Resolved</b>	<p>The Committee:</p> <ul style="list-style-type: none"> <li>• <b>noted</b> the draft report</li> <li>• <b>requested</b> that the content of the final report to be amended to reflect the amendments be made as detailed above.</li> <li>• <b>requested</b> that the Board Secretary and Head of Internal Audit work through the detail of the delivery of the Internal Audit Plan for 2020/21.</li> </ul>	<p><b>PD</b></p> <p><b>DB/PD</b></p>
<b>AAC:</b> <b>06/05/2.2</b>	<b>National Assembly for Wales Accountability and Audit Report</b>	
	<p>The Committee <b>noted</b> that this agenda item did not apply to the reporting of the draft accounts and would be presented at the final accounts meeting on 26 May 2020.</p>	
<b>AAC:</b> <b>06/05/2.3</b>	<b>Procurement Compliance Annual Report 2019/2020</b>	
	<p>The Committee <b>received</b> the annual report.</p>	

	<p>In presenting the report, Helen James advised that the report presented the annual position in relation to procurement activity undertaken for the period 1 April 2019 to 31 March 2020. It was highlighted that the numbers of 'not endorsed' items was reducing. This was mainly due to the roll out of a programme of procurement training sessions to raise awareness of the process to be followed in HEIW. However, it was highlighted that there were two areas that were repeating offenders who were not following the prescribed process.</p> <p>Eifion Williams informed the Committee that the Independent Review of Procurement systems and practices within HEIW had been triggered due to a number of areas of concern in relation to procurement practices within two departments. Helen James advised that as a priority she would be arranging to meet with both departments to enable a better understanding of the reasons for not following the prescribed processes. This would also be an opportunity to reinforce the messages about the governance and compliance requirements for the acquisition of goods and services and the implications of not doing so.</p> <p>The Committee was content with the report and would continue to keep under review any 'not endorsed' items reported.</p>	
<b>Resolved</b>	The Committee <b>noted</b> the report.	
<b>AAC: 06/05/2.4</b>	<b>Senior Information Risk Owner (SIRO) Annual Report 2019/2020</b>	
	<p>The Committee <b>received</b> the Annual Report.</p> <p>In presenting the Annual Report, Dafydd Bebb advised that there was an error in the report on page 3. There was reference to 'limited' assurance for the Information Governance: General Data Protection Regulation (GDPR) Internal Audit Report however, this report was assessed as 'reasonable' assurance and had been discussed earlier on the agenda.</p> <p>An overview of the report was provided and it was confirmed that the compliance rate for Freedom of Information (FOI) requests was 95% and for Data Subject Access Requests (DSAR) it was 100%. Good progress was being made in relation to the completing the actions within the Information Governance Work Plan. The focus for 2020/21 was to include addressing the recommendations arising from the Internal Audit GDPR report and the information governance aspects highlighted in the Wales Audit Office's Structured Assessment. This would include the completion of the Information Asset Register; increased training and awareness; and to build on the policies and procedures.</p> <p>In relation to cyber security, it was highlighted that this remains an 'assessed' red risk on the Corporate Risk Register. Work has continued to improve security and reduce vulnerabilities. An appointment to the role of Head of Cyber Security had been made with the successful candidate due to take up post effective from 1 July 2020. The focus for 2020/21 would include the development of a Cyber Security Strategy; increase</p>	

	<p>training and awareness and achievement of the Cyber Essentials Plus Certification.</p> <p>The Committee considered the report and was content that it was a fair reflection of the current position. Although, it was highlighted that for clarity it would be helpful for the SIRO and Board Secretary to be reflected as one individual throughout the report to avoid any confusion.</p>	
<b>Resolved</b>	The Committee <b>approved</b> the report.	
<b>AAC: 06/05/2.5</b>	<b>Review of Draft Accounts 2019/2020</b>	
	<p>The Committee <b>received</b> the draft accounts for 2019/2020.</p> <p>In presenting the draft account, Eifion Williams explained that whilst Welsh Government had revised the timetable for the submitting of the Annual Accounts due to the COVID 19 Pandemic, HEIW had met the original submission date of 28 April 2020. He thanked both Martyn Pennell and Rhiannon Beckett for their hard work in meeting this deadline.</p> <p>In presenting the draft accounts, Eifion Williams highlighted the following points:</p> <ul style="list-style-type: none"> <li>• £213.020m net operating costs for the financial period (page 2);</li> <li>• £84k underspend on revenue budget at year end (page 22) and that HEIW had met its financial duty to break-even against its Revenue Resource Limit over the period;</li> <li>• Balanced its capital allocation at £95k (page 22) and that HEIW had met its financial duty to break even against its Capital Resource Limit over the period;</li> <li>• Property, plant and equipment £2.595m (page 4);</li> <li>• Cash and equivalents £7.465m (page 4);</li> <li>• In terms of Liabilities, an entry for provisions of £(130), shown on page 4, related to a Welsh Government requirement to show the undertaken annual leave for dental and pharmacy trainees in the Community that could not be accounted for in any other NHS organisation. This was because these particular trainees would be transferring to HEIW for 2020/21 and that it was deemed that HEIW was the correct organisation for the reporting of this provision.</li> <li>• Total assets employed £3.767m which was no change from the previous year;</li> <li>• The creditor payment target was achieved at 95.2% for the reporting period (page 23);</li> <li>• The key targets for external scrutiny were those in Section 2 Financial Duties Performance.</li> </ul> <p>The Committee was considered the draft accounts.</p> <p>It was clarified that Welsh Government would be providing the funding in this year's allocation to allow the Pharmacy Software retendering during 2020/21.</p>	

	The Committee wished to formally express their thanks to the Finance Team for their hard work in delivering the draft accounts despite working remotely.	
<b>Resolved</b>	<p>The Committee:</p> <ul style="list-style-type: none"> <li>• <b>noted</b> the content of the draft accounts for 2019/2020;</li> <li>• <b>requested</b> that their thanks be passed to the Finance Team.</li> </ul>	<b>EW</b>
<b>PART 3</b>	<b>CLOSE</b>	
<b>AAC: 06/05/3.1</b>	<b>Any Other Business</b>	
<b>AAC: 06/05/3.1.1</b>	<p><b>Annual Report and Annual Accounts Timetable Revisions</b></p> <p>Helen Goddard informed the Committee that Welsh Government was deferring the laying of all Health Accounts until early July 2020. It was emphasised that whilst HEIW was scheduled to meet the initial annual accounts submission deadline of the end of May 2020, the remainder of NHS Wales were not due to submit their final accounts until the revised deadline submission date of 30 June 2020. It was clarified that HEIW should not submit their accounts at the end of May 2020 in case other NHS organisations find accounting issues that could impact on HEIW's reported position and requirement amendment.</p> <p>It was suggested that the Committee use the Final Accounts Meeting scheduled for 26 May 2020 to review the final accounts and to consider the draft Annual Governance Statement, Statement of Directors Responsibilities and Remuneration Report. A further meeting of the Committee would be held on 23 June 2020 to approve the Final accounts, Annual Governance Statement, Statement of Directors Responsibilities and Remuneration Report and recommend for submission to the Board on 25 June 2020.</p> <p>Dafydd Bebb informed the Committee that further guidance had been received from Welsh Government that required the additional reporting of COVID 19 related matters. He advised that due to this late change in the required content for the draft Annual Governance Statement, it would be a late paper submission for the next meeting. This was because it was to be considered by the Executive Team on 20 May 2020 in readiness to be filed with Welsh Government on 22 May 2020.</p> <p>Helen Goddard advised that the WAO would require sight of the draft Annual Governance Statement as it was required to inform the ISA 260 reporting.</p> <p>Paul Dalton advised that Internal Audit would also require sight of the draft Annual Governance Statement.</p>	
<b>Resolved</b>	<p>The Committee:</p> <ul style="list-style-type: none"> <li>• <b>noted</b> the position;</li> <li>• <b>agreed</b> that Dafydd Bebb submit an early draft Annual Governance Statement to WAO and Internal Audit;</li> </ul>	<b>DB</b>

	<ul style="list-style-type: none"> <li>• <b>agreed</b> to the later submission date for the draft Annual Governance Statement to Committee members on 22 May 2020;</li> <li>• <b>agreed</b> to the later submission date for the WAO ISA 260 to Committee members on 22 May 2020;</li> <li>• <b>requested</b> that a further Committee meeting be arranged for the afternoon of 23 June 2020 as detailed above.</li> </ul>	<b>DB</b>  <b>DB</b>  <b>DB</b>
<b>AAC: 06/05/3.2</b>	<b>Date of Next Meeting</b>	
	<p>The Committee <b>noted</b> the arrangements for the following meetings: Final Accounts Meeting scheduled for <b>26 May 2020 at 10.00am</b> would be used to review the final accounts and to consider the draft Annual Governance Statement, Statement of Directors Responsibilities and Remuneration Report.</p> <p>A further meeting of the Committee would be held <b>on 23 June 2020 in the afternoon</b> to approve the Final accounts, Annual Governance Statement, Statement of Directors Responsibilities and Remuneration Report and recommend for submission to the Board on 25 June 2020.</p>	

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**Gill Lewis (Chair)**

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**Date:**

**Audit and Assurance Committee (Open)**  
**6 May 2020**  
**Action Log**

(The Action Sheet also includes actions agreed at previous meetings of the Audit and Assurance Committee and are awaiting completion or are timetabled for future consideration for the Committee. These are shaded in the first section. When signed off by the Audit and Assurance Committee these actions will be taken off the rolling action sheet.)

Minute Reference	Agreed Action	Lead	Target Date	Progress/ Completed
<b>AAC: 22/11/2.13</b>	<b>Corporate Risk Register</b>			
	<ul style="list-style-type: none"> <li>The risk escalation process be formalised.</li> </ul>	<b>Board Secretary</b>	July 2020	The Executive Team was due to consider the revised Risk Management Policy which includes the risk escalation process however, it had been postponed due to the refocussing of business critical items in response to the COVID 19 Pandemic.
<b>AAC: 22/11/3.1</b>	<b>Review of Committee Effectiveness</b>			
	<ul style="list-style-type: none"> <li>The evaluation of the Checklist be presented to the April Committee.</li> </ul>	<b>Board Secretary</b>	July 2020	In light of the Coronavirus Pandemic, this item has been deferred to the July Committee.
<b>AAC: 27/01/2.1</b>	<b>Independent Review of HEIW's Procurement systems and processes</b>			
	<ul style="list-style-type: none"> <li>The Committee to receive a copy of the report following the Independent Review of HEIW's Procurement systems and processes.</li> </ul>	<b>Director of Finance</b>	TBC	This review has been paused due to the COVID 19 Pandemic and would recommence once 'business as usual' has resumed.
<b>AAC: 27/01/2.2</b>	<b>Electronic Staff Record (ESR) Compliance Update on Mandatory Training and PADR</b>			
	<ul style="list-style-type: none"> <li>The Medical Director to be invited to attend the April Committee for a supportive discussion.</li> </ul>	<b>Director of Workforce and OD</b>	July 2020	In light of the Coronavirus Pandemic, this item has been deferred to the July Committee.

Minute Reference	Agreed Action	Lead	Target Date	Progress/ Completed
<b>AAC: 27/10/2.10</b>	<b>Declarations of Interest – Review of Practices within other organisations</b>			
	<ul style="list-style-type: none"> <li>The Committee to receive feedback from the 'retrospective' review of those items reported in the Procurement Compliance Report as 'not endorsed' in relation to any conflicts of interest.</li> </ul>	<b>Head of Procurement</b>	TBC	In light of the Coronavirus Pandemic, this review will be undertaken once 'business as usual' has resumed.
<b>AAC: 27/10/2.11</b>	<b>HEIW and HIW Memorandum of Understanding</b>			
	<ul style="list-style-type: none"> <li>Final MOU to be presented to the April Committee.</li> </ul>	<b>Board Secretary</b>	July 2020	The MOU is still in development. This item has been deferred to the July Committee.
<b>AAC: 01/04/3.1</b>	<b>Welsh Government Grip and Control Expectations</b>			
	<ul style="list-style-type: none"> <li>Any good practice proposals for adoption by HEIW be presented at a future Committee meeting.</li> </ul>	<b>Director of Finance</b>	TBC	The Good Practice Proposals are under review. Any requiring adoption will be added to the Committee Forward Work Programme as required for consideration.
<b>AAC: 06/05/2.1.3</b>	<b>Draft Head of Internal Audit Opinion and Annual Report 2019/2020</b>			
	<ul style="list-style-type: none"> <li>The content of the final Head of Internal Opinion report to be amended to reflect the Committee discussion.</li> </ul>	<b>Head of Internal Audit</b>	26 May 2020	Final Report on the Committee agenda for 26 May 2020.
	<ul style="list-style-type: none"> <li>The Board Secretary and Head of Internal Audit to work through the detail of the delivery of the Internal Audit Plan for 2020/21.</li> </ul>	<b>Board Secretary/Head of Internal Audit</b>	July 2020	Progress to the reported at the July Committee.
<b>AAC: 06/05/2.5</b>	<b>Review of Draft Accounts 2019/2020</b>			
	<ul style="list-style-type: none"> <li>The thanks of the Committee to be passed to the Finance Team.</li> </ul>	<b>Director of Finance</b>	Within 1 week	Completed.

Minute Reference	Agreed Action	Lead	Target Date	Progress/ Completed
<b>AAC: 06/05/3.1.1</b>	<b>Annual Report and Annual Accounts Timetable Revisions</b>			
	<ul style="list-style-type: none"> <li>Dafydd Bebb to submit an early draft Annual Governance Statement to WAO and Internal Audit;</li> </ul>	<b>Board Secretary</b>	Before 22 May 2020	Will be issued to the Auditors by Friday, 22 May 2020.
	<ul style="list-style-type: none"> <li>The Committee agreed to the later submission date for the draft Annual Governance Statement to Committee members on 22 May 2020;</li> </ul>	<b>Board Secretary</b>	By 22 May 2020	Will be issued to Committee Members by Friday, 22 May 2020.
	<ul style="list-style-type: none"> <li>The Committee agreed to the later submission date for the WAO ISA 260 to Committee members on 22 May 2020;</li> </ul>	<b>Wales Audit Office</b>	By 22 May 2020	Will be issued to Committee Members by Friday, 22 May 2020.
	<ul style="list-style-type: none"> <li>A further meeting of the Committee to be arranged for 23 June 2020 to approve the Final accounts, Annual Governance Statement, Statement of Directors Responsibilities and Remuneration Report and recommend for submission to the Board on 25 June 2020.</li> </ul>	<b>Board Secretary</b>	Within 1 week	Completed. Additional Committee meeting arranged for Tuesday, 23 June 2020 at 1pm.

## **COUNTER FRAUD & CORRUPTION**

### **ANNUAL REPORT 2019/20**

**Craig Greenstock**  
**Counter Fraud Manager**

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## 1. Management Summary

- 1.1 This Annual Report has been written in accordance with the provisions of the Welsh Government Directions on fraud and corruption, which require Local Counter Fraud Specialists (LCFS) to provide a written report, at least annually, to the Trust on Counter Fraud work. The report content and style used complies with the model prescribed by NHS Counter Fraud Authority (formerly NHS Protect).
- 1.2 Established on 1 October 2018, Health Education and Improvement Wales (HEIW) is the only Special Health Authority within NHS Wales. It sits alongside Welsh Health Boards and Trusts and has a leading role in the education, training, development, and shaping of the healthcare workforce in Wales, in order to ensure high-quality care for the people of Wales.
- 1.3 The HEIW's (HEIW) Nominated Lead Local Counter Fraud Specialist (LCFS), Craig Greenstock, was nominated to the post with effect from 1<sup>st</sup> April 2012. He completed his Counter Fraud training in December 2000 and was accredited in January 2001.

During 2019/20 there has been one (1) referral to Counter Fraud which required further investigation and is currently ongoing.

- 1.4 Advice as to how to proceed is sought on each individual case from the NHS CFS (Wales) and once the investigation into the allegations has been concluded, legal opinion will also be taken from the Specialist Fraud Division - Crown Prosecution Service as to whether there is sufficient evidence to warrant and support a criminal prosecution.
- 1.5 Any case progress reports are then submitted to the Audit Committee on a regular basis.
- 1.6 Close liaison and good working relationships have been established and they still continue to operate with the NHS Counter Fraud Service (Wales).

## 2. Inform and Involve (Developing an Anti Fraud Culture)

- 2.1 The LCFS' have a process in place for establishing an on-going work programme with the NHS Counter Fraud Service (Wales) in order to develop a real Anti-Fraud Culture within the NHS.

During 2019/20, some fraud awareness sessions have been carried out. However, further sessions were cancelled and there has also been a lack of interest from the remaining divisions/departments. In view of this and after discussion with the Finance Director, arrangements will now being put in place to ensure this is taken forward and completed within the 2020/21 Financial Year.

- 2.2 In accordance with the Welsh Government Directions, as in **Appendix 1**, the LCFS' will:
  - Proactively seek and report to NHS Counter Fraud Authority opportunities where details of Counter Fraud work (involving action on prevention, detection, investigation, sanction or redress) can be used within presentations or publicity in order to deter Fraud and Corruption in the NHS.
  - Report all allegations of fraud to NHS Counter Fraud Authority
  - Share information with other LCFS' throughout the NHS in order to build on good practice and identify areas where fraud may be prevented.

### **3. Prevent Fraud**

- 3.1 The LCFS' will assist by providing information and by communicating messages effectively within their Health Body.

The LCFS' will regularly liaise with relevant HEIW Managers and any other NHS staff on all allegations of fraud received. This work, by the LCFS', will hopefully have a positive impact in identifying and reporting fraudulent activity within the Health Body.

The deterrence effect is often difficult to measure. However, as a result of previous awareness presentations to the various staff groups in other Health Bodies, a wider understanding of the role of the LCFS' can then be established. It is anticipated that as this develops then there is may be an increase in the number of cases being reported. At that stage, decisions can then be made on how best to proceed and which cases may be more suited to be taken forward under the HEIW own Disciplinary Policy.

However, hopefully as more and more HEIW staff become aware of the potential areas for fraud, they will be then be prepared to take action and report any concerns to the LCFS', which can then be investigated.

- 3.2 To be effective locally, publicity needs to have local relevance and it is important for the LCFS' to communicate any local successes, particularly around sanctions and redress. It is proposed that outline details of previous and any future successful prosecutions will continue to be reported on the relevant Counter Fraud intranet pages.
- 3.3 The LCFS' will, subject to HEIW's Policies and Procedures, also consider publicity in any case of fraud, where a successful outcome is achieved as a result of counter fraud action. This helps to reinforce the messages about action being taken to reduce fraud which will be carried out through the appropriate channels.

### **4. Deter Fraud**

- 4.1 LCFS' will provide reports on systems weaknesses in each case where fraud is established to:

- NHS Counter Fraud Authority
- NWSSP Internal Audit
- Audit Committee
- External Audit

This will be achieved by:

- Submission of new case notifications and intelligence reports via the NHS Counter Fraud Authority FIRST Case Management System. System weaknesses relating to any cases investigated are updated on FIRST and NWSSP Internal Audit are also notified if relevant.
- Providing regular reports and/or presentations to HEIW's Audit Committee and it's Senior Managers.
- Regular liaison with NWSSP Internal Audit and the Trust's External Auditors with reference to investigations for assistance and any previous reports held by them.
- Where, as a result of Counter Fraud work, any system weaknesses have been identified then the LCFS' will provide an investigation report where appropriate, with potential solutions and recommendations.

- 4.2 The LCFS' provide reports on policy weaknesses in each case where fraud is established to NHS Counter Fraud Authority and HEIW's Finance Director.
- 4.3 The LCFS will also provide reports on system weaknesses identified as the result of fraud investigations, recommending changes in HEIW practices and or procedures.
- 4.4 An exercise to fraud proof HEIW policies has been put in place and will continue through into 2020/21 and beyond on an ongoing basis.

## **5. Hold to Account (Detection)**

- 5.1 The LCFS' will take account of:
  - Information from the NWSSP Internal Audit and HEIW's External Audit functions regarding system weaknesses
  - NHS Counter Fraud Authority analyses on data, reports and trends in order to prioritise any area of detection work
  - The LCFS' own enquiries and analysis of data, reports (including Whistle Blowing) and trends.

## **6. Hold to Account (Investigation)**

- 6.1 The LCFS' will investigate cases in accordance with the Welsh Government Directions. All investigations have, therefore, been carried out in accordance with the directives outlined in **Appendix 1**.

The LCFS' will refer cases to NHS CFS (Wales) in accordance with the Welsh Government Directions and all cases will be reported using the FIRST Case Management System. For 2019/20, the LCFS' has continued to electronically record information regarding any investigations onto the FIRST Case Management System, which is held within a restricted area within NHS Counter Fraud Authority internet webpage.

- 6.2 Referrals received by the LCFS are not necessarily and/or automatically reported on the NHS Counter Fraud Authority FIRST Case Management System.
- 6.3 The LCFS' will and do provide NHS Counter Fraud Authority, NWSSP Internal Audit, and HEIW Finance Director with regular update reports which are also submitted to the Audit Committee on significant case developments and progress.

## **7 Hold to Account (Applying Sanctions and Seeking Redress)**

- 7.1.1 The LCFS' will give consideration to the different sanctions available to them and with regards to the "Triple Track" approach to investigations, i.e. Criminal, Civil and Disciplinary action. To ensure that correct, prompt action is taken in each case, a close working relationship has been developed with relevant Workforce & OD Managers.
- 7.1.2 The LCFS' will supply HEIW with relevant information where fraud is established, to enable HEIW to recover any lost resources. A full file is maintained on each of the investigations carried out to provide information to assist the recovery of funds.

## **8. Annual Assessment Declaration**

- 8.1 Since 2013/14 and following a review of the practice whereby NHS Counter Fraud Authority would determine how effective a Health Body's Counter Fraud arrangements were when compared to other NHS Bodies, a significant change was introduced into the way in which Health Bodies were to report and then be assessed.
- 8.2 This new process, based on a risk based approach, now requires each Health Body to undertake it's own Self Risk Tool (**Appendix 3**) based on a set of criteria and standards.
- 8.3 The SRT is then assessed, by NHS Counter Fraud Authority, against the individual standards as part of a three (3) year rolling programme with guidance, on the completion of the Self Risk Tool and the individual standards which have to met, being issued to all NHS bodies on an annual basis.

## Appendix 1

### WELSH GOVERNMENT DIRECTIONS

The following grid identifies the key requirements under Welsh Government Directions and outlines current activity within each section.

Paragraph	Instruction	Action by HEIW
2 (1)	<p>Each NHS body must take all necessary steps to counter fraud in the NHS in accordance with:</p> <ul style="list-style-type: none"> <li>• These Directions</li> <li>• The NHS Counter Fraud and Corruption Manual</li> <li>• NHS Counter Fraud Authority policy statement applying appropriate sanctions consistently.</li> </ul>	<p>Counter Fraud arrangements have been put into place including the nomination of a lead LCFS.</p> <p>Where possible the Manual has been referred to for guidance and appropriate action taken. An updated Manual has now been issued following a revision, by the Welsh Government, after taking into account changes in legislation within the NHS in England.</p>
2 (2)	Each health body must require its Chief Executive and Director of Finance to monitor and ensure compliance with these Directions.	Regular meetings are held between the Finance Director and Nominated Lead LCFS.
3 (1) to (6)	Co-operation with NHS Counter Fraud Authority	Arrangements have been put in place via NHS CFS Wales for appropriate working practices to be established with NHS Counter Fraud Authority.
4 (1) to (2)	Co-operation with NHS CFS (Wales)	An effective working relationship has been developed with NHS CFS Wales. To date there has been no issue with regards to this arrangement and full co-operation between the LCFS and NHS CFS Wales and vice versa is in place
5 (1) to (8)	Appointment of Local Counter Fraud Specialists	HEIW's Nominated Lead LCFS is Craig Greenstock.
6 (1) to (3)	Responsibilities and functions of the LCFS	A job description has been produced for the LCFS role. The Nominated Lead LCFS reports directly to Finance Director, informs him/her of all cases as they are received, and keeps him/her updated on any progress/clo

Paragraph	Instruction	Action by HEIW
7 {1}	Responsibilities of NHS bodies in relation to the LCFS	<p>A signed work plan is in place, in line with the NHS Counter Fraud Standards and general areas of counter fraud activity.</p> <p>The lead LCFS or delegated LCFS, has attended, when required, the relevant Audit Committees that have been held during the year.</p> <p>The Lead LCFS has access to all Audit Committee members, staff, systems and records.</p> <p>The Lead LCFS has the support of HEIW to ensure that the LCFS' can operate effectively and efficiently.</p>

## Appendix 2

### Further Information

#### 1. Reporting lines

<b>Chief Executive</b>	Alex Howells Health Education and Improvement Wales Tŷ Dysgu Cefn Coed Nantgarw CF15 7QQ Email: <a href="mailto:Alex.Howells@wales.nhs.uk">Alex.Howells@wales.nhs.uk</a>
<b>Interim Director of Finance and Corporate Services</b>	Eifion Williams Health Education and Improvement Wales Tŷ Dysgu Cefn Coed Nantgarw CF15 7QQ Email: <a href="mailto:Eifion.Williams6@wales.nhs.uk">Eifion.Williams6@wales.nhs.uk</a>
<b>Nominated Lead Local Counter Fraud Specialist</b>	Craig Greenstock Counter Fraud Manager Cardiff and Vale UHB Headquarters 1 <sup>st</sup> Floor, Woodlands House Maes-y-Coed Road, Llanishen, Cardiff CF14 4TT Email: <a href="mailto:Craig.Greenstock@wales.nhs.uk">Craig.Greenstock@wales.nhs.uk</a>

## 2. Mix of cases

*Number of cases in 2019/20, including those brought forward from previous years:*

Area (based on initial reported category)	Number of cases	Closed	Ongoing
False CV/Qualifications/Recruitment History	1	0	1
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 3. NHS Counter Fraud Authority Website

Information about NHS Counter Fraud Authority and the NHS Counter Fraud Strategy can be found at [www.cfa.nhs.uk](http://www.cfa.nhs.uk)

## Appendix 3

### Summary of Risk against the Contract and Standards as at 31<sup>st</sup> March 2020

Area of Activity	Red/ Amber/Green level
Strategic Governance	Green
Inform and Involve	Amber
Prevent and Deter	Green
Hold to Account	Green
Overall Level	Green

AREA OF ACTIVITY	DAYS USED
STRATEGIC GOVERNANCE	7
INFORM AND INVOLVE	17
PREVENT AND DETER	5
HOLD TO ACCOUNT	21
TOTAL DAYS USED	50

COST OF ANTI-FRAUD, BRIBERY AND CORRUPTION WORK	
PROACTIVE COSTS	£8,120
REACTIVE COSTS	£5,880
TOTAL COSTS	£14,000

### Declaration

I declare that the Anti-Fraud, Bribery and Corruption work carried out during the financial year 2019/20, within the HEIW, has been self-reviewed against the NHS Counter Fraud Authority Standards for Providers - Fraud, Bribery and Corruption/NHS Standard Contract and the rating as detailed in Appendix 4 has been achieved.

### Organisation Name

HEIW

### Director of Finance

Eifion Williams

### Date

4<sup>th</sup> May 2020



**GIG**  
CYMRU  
**NHS**  
WALES

Addysg a Gwella Iechyd  
Cymru (AaGIC)  
Health Education and  
Improvement Wales (HEIW)

<b>Meeting Date</b>	<b>26 May 2020</b>	<b>Agenda Item</b>	<b>2.2</b>
<b>Report Title</b>	<b>Annual Governance Statement 2019/20</b>		
<b>Report Author</b>	Dafydd Bebb, Board Secretary		
<b>Report Sponsor</b>	Dafydd Bebb, Board Secretary		
<b>Presented by</b>	Dafydd Bebb, Board Secretary		
<b>Freedom of Information</b>	Open		
<b>Purpose of the Report</b>	To request that the draft Annual Governance Statement be considered by the Committee and that feedback be provided.		
<b>Key Issues</b>	<p>The timescales for the approval of the Annual Report have been amended to reflect the revised guidance issued by Welsh Government.</p> <p>The draft Accounts, Annual Governance Statement (AGS), Statement of Directors Responsibilities and Remuneration Report were filed with Welsh Government on 22 May.</p> <p>The draft Annual Governance Statement is attached at Appendix 1. It has been developed in line with Welsh Government's recent guidance on the reporting of the organisation's response to COVID-19.</p>		
<b>Specific Action Required</b> <i>(please ✓ one only)</i>	<b>Information</b>	<b>Discussion</b>	<b>Assurance</b>
		✓	
<b>Recommendations</b>	<p>Members are asked to:</p> <ul style="list-style-type: none"> <li>discuss the content of the draft Annual Governance Statement and provide feedback in order to provide assurance to the Board that a robust governance process was enacted for the period to 31 March 2020.</li> </ul>		

## **ANNUAL GOVERNANCE STATEMENT 2019/2020**

### **1. INTRODUCTION**

The purpose of this paper is to request that the draft Annual Governance Statement (AGS) be considered by the Audit and Assurance Committee and feedback provided.

### **2. BACKGROUND**

NHS bodies are required to publish, as a single document, a three part Annual Report and Accounts which includes:

1. the Performance Report;
2. the Accountability Report - which includes the AGS; and
3. the Financial Statements

### **3. PROPOSAL**

HEIW's draft AGS, detailing the governance of the organisation in its first full financial year, is attached at Appendix 1.

The AGS also details the steps undertaken by HEIW to support NHS Wales' response to COVID-19. This is in line with recent guidance received from Welsh Government.

Members of the Committee are asked to consider the content of the draft AGS and provide feedback in respect of the same.

### **4. GOVERNANCE AND RISK ISSUES**

According to the Manual of Accounts, the Annual Report (which includes the AGS) and accounts "as a whole must be fair, balanced and understandable and the accountable officer takes personal responsibility for it and the judgments required for determining that it is fair, balanced and understandable".

### **5. FINANCIAL IMPLICATIONS**

There are no financial implications. Production of the Annual Report is deemed a core matter for HEIW.

### **6. RECOMMENDATION**

Members are asked to discuss the content of the draft Annual Governance Statement and provide feedback in order to provide assurance to the Board that a robust governance process was enacted for the period to 31 March 2020.

Governance and Assurance			
<b>Link to IMTP strategic aims</b> (please ✓)	<b>Strategic Aim 1:</b> To lead the planning, development and wellbeing of a competent, sustainable and flexible workforce to support the delivery of 'A Healthier Wales'	<b>Strategic Aim 2:</b> To improve the quality and accessibility of education and training for all healthcare staff ensuring that it meets future needs	<b>Strategic Aim 3:</b> To work with partners to influence cultural change within NHS Wales through building compassionate and collective leadership capacity at all levels
	✓	✓	✓
	<b>Strategic Aim 4:</b> To develop the workforce to support the delivery of safety and quality	<b>Strategic Aim 5:</b> To be an exemplar employer and a great place to work	<b>Strategic Aim 6:</b> To be recognised as an excellent partner, influencer and leader
	✓	✓	✓
<b>Quality, Safety and Patient Experience</b>			
Ensuring that HEIW has a robust governance process in place shall support HEIW to meet its objectives and to ultimately support the quality and safety of the patient experience.			
<b>Financial Implications</b>			
There are no financial implications.			
<b>Legal Implications (including equality and diversity assessment)</b>			
Completing the Annual Report is a statutory duty for HEIW.			
<b>Staffing Implications</b>			
There are no staffing implications.			
<b>Long Term Implications (including the impact of the Well-being of Future Generations (Wales) Act 2015)</b>			
N/A			
<b>Report History</b>	A previous draft of the Annual Governance Statement was received by this Committee on 1 April.		
<b>Appendices</b>	Appendix 1 – Draft Annual Governance Statement		



**GIG**  
CYMRU  
**NHS**  
WALES

Addysg a Gwella Iechyd  
Cymru (AaGIC)  
Health Education and  
Improvement Wales (HEIW)

# **DRAFT CORPORATE GOVERNANCE REPORT 2019/2020**

Signed: Alex Howells .....  
(Chief Executive)

Date: .....

## **Annual Governance Statement for the Period Ended 31 March 2020**

### **1. Scope of Responsibility**

The Board of Health Education Improvement Wales (HEIW) is accountable for governance, risk management and internal control. The Chief Executive (CEO) has responsibility for maintaining appropriate governance structures and procedures, as well as a sound system of internal control which support the achievement of the organisation's policies, aims and objectives, whilst also safeguarding public funds and the organisation's assets, for which the CEO is personally responsible. These are carried out in accordance with the responsibilities assigned to the CEO as Accountable Officer by the Chief Executive of NHS Wales.

At the time of preparing this Annual Governance Statement the Special Health Authority and the NHS in Wales are facing unprecedented and increasing pressure in planning and providing services in response to COVID-19, while also planning to resume other activity where this has been impacted.

The required response has meant that whole organisation has had to work differently both internally and externally and with our staff, partners and stakeholders. It has been necessary to revise some elements of the way that governance and the operational framework is discharged. In recognition of this, Dr Andrew Goodall, Director General Health and Social Services Wales, wrote to all NHS Chief Executives in Wales, with regard to "COVID-19-Decision making and financial guidance". The letter recognised that organisations would be likely to make potentially difficult decisions at pace and without a firm evidence base or the support of key individuals which under normal operating circumstances would be available. Nevertheless, the organisation is still required to demonstrate that decision making has been efficient and will stand the test of scrutiny with respect to compliance with managing Welsh public money and demonstrating Value for Money after the COVID-19 crisis has abated and the organisation returns to more normal operating conditions.

The main impact on HEIW's governance process during this crisis period has been the suspension of open Board and Committee meetings being held in public. These meetings have continued to be held in accordance with our original timetable but held virtually through video conferencing technology. To support virtual meeting agendas have become more streamlined and focussed on supporting the response to COVID-19. There have been no other material changes to HEIW's normal decision making process.

Where relevant HEIW's actions taken in response to COVID-19 have been explained within this Annual Governance Statement.

The background to HEIW, its functions, 2019/20 Annual Plan and Remit Letter objectives are set out in the Performance Report.

This Annual Governance Statement explains the composition and organisation of HEIW's governance structures and how they support the achievement of our objectives.

During 2019/20 we have continued to develop our system of governance and assurance. Our Board Assurance Framework (BAF) was approved by the Board in September. We will continue to evolve our BAF in 2020/21 through implementing the recommendations arising from the Audit Wales Structural Assessment.

The Board sits at the top of our governance and assurance system. It sets strategic objectives, monitors progress, agrees actions to achieve these objectives and ensures appropriate controls are in place and working properly. The Board also takes assurance from its committees and assessments and against professional standards and regulatory frameworks.

## 1.1 Our System of Governance and Assurance

Through engagement with staff, stakeholders and partners in 2018, we developed and agreed our vision: “**Transforming the workforce for a healthier Wales**”. We continue to deliver this vision using our PEOPLE principles as outlined below:

<b>P</b>	<b>Planning</b> ahead to predict and embrace changes and build a sustainable health and social care system
<b>E</b>	<b>Educating</b> , training and developing staff to meet the needs of patients and citizens in line with prudent healthcare principles
<b>O</b>	<b>Offering opportunities</b> for development to new and existing staff from all professional and occupational groups throughout career pathways
<b>P</b>	<b>Partnership working</b> to increase value for our citizens, patients, learners and staff
<b>L</b>	<b>Leading</b> the way, through continuous learning, improvement and innovation
<b>E</b>	<b>Exciting, Enthusing, Engaging, Enabling and Empowering</b> staff across all professional and occupational groups

With our staff we also developed and agreed our values in 2018:

- **Respect for all**
- **Together as a Team**
- **Ideas that Improve**

These values are supported by a Values and Behaviours Framework introduced in 2018-19, and together these set out clearly the expectations on all staff and the way we work.

HEIW, in line with all Health Boards and Trusts in Wales, has agreed standing orders for the regulation of proceedings and business of the organisation. These are designed to translate the statutory requirements set out in the HEIW (Establishment and Constitution) Order 2017 into day to day operating practice. Together with the adoption of a scheme of matters reserved to the Board; a scheme of delegation to officers and others; and standing financial instructions, they provide the regulatory framework for the business conduct of HEIW and define its 'ways of working'. These documents, together with the

range of corporate policies set by the Board make up the Governance and Assurance Framework.

HEIW's Declarations of Interest and Standards of Behaviour Policy was rolled out across the organisation in 2018-19. Work has continued during 2019-20 in respect of communication to further embed this to better manage any conflicts of interest that might arise for our Board members and staff.

## **1.2 The Role of the Board**

The Board has been constituted to comply with the *Health Education and Improvement Wales Regulations 2017*. In addition to responsibilities and accountabilities set out in terms and conditions of appointment, Independent Members also fulfil a number of Champion roles where they act as ambassadors (see Table 1).

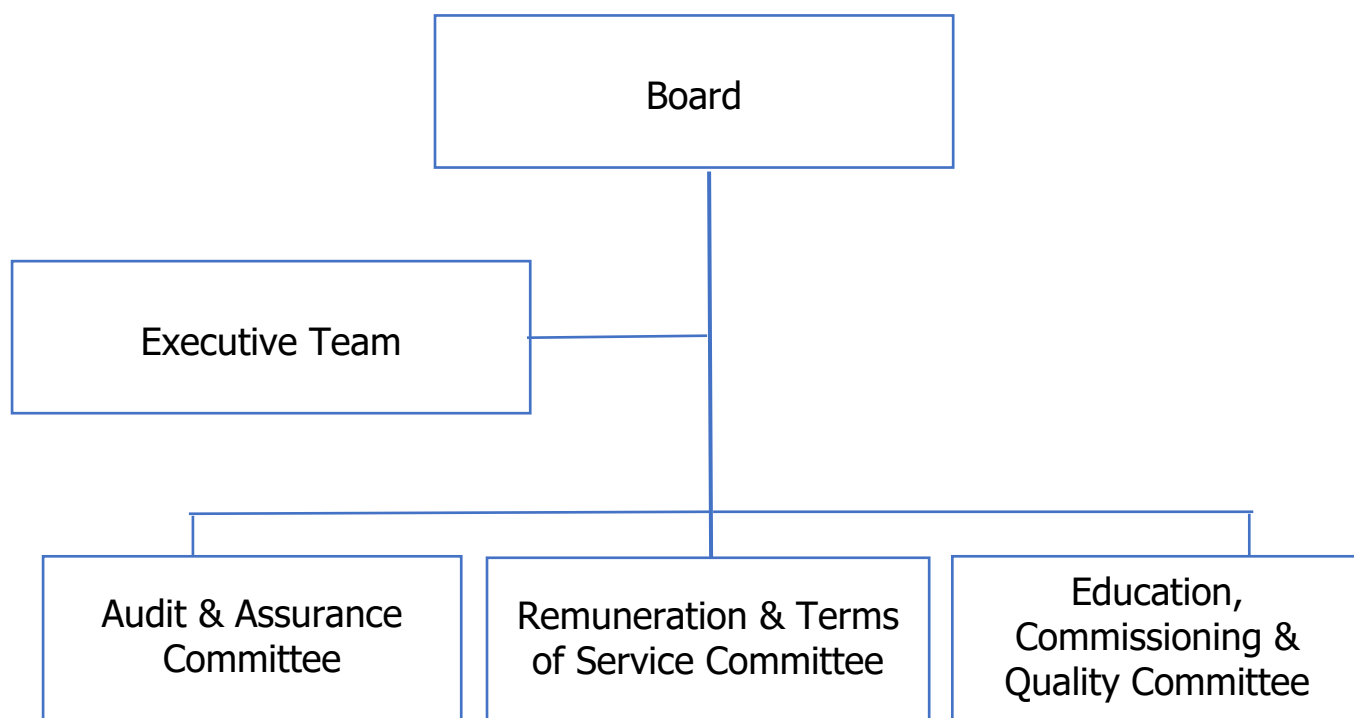
Three of our Independent Members were recently re-appointed. Tina Donnelly was re-appointed for a term of 4 years from 1 February 2020 taking her term of office to 31 January 2024. Dr Heidi Phillips was re-appointed for a term of three years from 1 February 2020 taking her term of office to 31 January 2023. John Hill-Tout was re-appointed for a term of 2 years from 1 February 2020 taking his term of office to 31 January 2022.

The new national programme of induction for Board Members, facilitated by Academi Wales, was established in 2019. Three of HEIW's Independent Members attended the first induction programme in December 2019.

During 2019-2020 a number of board development sessions were undertaken which included a focus on the following elements of governance:

- Performance Management Framework;
- Quality and Engagement Bill;
- Board and Sub Committees' Governance Arrangements entitled 'Future Ways of Working';
- Regulation – GMC;
- Risk Appetite;
- Upholding Professional Standards for Independent Board Members;
- Self-Assessment of Quality Governance Arrangements in response to the HIW and AW Joint Review at Cwm Taf Morgannwg UHB

The full membership of the Board, their lead roles and committee responsibilities are outlined in Table 1. Below is a summary of the Board and Committees structure:



The Board provides leadership and direction to the organisation and has a key role in ensuring the organisation has sound governance arrangements in place. The Board also seeks to ensure the organisation has an open culture and high standards when conducting its work. Together, Board members share corporate responsibility for all decisions and play a key role in monitoring the performance of the organisation. All the meetings of the Board during 2019/20 were appropriately constituted with a quorum. The key business and risk matters considered by the Board during 2019/20 are outlined in this statement and further information can be obtained from meeting papers available on our website:

<https://heiw.nhs.wales/corporate/board-meetings-agendas-and-papers/>.

### **1.3 Committees of the Board**

The Board has established three committees, the Audit and Assurance Committee, Remuneration and Terms of Service Committee and the Education Commissioning and Quality Committee. These committees are chaired by the Chair or Independent Members of the Board and have key roles in relation to the system of governance and assurance, decision making, scrutiny and in assessing current risks. The committees provide assurance and key issue reports to each Board meeting to contribute to the Board's assessment of assurance and to provide scrutiny on the delivery of objectives.

The Board is responsible for keeping the committee structure under review. Following the establishment of the Education Commissioning and Quality Committee a review was undertaken of HEIW's standing orders. The review entitled 'Future Ways of Working' focussed on the roles of the Board and its committees to ensure that decision making was taken at the appropriate level and to avoid any gaps in the governance structure. The paper on Future Ways of Working was approved at September Board and the Standing Orders were

updated to reflect the findings of the paper in November. The Board will consider whether any changes are needed during 2020/2021 in line with the Board's governance framework and priorities of the Integrated Medium Term Plan (IMTP) 2020/23.

HEIW is committed to openness and transparency with regard to the way in which it conducts its committee business. The HEIW Board and its committees aim to undertake the minimum of its business in closed sessions and ensure business wherever possible is considered in public with open session papers published on HEIW's website.

<https://heiw.nhs.wales/corporate/board-meetings-agendas-and-papers/>

The closed session elements of Board and committee meetings are undertaken because of the confidential nature of the business. Such confidential issues may include commercially sensitive issues, matters relating to personal issues or discussing plans in their formative stages.

An important committee of the Board in relation to this Annual Governance Statement is the Audit and Assurance Committee. The Committee keeps under review the design and adequacy of HEIW's governance and assurance arrangements and its system of internal control. During 2019-2020, key issues considered by the Audit and Assurance Committee relating to the overall governance of the organisation included:

- Reviewing its terms of reference, which will be kept under regular review;
- Approving the Internal Audit Plan for 2019/20 and keeping under review the resulting Internal Audit Reports. Noting key areas of risk and tracking the management responses made to improve systems and organisational policies;
- Ensuring effective financial systems and controls procedures are in place;
- Developing the Board's risk management systems and processes;
- Developing arrangements to work with the Audit Wales (AW), and considering, the 2019 Structural Assessment and the AW's 2020 Audit Plan; and
- Providing assurance to the Board in respect of Information Management and Information Governance.

The Committee provides an annual report of its work to the Board and it will undertake a self-assessment for 2019/20 in July 2020. A questionnaire based on the National Audit Office Audit and Risk Committee Checklist has been developed and circulated to committee members and attendees. Respondents will include representatives from AW and Internal Audit. If required, an action plan will be developed.

The Remuneration and Terms and Conditions Committee considers and recommends salaries, pay awards and terms and conditions of employment for the Executive Team and other key senior staff. During 2019-2020, key issues considered by the Audit and Assurance Committee relating to the overall governance of the organisation included:

- Performance of Executive Directors against individual objectives
- Independent member objectives

- National pay awards for members of staff
- Retire and return of senior staff
- NHS Pensions flexibility
- Secondment agreements

In March 2019, the Board approved the establishment of the Education, Commissioning and Quality Committee to enable the Board to undertake greater scrutiny in respect of commissioning, monitoring and quality assessing of education and training. Greater scrutiny will enable HEIW to manage and mitigate risk. The Committee held its first meeting in May 2019 and has considered the following key matters in 2019/20:

- Reviewed its own terms of reference upon establishment;
- Reviewed the draft NHS Wales Education, Commissioning and Training Plan for 2020/21 and recommended the Plan for approval at the HEIW Board in July 2019;
- Reviewed the outcome of the KPMG Strategic Review of Health Professional Education and its 22 recommendations;
- Ensuring the effective management and improvement of the quality of HEIW's education and related research activities;
- Ensuring the effective performance, monitoring, management and value of education and training programmes and contracts;
- Monitoring compliance of education and training activities;
- Providing assurance in respect of risk areas within its area of responsibility and highlight material areas of concern to the Audit and Assurance Committee.

The Committee will undertake a self-assessment for 2019-2020. An evaluation of the results of the self-assessment will be considered by the Committee at its meeting in July 2020.

#### **1.4 Membership of the Board and its Committees**

In Table 1 the membership of the Board and its committees is outlined for the period ending 31 March 2020, along with attendance at Board and Committee meetings for this period. It also highlights the membership of the Board's committees. Members are involved in a range of other activities on behalf of the Board, such as regular board development/briefing meetings, and a range of other internal and external meetings.

A report of any proposed changes to the structure and membership of Board committees is approved by the Board. Each committee has considered its own terms of reference and recommended changes to the Board. The Board will ensure that terms of reference for each committee are reviewed annually to ensure the work of committees clearly reflects any governance requirements, changes to delegation arrangements or areas of responsibility. Committees are also be required to develop annual reports of their business and activities.

In January 2020, the Education Commissioning and Quality Commission approved the establishment of two advisory groups, the Internal Multi-

Professional Education Group (IMPEG) and the External Education Group (EEG).

### 1.5 Suspension of Board and Committee meetings being held in public due to COVID-19

In accordance with the Public Bodies (Admissions to Meetings) Act 1960 the organisation is required to meet in public. As a result of the public health risk linked to the pandemic the UK and Welsh Governments stopped public gatherings of more than two people and it has therefore not possible to allow the public to attend meetings of our Board and Committees since 26 March 2020. To ensure business was conducted in as open and transparent manner as possible during this time the following actions were taken:-

- a Board or Committee briefing placed on HEIW's website within 48 hours of a meeting;
- Unconfirmed draft minutes of Board and Committee meetings placed on HEIW's website within 14 days of the meeting.

As the duration of the pandemic and the subsequent measures to be taken to mitigate the spread are not yet known it will be necessary to keep this under review.

**Table 1**

Board and Committee Membership and Attendance since 1 April 2019 to 31 March 2020:

<b>Name</b>	<b>Position</b>	<b>Area of Expertise/ Representation Role</b>	<b>Board/ Committee Membership</b>	<b>Meeting Attendance 2019/2020</b>	<b>Champion Roles</b>
<i>Chris Jones</i>	<i>Chair</i>	<ul style="list-style-type: none"> <li>• Primary Care</li> <li>• Widening Access</li> <li>• Prevention</li> </ul>	<ul style="list-style-type: none"> <li>• Board (Chair)</li> <li>• RATS Committee (Chair)</li> </ul>	7/7 7/7	<ul style="list-style-type: none"> <li>• Welsh Language Champion</li> </ul>
<i>John Hill-Tout</i>	<i>Vice Chair</i>	<ul style="list-style-type: none"> <li>• Performance</li> <li>• Governance</li> <li>• Finance</li> </ul>	<ul style="list-style-type: none"> <li>• Board</li> <li>• Audit and Assurance Committee</li> <li>• RATS Committee</li> </ul>	6/7 5/5  5/7	<ul style="list-style-type: none"> <li>• Primary Care</li> <li>• Mental Health Champion</li> </ul>
<i>Tina Donnelly</i>	<i>Independent member</i>	<ul style="list-style-type: none"> <li>• Leadership</li> <li>• Students</li> <li>• Workforce</li> <li>• Education/ Training</li> </ul>	<ul style="list-style-type: none"> <li>• Board</li> <li>• RATS Committee</li> <li>• Education, Commissioning and Quality Committee</li> </ul>	7/7 6/7  4/4	<ul style="list-style-type: none"> <li>• Student/ Trainee Champion</li> <li>• Equality and Diversity Champion</li> </ul>

<b>Name</b>	<b>Position</b>	<b>Area of Expertise/ Representation Role</b>	<b>Board/ Committee Membership</b>	<b>Meeting Attendance 2019/2020</b>	<b>Champion Roles</b>
<i>Ruth Hall</i>	<i>Independent member</i>	<ul style="list-style-type: none"> <li><i>Rural Education</i></li> <li><i>Quality and Improvement</i></li> </ul>	<ul style="list-style-type: none"> <li><i>Board</i></li> <li><i>Audit and Assurance Committee</i></li> <li><i>RATS Committee</i></li> <li><i>Education, Commissioning and Quality Committee (Chair)</i></li> </ul>	<i>7/7</i> <i>5/5</i>  <i>5/7</i>  <i>4/4</i>	<ul style="list-style-type: none"> <li><i>Rural Champion</i></li> </ul>
<i>Gill Lewis</i>	<i>Independent member</i>	<ul style="list-style-type: none"> <li><i>Health &amp; Social Care Workforce</i></li> </ul>	<ul style="list-style-type: none"> <li><i>Board</i></li> <li><i>Audit and Assurance Committee (Chair)</i></li> <li><i>RATS Committee</i></li> </ul>	<i>7/7</i> <i>4/5</i>    <i>7/7</i>	<ul style="list-style-type: none"> <li><i>Health &amp; Social Care Integration Champion</i></li> </ul>
<i>Ceri Phillips</i>	<i>Independent member</i>	<ul style="list-style-type: none"> <li><i>Workforce Design</i></li> <li><i>Value Agenda</i></li> <li><i>Digitalisation</i></li> </ul>	<ul style="list-style-type: none"> <li><i>Board</i></li> <li><i>RATS Committee</i></li> </ul>	<i>7/7</i> <i>6/7</i>	<ul style="list-style-type: none"> <li><i>Digital Champion</i></li> </ul>
<i>Heidi Phillips</i>	<i>Independent member</i>	<ul style="list-style-type: none"> <li><i>Integrated Care</i></li> <li><i>Improvement</i></li> <li><i>Widening access</i></li> <li><i>Education</i></li> <li><i>Training</i></li> </ul>	<ul style="list-style-type: none"> <li><i>Board</i></li> <li><i>RATS Committee</i></li> </ul>	<i>4/7</i> <i>5/7</i>	<ul style="list-style-type: none"> <li><i>Quality Improvement Champion</i></li> <li><i>Widening Access Champion</i></li> </ul>
<i>Alex Howells</i>	<i>Chief Executive</i>		<i>Board</i>	<i>6/7</i>	
<i>Julie Rogers</i>	<i>Deputy Chief Executive/ Director of Workforce and OD</i>		<i>Board</i>	<i>6/7</i>	
<i>Stephen Griffiths</i>	<i>Executive Director of Nursing</i>		<i>Board</i>	<i>5/7</i>	
<i>Pushpinder Mangat</i>	<i>Executive Medical Director</i>		<i>Board</i>	<i>7/7</i>	
<i>Eifion Williams</i>	<i>Director of Finance</i>		<i>Board</i>	<i>5/7</i>	

Please note the Director of Finance is the lead officer for the Audit and Assurance Committee. The Director of Workforce & Organisational Development is the lead officer for the Remuneration and Terms of Service Committee. The Medical Director and the Director of Nursing are the lead officers for the Education Commissioning and Quality Committee.

**Table 2**

Dates of board and committee meetings held during the period 1 April 2019 to 31 March 2020.

<b>Board/ Committee</b>	<b>Dates Meetings Held</b>						
<b>Board</b>	<b>30/05/19</b>	<b>18/07/19</b>	<b>26/09/19</b>	<b>28/11/19</b>	<b>19/12/19</b>	<b>30/01/20</b>	<b>26/03/20</b>
<b>Audit and Assurance Committee</b>	<b>13/05/19</b>	<b>29/05/19</b>	<b>15/07/19</b>	<b>22/11/19</b>	<b>27/01/20</b>		
<b>Education, Commissioning &amp; Quality Committee</b>	<b>16/05/19</b>	<b>01/07/19</b>	<b>21/10/19</b>	<b>16/01/20</b>			
<b>Remuneration and Terms of Service Committee</b>	<b>25/04/19</b>	<b>04/06/19</b>	<b>19/06/19</b>	<b>18/07/19</b>	<b>29/08/19</b>	<b>28/11/19</b>	<b>19/02/20</b>

## **2. The Purpose of the System of Internal Control**

HEIW Board's system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risks. It can therefore only provide reasonable and not absolute assurances of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise risks to the achievement of policies, aims and objectives. Plus, to evaluate the likelihood of those risks being realised and their impact, and to manage them efficiently, effectively and economically.

The system of internal control for HEIW continues to evolve. Our Board Assurance Framework (BAF) was approved by the Board in September 2019. We use the BAF system and process to monitor, seek assurance and ensure shortfalls are addressed through the scrutiny of the Board and its committees.

Key controls are defined as those controls and systems in place to assist in securing the delivery of the Board's strategic objective. The effectiveness of the system of internal control is assessed by our internal and external auditors.

A diagram of the Board Control Framework is set out overleaf.

# Health Education and Improvement Wales Board Control Framework

Leadership

Staff

Systems  
and  
Processes

Finances

Technology

## Controls and Assurance Mechanisms

### High Quality Education

#### **Controls: evidenced within**

- Annual Plan
- Commissioning
- Equality Impact Assessment

#### **Assurance: gained via**

- Proposed Education Commissioning and Quality Committee
- Senior Leadership Team
- Annual Report and Annual Governance Statement
- Chairs Reports
- Visits and Inspections

### Performance Management

#### **Controls:**

- Objectives and Appraisals
- Performance targets
- Performance Dashboards and monthly reporting
- Regular Performance and Quality reports

#### **Assurance: gained via**

- Escalation arrangements
- Audits, visits
- Executive Director and Senior Leadership Team meetings
- Audit and Assurance Committee
- Proposed Education Commissioning and Quality Committee
- Internal/External Audits

### Risk Management

#### **Controls:**

- Risk management strategy and Policy
- Board Assurance Framework
- Corporate Risk Register
- Divisional Risk Register
- Reports to the Board, Senior Leadership Team and sub committees
- Policies and Procedures
- Scheme of Delegation

#### **Assurance: gained via**

- Escalation arrangements
- Internal/External Audits, visits
- Executive Director and Senior Leadership Team meetings
- Audit and Assurance Committee
- Proposed Education Commissioning and Quality Committee

## Levels of Assurance

### **First line Operational**

- Organisational structures – evidence of delegation of responsibility through line management arrangements
- Compliance with appraisal process
- Compliance with policies and procedures
- Incident reporting and thematic reviews
- Compliance with risk management processes and systems
- Performance Reports, Complaints and [Trainee Experience Reports], Finance Reports



### **Second line Risk and compliance**

Reports to Assurance and Oversight Committees:

- Audit and Assurance Committee
- Education Commissioning and Quality Committee
- Remuneration and Terms of Service Committee
- Health and Safety Groups, etc.

Findings and/or reports from inspections, annual reporting through to committees



### **Third line Independent**

- Internal Audit Plan
- Wales Audit Office (Structured Assessment)
- External Audits (eg. Annual Accounts and Annual Report)
- HIW Inspections
- Regulators
- Reviews and Reports by Royal Colleges
- External visits and accreditations
- Independent Reviews

### **3. Capacity to Handle Risk**

We have continued to develop and embed our approaches to risk management and emergency preparedness throughout 2019/20. In July 2019 our Risk Management Policy was approved by the Board. This policy included the requirement to develop an annual risk appetite which was completed and approved by Board in January 2020. This is now being communicated across the organisation, combined with a review of all operational risks. This will ensure a consistent, integrated approach whereby all risks are clearly linked to organisational objectives with a line of sight to the Board Assurance Framework.

#### **HEIW's Risks Pre-COVID-19**

The key risks that have been managed during this period include:

- NHS Bursary Terms and Conditions;
- the Strategic Review of Health Professional Education;
- access to Eduroam the dedicated education internet connection for trainers and trainees; and
- District Nurse Recruitment;

Areas of risk requiring HEIW's continued focus include:

- HEIW's Interface with Welsh Government. If this interface is not clear this could impact on delivery and could undermine a good relationship with the Welsh Government.
- HEIW's relationship with other NHS organisations. If communication is not clear it will undermine HEIW's ability to understand the future workforce requirements and to deliver its IMTP objectives.
- The Strategic Review of Health Professional Education. If this is not met within the timescale and future aspirations then it will impact on the quality and suitability of education in the future.

#### **HEIW's Risks Arising from COVID-19**

The Risk Register is continuously updated to capture HEIW's risks as they are identified, and was updated in March/April 2020 to align it to the risk log created in response to the impact of COVID-19.

The key risks caused by COVID-19 include:

- The impact of current changes to education and training programmes having an adverse impact on progression and outcomes for students and trainees which may also impact the NHS' workforce in the medium term.
- The current pressures affecting HEIW's ability to deliver the major change programmes relating to GP trainee and Pharmacy pre-registration programmes which could impact the NHS' workforce in the medium term.

HEIW's Risk pre-existing risks have been exacerbated by COVID-19 in the following areas and are therefore also key areas of focus for the organisation:

- The Strategic Review of Health and Professional Education. This is because the timetable for the tender process has been shortened. However, the end date for the delivery of the new contracts currently remains the same.
- Cybersecurity. This is a result of fraudsters targeting health organisations during the crisis.

## **Risk Management**

The Board sees active and integrated risk management as key elements of all aspects of our functions and responsibilities especially in order to support the successful delivery of our business.

The Chief Executive / Accountable Officer, has overall responsibility for the management of risk for HEIW. The Board and its committees identify and monitor risks within the organisation. Specifically, executive team meetings present an opportunity for the executive function to consider and address risk, and actively engage with and report to the Board and its committees on the organisation's risk profile. The Corporate Risk Register is reviewed monthly by the Executive Team and at each monthly meeting of the Senior Leadership Team. It is reviewed, regularly by the Audit and Assurance Committee on a quarterly basis and by the Board twice a year. Risks are escalated to the Board as appropriate.

Further information can be found in the Board papers on our website: <https://heiw.nhs.wales/corporate/board-meetings-agendas-and-papers/>

During the COVID-19 crisis, the Crisis Management Team in HEIW - established in response to the pandemic - has had the role of monitoring and assessing the impact and risks arising. Also, for assessing which risks should be escalated and included within the corporate risk register.

The Board is also committed to ensuring staff throughout the organisation are trained and equipped to appropriately assess, manage, escalate and report risk. In June 2019, members of the Senior Leadership team undertook specific risk management training provided by an external consultant on risk. Over forty managers within HEIW have undertaken internal training on risk during Q3 and Q4 of the financial year.

Internal audit has undertaken a report assessing HEIW's systems and controls in place in relation to the organisation's risk management arrangements. The overall rating was one of reasonable assurance for this area. We have drafted our response to this report, which along with the final Internal Audit Report, was considered by the Audit and Assurance Committee in April 2020.

HEIW has a Crisis Management and Business Continuity policy which was deployed during the flooding near to our headquarters in Nantgarw in February, and again in March in response to the COVID-19 situation.

The Deputy CEO and Board Secretary have been attending NHS Wales SRO Brexit meetings where emergency preparedness issues have been explored and discussed.

As previously highlighted the need to plan and respond to the COVID-19 pandemic presented a number of challenges to the organisation. A number of new and emerging risks were identified. Significant action has been taken by HEIW to support NHS Wales' response to the pandemic. This has also involved working in partnership on the multi-agency response as a key member of the Strategic Co-ordination Group.

Our COVID-19 response has been led by the CEO and Deputy CEO. At the end of March, the CEO was asked to support Andrew Goodall as Chief Operating Officer/Deputy NHS Wales Chief Executive, dedicated to COVID 19. As such, operational responsibility for HEIW functions passed to the Deputy CEO. During this period the CEO has continued in her role as HEIW's Accountable Officer.

HEIW has been contributing to the national response additionally via Joint leadership via the Deputy CEO of the Workforce Deployment and Wellbeing Planning and Response Group (Workforce Cell).

In line with Government Guidelines and to safeguard the health of staff, we introduced a 60/40 operating model combining homeworking with office based. As the lockdown was introduced by Welsh Minister, as of 24 March, our headquarters, Ty Dysgu, has been closed. The organisation transitioned successfully to 100% homeworking which remains the operating model to date.

#### **4. The Control Framework**

NHS Wales organisations are not required to comply with all elements of the corporate governance code for central government departments. However, the main principles of the code stand as they are relevant to all public sector bodies.

The information provided in this governance statement provides an assessment of how we comply with the main principles of the Code as they relate to HEIW as an NHS public sector organisation. HEIW is following the spirit of the Code to good effect and is conducting its business openly and in line with the Code. The Board recognises that not all reporting elements of the Code are outlined in this governance statement but are reported more fully in the organisation's wider Annual Report. There have been no reported departures from the Corporate Governance Code.

The corporate governance code for central government departments can be found at:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/220645/corporate\\_governance\\_good\\_practice\\_july2011.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220645/corporate_governance_good_practice_july2011.pdf)

HEIW's risk management framework complies materially with the Orange Book Management of Risk principles taking into account the organisation's size, structure and needs.

There have been no reported departures from the Orange Book.

*The Orange Book can be accessed at:*

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/815635/Orange\\_Book\\_Management\\_of\\_Risk.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/815635/Orange_Book_Management_of_Risk.pdf)

The Health and Care Standards set out the requirement for the delivery of health care in Wales. As an education and training body with no direct contact to patients our focus in respect of the Health Care Standards relate to staff and resources. Improvements to these areas are captured in our Performance Report.

#### **4.1 Other Control Framework Elements**

Control measures are in place to ensure all the organisation's obligations under equality, diversity and human rights legislation are complied with.

HEIW's aspiration is to be an excellent employer and a great place to work. As such we are fully committed to meeting the general and specific duties set out in the Public Sector Equality Duties (2011). Continued progress has been made in relation to our diversity, equality and inclusion agenda with HEIW attending Pride in Cardiff last August.

HEIW has also established its Diversity and Inclusion Group and recruited Workplace Champions. HEIW has committed to several workforce related initiatives for example the Stonewall Diversity Champion Scheme, Time to Change, Disability Confident, TUC's Dying to Work, Anti-Violence Collaboration and Communication Access Symbol.

Our first Strategic Equality Plan 2020-2024 is due for publication in 2020. We have published our first Annual Equality Report 2018/19 highlighting progress so far.

**Pension Scheme** - As an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring that deductions from salary, employer's contributions and payments into the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations.

**Welsh Risk Pool** - The Welsh Risk Pool Services (WRPS) is a risk sharing mechanism, akin to an insurance arrangement which provides indemnity to NHS Wales's organisations against negligence claims and losses. Individual NHS organisations must meet the first £25,000 of a claim or loss which is similar to an insurance policy excess charge.

The HEIW Board along with its internal sources of assurance, which includes its internal audit function provided by NHS Shared Services, also uses sources of external assurance and reviews from auditors, regulators and inspectors to

inform and guide our development. The outcomes of these assessments are being used by the Board to further inform our planning and the embedding of good governance across a range of the organisation's responsibilities.

**Annual Quality Statement** - As HEIW does not provide direct clinical services it has not completed an Annual Quality Statement in 2019/20.

However, HEIW does take quality and quality improvement very seriously. During 2019/20 HEIW has implemented the measures detailed below to secure quality improvement in relation to its functions:

- The establishment of the Education Commissioning and Quality Committee. The Committee's remit includes; assuring the Board on whether effective arrangements are in place to quality manage education systems; to make recommendations in respect of the quality of education and monitoring education quality.
- The work of the Committee in respect of education quality will be further enhanced through the establishment of the two new sub-groups referred to at page 8 above.
- HEIW has focussed on the quality management process for post graduate medical education. This includes sites within NHS Wales that are in particular need of monitoring.
- HEIW gathers information on student and trainee experiences. This information is used to inform improvements within the education and training provision.
- HEIW monitors training through several means including: national GMC surveys of medical trainers and trainees, quality assurance visits and constant feedback from education leads within the NHS.
- HEIW have clearly identified roles within the organisation which support the quality agenda.
- Continuous improvement more generally is important to HEIW, both in terms of internal sharing of good practice as well as through learning from our sister organisations in the UK.

HEIW will engage with Welsh Government in 2020/21 to develop bespoke guidance for HEIW to complete an Annual Quality Statement as a training and education organisation.

Further assurance has been gained through the Joint Executive Team Meeting between HEIW and Welsh Government and the quarterly Quality and Delivery meetings.

**Welsh Language** - As HEIW is a relatively new body it has not been named as an organisation that comes under the Welsh Language Measure 2011. Given this the Welsh Language Commissioner's Office has asked HEIW to prepare a Statutory Language Plan as prescribed under the original (1993) Welsh Language Act. Our draft Welsh language Scheme is based on the Welsh Language Standards. The draft Scheme is in the process of being drafted and will be subject to a public consultation prior to its final submission to the Commissioner at the end of 2020. HEIW also looks forward to receiving

confirmation from Welsh Government that it has been named under the Welsh Language Measure at the earliest opportunity.

**Stakeholders and Partners** - As an All-Wales organisation, with several strategic functions, the importance of our partners and stakeholders cannot be over emphasised. This includes trainees and students, NHS Wales, Social Care Wales, Education providers, Regulators, Private sector (business, suppliers), Professional bodies and Welsh Government.

During 2019-20 we have undertaken extensive communications and engagement activity based on our Board approved Communications and Engagement Strategy to build and strengthen relationships and to help shape our work and services. This has included:

- Regular stakeholder bulletins;
- Social media to inform and update;
- Regular workshops, meetings and virtual working groups to inform and involve everyone in discussions on key topics;
- Continuation of stakeholder workshops across Wales including to inform development of the IMTP;
- Regular stakeholder specific newsletters such as trainee newsletter, dental professionals;
- Participation in national boards and all Wales peer groups;
- Collaboration and co-production of Wales's first Public Body Equality Partnership to develop and delivery Wales' first shared Strategic Equality Plan across public sector bodies;
- Extensive engagement and consultation, with over 1900 contacts, during the development of the Workforce Strategy for Health and Social Care;
- Ongoing widespread engagement and consultation as part of the development of a health and care leadership strategy for Wales;
- Extensive engagement in the strategic review of health professional education
- All Wales conferences and events to focus on key topics, provide access to CPD and support networking.

We are also working with partners across the UK, including colleagues in NHS Education for Scotland, Health Education England, NHS Improvement, Department of Health in Northern Ireland and a number of national professional bodies and regulators. We hosted a four-nations meeting between Health Education England, NHS Scotland and the Northern Ireland Medical and Dental Training Agency earlier this year and are part of a five nations collaborative, on compassionate and collective leadership.

Beginning in early May 2019, we launched the 'HEIW Roadshows' visiting Health Boards and Trusts across Wales to meet with healthcare trainees, students, educators and those responsible for education. The Roadshows enabled us to introduce HEIW and ourselves to students, trainees and colleagues across Wales. It also provided us with an opportunity to listen and gain feedback on education experiences to allow us to inform future provision of healthcare education in Wales. These will be repeated in 2020-21.

Working together, understanding each other's needs and how we can best support each other is critical if we are to succeed individually and as a system. To achieve this, we will continue to collaborate, communicate, engage and work closely with our partners and stakeholders.

**Carbon Reduction** - The organisation has not undertaken risk assessments on carbon reduction delivery plans. This position will be reviewed in 2020/21 – see the Biodiversity and Sustainability section below which details how HEIW will focus on reducing its carbon footprint.

### **Ministerial Directions**

No ministerial directions were received as at year end 31 March 2020.

During the period there were no material lapses in data security and no referrals to the ICO.

## **4.2 Planning**

The Board has received regular reports in respect of the implementation of the 2019/20 Annual Plan and Remit Letter through regularly reviewing the Performance Reports.

The Board has played a central role in developing HEIW's Integrated Medium Term Plan (IMTP). Detailed Board discussions to support the development of the IMTP has taken place. This iterative process culminated in the Board approving the IMTP for submission to Welsh Government at its meeting in January 2020.

The formal approval of the IMTP has been delayed due to the COVID-19 pandemic. Welsh Government has nevertheless confirmed that the IMTP was deemed approvable. As agreed at the Board meeting in March, implementation of HEIW's IMTP objectives have been largely paused in Q1 of 2020/21, to enable the organisation to focus its resources on supporting the NHS' response to COVID-19.

## **5. Review of Effectiveness**

As Accountable Officer, the CEO has responsibility for reviewing the effectiveness of the system of internal control. The review of the system of internal control is informed by the work of the internal auditors, and the executive officers within the organisation who have responsibility for the development and maintenance of the internal control framework, and comments made by external auditors in their audit letter and other reports.

### **5.1 Internal Audit**

Internal audit provides the CEO, as Accountable Officer and the Board through the Audit and Assurance Committee, with a flow of assurance on the system of internal control. The CEO commissioned a programme of audit work which has been delivered in accordance with public sector internal audit standards by the

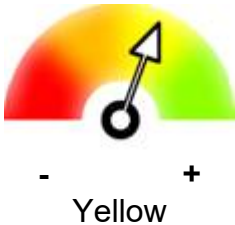
NHS Wales Shared Services Partnership. The scope of this work is agreed with the Audit and Assurance Committee.

The overall opinion by the Head of Internal Audit (HoIA) on governance, risk management and control is a function of this risk based audit programme and contributes to the picture of assurance available to the Board in reviewing effectiveness and supporting our drive for continuous improvement.

## 5.2 The Head of Internal Audit Conclusion:

The scope of the opinion of the HOIA is confined to those areas examined in the risk based audit plan, which has been agreed with senior management and approved, by the Audit and Assurance Committee. The HOIA assessment should be interpreted in this context when reviewing the effectiveness of the system of internal control and be seen as an internal driver for continuous improvement. The HOIA opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management, and control is set out below.

### Assurance rating

	The Board can take <b>reasonable assurance</b> that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Some matters require management attention in control design or compliance with low to moderate impact on residual risk exposure until resolved.
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The audit work undertaken during 2019/20, has been reported to the Audit and Assurance Committee.

The evidence base upon which the overall opinion is formed is as follows:

- An assessment of the range of individual opinions arising from risk-based audit assignments contained within the Internal Audit plan which have been reported to the Audit and Assurance Committee throughout 2019/20. This assessment has taken account of the relative materiality of these areas.
- Other assurance reviews, which impact on the head of internal audit opinion including audit work performed at other organisations.

A summary of the reviews and associated assurance ratings in each of the domains is set out below:

#### Corporate governance, risk management and regulatory compliance

- **Risk management** – Internal Audit issued a **reasonable** assurance report for our review of risk management.
- **Board and Committee Governance arrangements** – Overall Internal Audit issued **substantial** assurance for this review.

#### **Strategic planning, performance management & reporting**

- **Performance management** – Overall Internal Audit issued a **reasonable** assurance report in relation to its work in this area.
- **IMTP Planning** - Overall Internal Audit issued **substantial** assurance for this review.

#### **Financial governance and management**

- **Core financial systems** – Overall, Internal Audit issued a **reasonable** assurance report.

#### **Clinical governance quality & safety**

- **Health and Safety** – Overall Internal Audit issued **reasonable** assurance for this area of audit work.

#### **Information governance & security**

- **IT/Digital Review** – Overall Internal Audit issued **reasonable** assurance for this review.
- **Freedom of Information** – Overall Internal Audit issued **reasonable** assurance for this review.
- **Data Protection (GDPR)** – Overall Internal Audit issued **reasonable** assurance for this review.

#### **Operational service and functional management**

- **Service Review – Medical Training Commissioning** – at the time of the opinion, Internal Audit's work in this domain, relating to medical training commissioning, was still in progress. The HOIA has assessed the audit work completed to date and considered that there would be no impact on the overall Head of Internal Audit Opinion.

#### **Workforce management**

- **Employment status of casual workers Follow Up** – Internal Audit issued a **reasonable** assurance report for this audit review which was undertaken to follow up on the original **Limited** assurance Internal Audit undertaken in 2018/19.
- **Workforce Review: Values and Behaviours Framework** – Internal Audit issued **reasonable** assurance for this review.

#### **Capital & estates management**

- Internal Audit did not plan to undertake any reviews in this domain during 2019/2020.

### **5.3 External Audit – Audit Wales (AW)**

The Auditor General for Wales is the statutory external auditor for the NHS in Wales. The AW undertakes the external auditor role for HEIW on behalf of the Auditor General. As HEIW was established in October 2018 the AW undertook a baseline Structured Assessment which was reported in June 2019.

This baseline Structured Assessment fed into the full AW 2019 Structured Assessment in 2019. This assessment concluded overall that the organisation

has strong leadership and sound arrangements have supported effective business and a positive staff culture driven by excellent staff engagement. It noted that following areas require further development: risk, Board assurance, performance management and information governance.

The AW also concluded that HEIW has a clear vision and strategic objectives are in place for IMTP production and monitoring and that financial controls and policies are in place.

Specifically, the report made a number of recommendations for the following areas:

## **Governance**

The organisation should review Board and committee oversight to ensure the breadth of its work is covered and there are no gaps in scrutiny arrangements.

## **Board Assurance Framework (BAF) and Risk**

The organisation should now create the assurance map required by undertaking a process to identify and map the controls and key sources of assurance against the principle risks to achieving its strategic objectives.

HEIW should improve its risk management by determining and clearly communicating its risk appetites to ensure a consistent approach to: tolerance of risk; assessing and scoring of risks; and escalation/removal of risks to/from the Corporate Risk Register.

## **Performance management framework**

HEIW should document its performance management framework, setting out: operational performance management arrangements and lines of accountability; and what is reported to whom and by when, and Board / Committee oversight for performance management.

## **Information Governance**

The organisation should strengthen information governance and cyber security arrangements by: appointing a full-time information governance and data protection manager to complete the GDPR action plan and work towards full compliance; developing and reporting information governance KPIs; achieving certification in cyber security arrangements; establishing effective cyber security resources and expertise to manage risks; documenting a cyber security incident response plan to manage attacks and completing its planned and prioritised actions swiftly.

## **Digital and IT**

HEIW should strengthen its strategic approach to digital and IT by: developing and approving a Digital and IT strategy; considering current capacity to deliver the Head of Digital role and whether it needs to appoint to the post; developing and reporting IT KPIs for challenge and scrutiny.

## **Monitoring objective against strategic objectives**

HEIW has not set out a framework for monitoring performance against its strategic objectives and IMTP and should: formally document arrangements for the oversight and scrutiny of performance against strategic objectives; and work with pace to develop KPIs and targets which are clearly linked to strategic objectives, against which the Board can scrutinise performance.

## **6. Conclusion – Corporate Governance Report**

As indicated throughout this statement, the need to plan and respond to the COVID-19 pandemic has had a significant impact on the organisation, wider NHS and society as a whole. It has required a dynamic response which has presented a number of opportunities in addition to the risks. The need to respond and recover from the pandemic will be with the organisation and wider society throughout 2020/21 and beyond. I will ensure our Governance Framework considers and responds to this need.

During the period 1<sup>st</sup> April 2019 – 31<sup>st</sup> March 2020 there have been no significant internal control or governance issues identified. This is due to the establishment of sound systems of internal control in place to ensure HEIW met its objectives. It is recognised that further work will be necessary in 2020/21 to further develop these arrangements. It will be important to communicate widely with staff to further embed these arrangements.

Signed by  
Chief Executive:

Date.



**GIG**  
CYMRU  
**NHS**  
WALES

Addysg a Gwella Iechyd  
Cymru (AaGIC)  
Health Education and  
Improvement Wales (HEIW)

<b>Meeting Date</b>	<b>26 May 2020</b>	<b>Agenda Item</b>	<b>2.3</b>
<b>Report Title</b>	<b>Review of Annual Accounts 2019-20</b>		
<b>Report Author</b>	Martyn Pennell, Head of Financial Accounting		
<b>Report Sponsor</b>	Eifion Williams, Interim Director of Finance		
<b>Presented by</b>	Martyn Pennell, Head of Financial Accounting		
<b>Freedom of Information</b>	Open		
<b>Purpose of the Report</b>	This purpose of this report is to provide the Audit & Assurance Committee with an update on the Annual Accounts process for Health Education & Improvement Wales for 2019-20.		
<b>Key Issues</b>	<p>The revised Annual Accounts (appendix 1) shows that Health Education &amp; Improvement Wales has, subject to completion of the audit, met its financial duty in 2019-20 to:</p> <ul style="list-style-type: none"> <li>• break-even against its Revenue Resource Limit over the accounting period; and</li> <li>• break-even against its Capital Resource Limit over the accounting period.</li> </ul>		
<b>Specific Action Required</b> <i>(please ✓ one only)</i>	<b>Information</b>	<b>Discussion</b>	<b>Assurance</b>
	✓		
<b>Recommendations</b>	<p>Members are asked to:</p> <ul style="list-style-type: none"> <li>• <b>Note</b> the updated accounts for Health Education &amp; Improvement Wales for 2019-20.</li> </ul>		

## **REVIEW OF ANNUAL ACCOUNTS 2019-20**

### **1. INTRODUCTION**

This purpose of this report is to provide the Audit & Assurance Committee with an update on the Annual Accounts process for Health Education & Improvement Wales for 2019-20.

### **2. BACKGROUND**

At the Audit & Assurance Committee on 6<sup>th</sup> May 2020 Members were presented with the draft 2019/20 accounts for HEIW that had been submitted to Welsh Government on 28<sup>th</sup> April 2020.

Following submission of the accounts, Wales Audit Office have been carrying out their statutory audit of the financial statements. As detailed in the ISA260 report to be presented to this meeting, their work is now substantially complete and they anticipate issuing an unqualified audit opinion on this year's accounts.

As previously reported to the Committee, due to the COVID-19 pandemic the original submission deadlines for NHS-Wales accounts submission have been extended, with the final date for completion of the audited financial statements moving from Friday 29<sup>th</sup> May to Tuesday 30<sup>th</sup> June. As a result, Wales Audit Office are currently unable to review a number of areas that they are required to consider and cannot finalise their audit opinion at this point. An additional Audit & Assurance Committee has been arranged for Tuesday 23<sup>rd</sup> June to consider the final ISA260 prior to Board on the same day.

### **3. GOVERNANCE AND RISK ISSUES**

No Governance or risk issues have been identified.

### **4. FINANCIAL IMPLICATIONS AND KEY ISSUES**

The updated Annual Accounts for 2019/20 for HEIW are included in appendix 1. No adjustments have been required to the financial values during the audit, and therefore there is no change to the main financial indicators as follows:

- break-even against the Revenue Resource Limit over the accounting period. Note 2.1 on page 22 of the financial statements shows a revenue underspend for the accounting period of £84k.
- break-even against the Capital Resource Limit over the accounting period. Note 2.2. on page 22 of the financial statements shows a balanced capital position for the accounting period.

### **5. RECOMMENDATIONS**

Members are asked to:

- **Note** the accounts for Health Education & Improvement Wales for 2019-20.

<b>Governance and Assurance</b>			
<b>Link to IMTP strategic aims</b> (please ✓)	<b>Strategic Aim 1:</b> To lead the planning, development and wellbeing of a competent, sustainable and flexible workforce to support the delivery of 'A Healthier Wales'	<b>Strategic Aim 2:</b> To improve the quality and accessibility of education and training for all healthcare staff ensuring that it meets future needs	<b>Strategic Aim 3:</b> To work with partners to influence cultural change within NHS Wales through building compassionate and collective leadership capacity at all levels
	<b>Strategic Aim 4:</b> To develop the workforce to support the delivery of safety and quality	<b>Strategic Aim 5:</b> To be an exemplar employer and a great place to work	<b>Strategic Aim 6:</b> To be recognised as an excellent partner, influencer and leader
<b>Quality, Safety and Patient Experience</b>			
There is no impact on quality, safety and patient experience.			
<b>Financial Implications</b>			
There are no direct financial implications as a result of this paper.			
<b>Legal Implications (including equality and diversity assessment)</b>			
There are no legal implications.			
<b>Staffing Implications</b>			
There are no direct staffing implications.			
<b>Long Term Implications (including the impact of the Well-being of Future Generations (Wales) Act 2015)</b>			
There are no long-term implications.			
<b>Appendices</b>	Appendix 1 – HEIW Annual Accounts 2019-20		

# Health Education and Improvement Wales (HEIW)

## FOREWORD

These accounts have been prepared by Health Education and Improvement Wales, a Welsh Special Health Authority under schedule 9 section 178 Para 3(1) of the National Health Service (Wales) Act 2006 (c.42) in the form in which the Welsh Ministers have, with the approval of the Treasury, directed.

These accounts cover the period 1st April 2019 to 31st March 2020.

### Statutory background

HEIW was established by establishment order 2017 No. 913 (W. 224) which was made 11th September 2017 and came into force on the 5th October 2017.

HEIW operated in a shadow form until 1st October 2018 with all establishment and set up costs being borne by the Welsh Government, and with the predecessor bodies of NHS Wales Shared Services Partnership (NWSSP) hosted by Velindre University NHS Trust and Cardiff University delivering operational activity to 30th September 2018.

On 1st October 2018 staff were transferred into HEIW and the organisation became fully operational. The initial accounting period ran from 5th October 2017 to 31st March 2019, but presented the accounting transactions only for the period of live operation from 1st October 2018 to 31st March 2019. The second accounting period runs from 1st April 2019 to 31st March 2020.

HEIW is the only Special Health Authority within Wales and has a leading role in the education, training, development and shaping of the healthcare workforce, supporting high-quality care for the people of Wales.

### Performance Management and Financial Results

HEIW must comply fully with the Treasury's Financial Reporting Manual to the extent that it is applicable to them. As a result, the Primary Statement of in-year income and expenditure is the Statement of Comprehensive Net Expenditure, which shows the net operating cost incurred by HEIW which is funded by the Welsh Government. This funding is allocated on receipt directly to the General Fund in the Statement of Financial Position.

HEIW has an annual requirement to achieve a balanced year end position against the Resource limits set for the year.

Performance against the resource limit is reported in Note 2 to the financial statements.

**Statement of Comprehensive Net Expenditure  
for the period ended 31 March 2020**

			<b>05-Oct-17 to 31-Mar-19 £'000</b>
	<b>Note</b>	<b>2019-20 £000</b>	
Non Medical Education And Training	3.1	<b>109,934</b>	56,766
Postgraduate Medical, Dental & Pharmacy Education	3.2	<b>76,217</b>	36,016
Other Operating Expenditure	3.3	<b>27,567</b>	13,177
		<b>213,718</b>	105,959
Less: Miscellaneous Income	4	<b>(698)</b>	<b>(309)</b>
<b>Net operating costs before interest and other gains and losses</b>		<b>213,020</b>	105,650
Investment Revenue	5	<b>0</b>	0
Other (Gains) / Losses	6	<b>0</b>	0
Finance costs	7	<b>0</b>	0
<b>Net operating costs for the financial period</b>		<b>213,020</b>	105,650

See note 2 on page 22 for details of performance against Revenue and Capital allocations.

The notes on pages 8 to 62 form part of these accounts

**Other Comprehensive Net Expenditure**

		<b>05-Oct-17 to 31-Mar-19</b>
	<b>2019-20 £000</b>	<b>£'000</b>
Net gain / (loss) on revaluation of property, plant and equipment	0	0
Net gain / (loss) on revaluation of intangibles	0	0
(Gain) / loss on other reserves	0	0
Net gain / (loss) on revaluation of available for sale financial assets	0	0
Impairment and reversals	0	0
Other comprehensive net expenditure for the period	<b>0</b>	<b>0</b>
<b>Total comprehensive net expenditure for the period</b>	<b>213,020</b>	<b>105,650</b>

The notes on pages 8 to 62 form part of these accounts

**Statement of Financial Position as at 31 March 2020**

		<b>31 March 2020</b>	<b>As at 31 March 2019</b>
	<b>Notes</b>	<b>£'000</b>	<b>£'000</b>
<b>Non-current assets</b>			
Property, plant and equipment	11	<b>2,595</b>	2,989
Intangible assets	12	<b>0</b>	0
Trade and other receivables	15	<b>0</b>	0
Other financial assets	16	<b>0</b>	0
<b>Total non-current assets</b>		<b>2,595</b>	2,989
<b>Current assets</b>			
Inventories	14	<b>0</b>	0
Trade and other receivables	15	<b>1,074</b>	801
Other financial assets	16	<b>0</b>	0
Cash and cash equivalents	17	<b>7,465</b>	6,240
		<b>8,539</b>	7,041
Non-current assets classified as "Held for Sale"	11	<b>0</b>	0
<b>Total current assets</b>		<b>8,539</b>	7,041
<b>Total assets</b>		<b>11,134</b>	10,030
<b>Current liabilities</b>			
Trade and other payables	18	<b>(7,157)</b>	(6,121)
Other financial liabilities	19	<b>0</b>	0
Provisions	20	<b>(130)</b>	(30)
<b>Total current liabilities</b>		<b>(7,287)</b>	(6,151)
<b>Net current assets/ (liabilities)</b>		<b>1,252</b>	890
<b>Non-current liabilities</b>			
Trade and other payables	18	<b>(171)</b>	(194)
Other financial liabilities	19	<b>0</b>	0
Provisions	20	<b>0</b>	0
<b>Total non-current liabilities</b>		<b>(171)</b>	(194)
<b>Total assets employed</b>		<b>3,676</b>	3,685
<b>Financed by :</b>			
<b>Taxpayers' equity</b>			
General Fund		<b>3,676</b>	3,685
Revaluation reserve		<b>0</b>	0
<b>Total taxpayers' equity</b>		<b>3,676</b>	3,685

The financial statements on pages 2 to 7 were approved by the Board on 25 June 2020 and signed on its behalf by:

Chief Executive and Accountable Officer .....

Date .....

25 06 2020

The notes on pages 8 to 62 form part of these accounts

## Statement of Changes in Taxpayers' Equity

### For the period ended 31 March 2020

	General Fund £000s	Revaluation Reserve £000s	Total Reserves £000s
<b>Changes in taxpayers' equity</b>			
<b>Balance at 1 April 2019</b>	3,685	0	<b>3,685</b>
Net operating cost for the period	(213,020)		<b>(213,020)</b>
Net gain/(loss) on revaluation of property, plant and equipment	0	0	<b>0</b>
Net gain/(loss) on revaluation of intangible assets	0	0	<b>0</b>
Net gain/(loss) on revaluation of financial assets	0	0	<b>0</b>
Net gain/(loss) on revaluation of assets held for sale	0	0	<b>0</b>
Impairments and reversals	0	0	<b>0</b>
Other reserve movement	0	0	<b>0</b>
Transfers between reserves	0	0	<b>0</b>
Release of reserves to SoCNE	0	0	<b>0</b>
Transfers to/from (please specify)	0	0	<b>0</b>
<b>Total recognised income and expense for period</b>	<b>(213,020)</b>	<b>0</b>	<b>(213,020)</b>
Net Welsh Government funding	212,496		<b>212,496</b>
Welsh Government notional funding	515		<b>515</b>
<b>Balance at 31 March 2020</b>	<b>3,676</b>	<b>0</b>	<b>3,676</b>

The notes on pages 8 to 62 form part of these accounts

## Statement of Changes in Taxpayers' Equity

### For the year ended 31 March 2019

	General Fund £000s	Revaluation Reserve £000s	Total Reserves £000s
<b>Changes in taxpayers' equity</b>			
<b>Balance at 5 October 2017</b>	0	0	0
Net operating cost for the year	(105,650)		(105,650)
Net gain/(loss) on revaluation of property, plant and equipment	0	0	0
Net gain/(loss) on revaluation of intangible assets	0	0	0
Net gain/(loss) on revaluation of financial assets	0	0	0
Net gain/(loss) on revaluation of assets held for sale	0	0	0
Impairments and reversals	0	0	0
Other reserve movement	0	0	0
Transfers between reserves	0	0	0
<b>Release of reserves to SoCNE</b>	0	0	0
Transfers to/from LHBs	0	0	0
<b>Total recognised income and expense for period</b>	(105,650)	0	(105,650)
Net Welsh Government funding	109,335		109,335
Welsh Government notional funding	0		0
<b>Balance at 31 March 2019</b>	3,685	0	3,685

The notes on pages 8 to 62 form part of these accounts

<b>Statement of Cash Flows for period ended 31 March 2020</b>		<b>05-Oct-17 to 31-Mar-19 £'000</b>
	<b>2019-20 £'000</b>	<b>£'000</b>
<b>Cash Flows from operating activities</b>	notes	
Net operating cost for the financial period		(213,020) (105,650)
Movements in Working Capital	27	740 5,514
Other cash flow adjustments	28	1,112 142
Provisions utilised	20	(8) 0
<b>Net cash outflow from operating activities</b>		<b>(211,176) (99,994)</b>
<b>Cash Flows from investing activities</b>		
Purchase of property, plant and equipment		(95) (3,101)
Proceeds from disposal of property, plant and equipment		0 0
Purchase of intangible assets		0 0
Proceeds from disposal of intangible assets		0 0
Payment for other financial assets		0 0
Proceeds from disposal of other financial assets		0 0
Payment for other assets		0 0
Proceeds from disposal of other assets		0 0
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(95) (3,101)</b>
<b>Net cash inflow/(outflow) before financing</b>		<b>(211,271) (103,095)</b>
<b>Cash Flows from financing activities</b>		
Welsh Government funding (including capital)		212,496 109,335
Capital receipts surrendered		0 0
Capital grants received		0 0
Capital element of payments in respect of finance leases and on-SoFP		0 0
Cash transferred (to)/ from other NHS bodies		0 0
<b>Net financing</b>		<b>212,496 109,335</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,225 6,240</b>
<b>Cash and cash equivalents (and bank overdrafts) at 1 April 2019</b>		<b>6,240 0</b>
<b>Cash and cash equivalents (and bank overdrafts) at 31 March 2020</b>		<b>7,465 6,240</b>

The notes on pages 8 to 62 form part of these accounts

## **Notes to the Accounts**

### **1. Accounting policies**

The Minister for Health and Social Services has directed that the financial statements of Special Health Authorities (SHAs) in Wales shall meet the accounting requirements of the NHS Wales Manual for Accounts. Consequently, the following financial statements have been prepared in accordance with the 2019-20 Manual for Accounts. The accounting policies contained in that manual follow the 2019-20 Financial Reporting Manual (FReM), which applies European Union adopted IFRS and Interpretations in effect for accounting periods commencing on or after 1 January 2019, except for IFRS 16 Leases, which is deferred until 1 April 2021; to the extent that they are meaningful and appropriate to the NHS in Wales.

Where the Manual for Accounts permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the SHA for the purpose of giving a true and fair view has been selected. The particular policies adopted by the SHA are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

#### **1.1. Accounting convention**

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets and inventories.

#### **1.2. Acquisitions and discontinued operations**

Activities are considered to be 'acquired' only if they are taken on from outside the public sector. Activities are considered to be 'discontinued' only if they cease entirely. They are not considered to be 'discontinued' if they transfer from one public sector body to another.

#### **1.3. Income and funding**

The main source of funding for the SHA are allocations (Welsh Government funding) from the Welsh Government within an approved cash limit, which is credited to the General Fund of the SHA. Welsh Government funding is recognised in the financial period in which the cash is received.

Non-discretionary funding outside the Revenue Resource Limit is allocated to match actual expenditure incurred for the provision of specific pharmaceutical, or ophthalmic services identified by the Welsh Government. Non-discretionary expenditure is disclosed in the accounts and deducted from operating costs charged against the Revenue Resource Limit.

Funding for the acquisition of fixed assets received from the Welsh Government is credited to the General Fund.

Miscellaneous income is income which relates directly to the operating activities of the SHA and is not funded directly by the Welsh Government. This includes payment for services uniquely provided by the SHA for the Welsh Government. Income received from LHBs transacting with the SHA is always treated as miscellaneous income.

From 2018-19, IFRS 15 Revenue from Contracts with Customers has been applied, as interpreted and adapted for the public sector, in the FReM. It replaces the previous standards IAS 11 Construction Contracts and IAS 18 Revenue and related IFRIC and SIC interpretations. The potential amendments identified as a result of the adoption of IFRS 15 are significantly below materiality levels.

Income is accounted for applying the accruals convention. Income is recognised in the period in which services are provided. Where income had been received from third parties for a specific activity to be delivered in the following financial year, that income will be deferred.

Only non-NHS income may be deferred.

## **1.4. Employee benefits**

### **1.4.1. Short-term employee benefits**

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees. The cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

### **1.4.2. Retirement benefit costs**

Past and present employees are covered by the provisions of the NHS Pensions Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

The latest NHS Pension Scheme valuation results indicated that an increase in benefit required a 6.3% increase (14.38% to 20.68%) which was implemented from 1 April 2019.

As an organisation within the full funding scope, the joint (in NHS England and NHS Wales) transitional arrangement operated in 2019-20 where employers in the Scheme would continue to pay 14.38% employer contributions under their normal monthly payment process, in Wales the additional 6.3% being funded by Welsh Government directly to the Pension Scheme administrator, the NHS Business Services Authority (BSA the NHS Pensions Agency).

However, NHS Wales' organisations are required to account for **their staff** employer contributions of 20.68% in full and on a gross basis, in the 2019-20 annual accounts. Payments made on their behalf by Welsh Government are accounted for on a notional basis. For detailed information see Note 34.1 within these accounts.

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to expenditure at the time the NHS Wales organisation commits itself to the retirement, regardless of the method of payment.

Where employees are members of the Local Government Superannuation Scheme, which is a defined benefit pension scheme this is disclosed. The scheme assets and liabilities attributable to those employees can be identified and are recognised in the NHS Wales organisation's accounts. The assets are measured at fair value and the liabilities at the present value of the future obligations. The increase in the liability arising from pensionable service earned during the year is recognised within operating expenses. The expected gain during the year from scheme assets is recognised within finance income. The interest cost during the year arising from the unwinding of the discount on the scheme liabilities is recognised within finance costs.

### **1.4.3. NEST Pension Scheme**

An alternative pensions scheme for employees not eligible to join the NHS Pensions scheme has to be offered. The NEST (National Employment Savings Trust) Pension scheme is a defined contribution scheme and therefore the cost to the NHS body of participating in the scheme is equal to the contributions payable to the scheme for the accounting period.

### **1.5. Other expenses**

Other operating expenses for goods or services are recognised when, and to the extent that, they have been received. They are measured at the fair value of the consideration payable.

### **1.6. Property, plant and equipment**

#### **1.6.1. Recognition**

Property, plant and equipment is capitalised if:

- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potential will be supplied to, the NHS Wales organisation;
- it is expected to be used for more than one financial year;
- the cost of the item can be measured reliably; and
- the item has cost of at least £5,000; or
- Collectively, a number of items have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
- Items form part of the initial equipping and setting-up cost of a new building, ward or unit, irrespective of their individual or collective cost.

Where a large asset, for example a building, includes a number of components with significantly different asset lives, the components are treated as separate assets and depreciated over their own useful economic lives.

#### **1.6.2. Valuation**

All property, plant and equipment are measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management.

Land and buildings used for services or for administrative purposes are stated in the Statement of Financial Position (SoFP) at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Fair values are determined as follows:

- Land and non-specialised buildings – market value for existing use

- Specialised buildings – depreciated replacement cost

HM Treasury has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued. NHS Wales' organisations have applied these new valuation requirements from 1 April 2009.

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees but not borrowing costs, which are recognised as expenses immediately, as allowed by IAS 23 for assets held at fair value. Assets are revalued and depreciation commences when they are brought into use.

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit should be taken to expenditure.

References in IAS 36 to the recognition of an impairment loss of a revalued asset being treated as a revaluation decrease to the extent that the impairment does not exceed the amount in the revaluation surplus for the same asset, are adapted such that only those impairment losses that do not result from a clear consumption of economic benefit or reduction of service potential (including as a result of loss or damage resulting from normal business operations) should be taken to the revaluation reserve. Impairment losses that arise from a clear consumption of economic benefit should be taken to the Statement of Comprehensive Net Expenditure (SoCNE).

From 2015-16, IFRS 13 Fair Value Measurement must be complied with in full. However IAS 16 and IAS 38 have been adapted for the public sector context which limits the circumstances under which a valuation is prepared under IFRS 13. Assets which are held for their service potential and are in use should be measured at their current value in existing use. For specialised assets current value in existing use should be interpreted as the present value of the assets remaining service potential, which can be assumed to be at least equal to the cost of replacing that service potential. Where there is no single class of asset that falls within IFRS 13, disclosures should be for material items only.

In accordance with the adaptation of IAS 16 in table 6.2 of the FReM, for non-specialised assets in operational use, current value in existing use is interpreted as market value for existing use which is defined in the RICS Red Book as Existing Use Value (EUV).

Assets which were most recently held for their service potential but are surplus should be valued at current value in existing use, if there are restrictions on the NHS organisation or the asset which would prevent access to the market at the reporting date. If the NHS organisation could access the market then the surplus asset should be used at fair value using IFRS 13. In determining whether such an asset which is not in use is surplus, an assessment should be made on whether there is a clear plan to bring the asset back into use as an operational asset. Where there is a clear plan, the asset is not surplus and the current value in existing use should be maintained. Otherwise the asset should be assessed as being surplus and valued under IFRS13.

Assets which are not held for their service potential should be valued in accordance with IFRS 5 or IAS 40 depending on whether the asset is actively held for sale. Where an asset is not being used to deliver services and there is no plan to bring it back into use, with no restrictions on sale, and it does not meet the IAS 40 and IFRS 5 criteria, these assets are surplus and are valued at fair value using IFRS 13.

### **1.6.3. Subsequent expenditure**

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is capitalised. Where subsequent expenditure restores the asset to its original specification, the expenditure is capitalised and any carrying value of the item replaced is written-out and charged to the SoCNE. As highlighted in previous years the NHS in Wales does not have systems in place to ensure that all items being "replaced" can be identified and hence the cost involved to be quantified. The NHS in Wales has thus established a national protocol to ensure it complies with the standard as far as it is able to which is outlined in the capital accounting chapter of the Manual For Accounts. This dictates that to ensure that asset carrying values are not materially overstated. For All Wales Capital Schemes that are completed in a financial year, NHS Wales organisations are required to obtain a revaluation during that year (prior to them being brought into use) and also similar revaluations are needed for all Discretionary Building Schemes completed which have a spend greater than £0.5m. The write downs so identified are then charged to operating expenses.

## **1.7. Intangible assets**

### **1.7.1. Recognition**

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the business or which arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to, the NHS Wales organisation; where the cost of the asset can be measured reliably, and where the cost is at least £5,000.

Intangible assets acquired separately are initially recognised at fair value. Software that is integral to the operating of hardware, for example an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software that is not integral to the operation of hardware, for example application software, is capitalised as an intangible asset. Expenditure on research is not capitalised: it is recognised as an operating expense in the period in which it is incurred. Internally-generated assets are recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use
- the intention to complete the intangible asset and use it
- the ability to use the intangible asset
- how the intangible asset will generate probable future economic benefits
- the availability of adequate technical, financial and other resources to complete the intangible asset and use it
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

## **Measurement**

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the criteria above are initially met. Where no internally-generated intangible asset can be recognised, the expenditure is recognised in the period in which it is incurred.

Following initial recognition, intangible assets are carried at fair value by reference to an active market, or, where no active market exists, at amortised replacement cost (modern equivalent assets basis), indexed for relevant price increases, as a proxy for fair value. Internally-developed software is held at historic cost to reflect the opposing effects of increases in development costs and technological advances.

### **1.8. Depreciation, amortisation and impairments**

Freehold land, assets under construction and assets held for sale are not depreciated.

Otherwise, depreciation and amortisation are charged to write off the costs or valuation of property, plant and equipment and intangible non-current assets, less any residual value, over their estimated useful lives, in a manner that reflects the consumption of economic benefits or service potential of the assets. The estimated useful life of an asset is the period over which the NHS Wales Organisation expects to obtain economic benefits or service potential from the asset. This is specific to the NHS Wales organisation and may be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. Assets held under finance leases are depreciated over the shorter of the lease term and estimated useful lives.

At each reporting period end, the NHS Wales organisation checks whether there is any indication that any of its tangible or intangible non-current assets have suffered an impairment loss. If there is indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount. Intangible assets not yet available for use are tested for impairment annually.

Impairment losses that do not result from a loss of economic value or service potential are taken to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to the SoCNE. Impairment losses that arise from a clear consumption of economic benefit are taken to the SoCNE. The balance on any revaluation reserve (up to the level of the impairment) to which the impairment would have been charged under IAS 36 are transferred to retained earnings.

### **1.9. Research and Development**

Research and development expenditure is charged to operating costs in the year in which it is incurred, except insofar as it relates to a clearly defined project, which can be separated from patient care activity and benefits there from can reasonably be regarded as assured. Expenditure so deferred is limited to the value of future benefits expected and is amortised through the SoCNE on a systematic basis over the period expected to benefit from the project.

### **1.10 Non-current assets held for sale**

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met when the sale is highly probable, the asset is available for immediate sale in its present condition and management is committed to the sale, which is expected to qualify for recognition as a completed sale

within one year from the date of classification. Non-current assets held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Fair value is open market value including alternative uses.

The profit or loss arising on disposal of an asset is the difference between the sale proceeds and the carrying amount and is recognised in the SoCNE. On disposal, the balance for the asset on the revaluation reserve, is transferred to the General Fund.

Property, plant and equipment that is to be scrapped or demolished does not qualify for recognition as held for sale. Instead it is retained as an operational asset and its economic life adjusted. The asset is derecognised when it is scrapped or demolished.

### **1.11. Leases**

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

#### **1.11.1. The NHS Wales organisation as lessee**

Property, plant and equipment held under finance leases are initially recognised, at the inception of the lease, at fair value or, if lower, at the present value of the minimum lease payments, with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the SoCNE.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially as a liability and subsequently as a reduction of rentals on a straight-line basis over the lease term. Contingent rentals are recognised as an expense in the period in which they are incurred.

Where a lease is for land and buildings, the land and building components are separated and individually assessed as to whether they are operating or finance leases.

#### **1.11.2. The NHS Wales organisation as lessor**

Amounts due from lessees under finance leases are recorded as receivables at the amount of the NHS Wales organisation net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the NHS Wales organisation's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

### **1.12. Inventories**

Whilst it is accounting convention for inventories to be valued at the lower of cost and net realisable value using the weighted average or "first-in first-out" cost formula, it should be recognised that the NHS is a special case in that inventories are not generally held for the intention of resale and indeed there is no market readily available where such items could be sold. Inventories are valued at cost and this is

considered to be a reasonable approximation to fair value due to the high turnover of stocks. Work-in-progress comprises goods in intermediate stages of production. Partially completed contracts for patient services are not accounted for as work-in-progress.

### **1.13. Cash and cash equivalents**

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Statement of Cash flows (SoCF), cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of the cash management.

### **1.14. Provisions**

Provisions are recognised when the NHS Wales organisation has a present legal or constructive obligation as a result of a past event, it is probable that the NHS Wales organisation will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using the discount rate supplied by HM Treasury.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursements will be received and the amount of the receivable can be measured reliably.

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the NHS Wales organisation has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

A restructuring provision is recognised when the NHS Wales organisation has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with ongoing activities of the entity.

#### **1.14.1. Clinical negligence and personal injury costs**

The Welsh Risk Pool Services (WRPS) operates a risk pooling scheme which is co-funded by the Welsh Government with the option to access a risk sharing agreement funded by the participative NHS Wales bodies. The risk sharing option was implemented in 2019-20, although no costs were apportioned to HEIW during the year. The WRP is hosted by Velindre NHS Trust.

### **1.15. Financial Instruments**

From 2018-19 IFRS 9 Financial Instruments has applied, as interpreted and adapted for the public sector, in the FReM. The principal impact of IFRS 9 adoption by NHS Wales' organisations, was to change the calculation basis for bad debt provisions, changing from an incurred loss basis to a lifetime expected credit loss (ECL) basis.

All entities applying the FReM recognised the difference between previous carrying amount and the carrying amount at the beginning of the annual reporting period that included the date of initial application in the opening general fund within Taxpayer's equity.

### **1.16. Financial assets**

Financial assets are recognised on the SoFP when the NHS Wales organisation becomes party to the financial instrument contract or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred.

The accounting policy choice allowed under IFRS 9 for long term trade receivables, contract assets which do contain a significant financing component (in accordance with IFRS 15), and lease receivables within the scope of IAS 17 has been withdrawn and entities should always recognise a loss allowance at an amount equal to lifetime Expected Credit Losses. All entities applying the FReM should utilise IFRS 9's simplified approach to impairment for relevant assets.

IFRS 9 requirements required a revised approach for the calculation of the bad debt provision, applying the principles of expected credit loss, using the practical expedients within IFRS 9 to construct a provision matrix.

#### **1.16.1. Financial assets are initially recognised at fair value**

Financial assets are classified into the following categories: financial assets 'at fair value through SoCNE'; 'held to maturity investments'; 'available for sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

#### **1.16.2. Financial assets at fair value through SoCNE**

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial assets at fair value through SoCNE. They are held at fair value, with any resultant gain or loss recognised in the SoCNE. The net gain or loss incorporates any interest earned on the financial asset.

### **1.16.3 Held to maturity investments**

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, and there is a positive intention and ability to hold to maturity. After initial recognition, they are held at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

### **1.16.4. Available for sale financial assets**

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or that do not fall within any of the other three financial asset classifications. They are measured at fair value with changes in value taken to the revaluation reserve, with the exception of impairment losses. Accumulated gains or losses are recycled to the SoCNE on de-recognition.

### **1.16.5. Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. After initial recognition, they are measured at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

Fair value is determined by reference to quoted market prices where possible, otherwise by valuation techniques.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the net carrying amount of the financial asset.

At the SOFP date, the NHS Wales organisation assesses whether any financial assets, other than those held at 'fair value through profit and loss' are impaired. Financial assets are impaired and impairment losses recognised if there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in the SoCNE and the carrying amount of the asset is reduced directly, or through a provision of impairment of receivables.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the SoCNE to the extent that the carrying amount of the receivable at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

## **1.17. Financial liabilities**

Financial liabilities are recognised on the SOFP when the NHS Wales organisation becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been discharged, that is, the liability has been paid or has expired.

#### **1.17.1. Financial liabilities are initially recognised at fair value**

Financial liabilities are classified as either financial liabilities at fair value through the SoCNE or other financial liabilities.

#### **1.17.2. Financial liabilities at fair value through the SoCNE**

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial liabilities at fair value through profit and loss. They are held at fair value, with any resultant gain or loss recognised in the SoCNE. The net gain or loss incorporates any interest earned on the financial asset.

#### **1.17.3. Other financial liabilities**

After initial recognition, all other financial liabilities are measured at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the life of the asset, to the net carrying amount of the financial liability. Interest is recognised using the effective interest method.

#### **1.18. Value Added Tax (VAT)**

Most of the activities of the NHS Wales organisation are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

#### **1.19. Foreign currencies**

Transactions denominated in a foreign currency are translated into sterling at the exchange rate ruling on the dates of the transactions. Resulting exchange gains and losses are taken to the SoCNE. At the SoFP date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date.

#### **1.20. Third party assets**

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the NHS Wales organisation has no beneficial interest in them. Details of third party assets are given in the Notes to the accounts.

#### **1.21. Losses and Special Payments**

Losses and special payments are items that the Welsh Government would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way each individual case is handled.

Losses and special payments are charged to the relevant functional headings in the SoCNE on an accruals basis, including losses which would have been made good through insurance cover had the NHS Wales organisation not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure). However, the note on losses and special payments is compiled directly from the losses register which is prepared on a cash basis.

The NHS Wales organisation accounts for all losses and special payments gross (including assistance from the WRP).

The NHS Wales organisation accrues or provides for the best estimate of future pay-outs for certain liabilities and discloses all other potential payments as contingent liabilities, unless the probability of the liabilities becoming payable is remote.

All claims for losses and special payments are provided for, where the probability of settlement of an individual claim is over 50%. Where reliable estimates can be made, incidents of clinical negligence against which a claim has not, as yet, been received are provided in the same way. Expected reimbursements from the WRP are included in debtors. For those claims where the probability of settlement is between 5- 50%, the liability is disclosed as a contingent liability.

#### **1.22. Pooled budget**

The NHS Wales organisation has not entered into pooled budgets with Local Authorities. Under the arrangements funds are pooled in accordance with section 33 of the NHS (Wales) Act 2006 for specific activities defined in the Pooled budget Note.

The pool budget is hosted by one NHS Wales's organisation. Payments for services provided are accounted for as miscellaneous income. The NHS Wales organisation accounts for its share of the assets, liabilities, income and expenditure from the activities of the pooled budget, in accordance with the pooled budget arrangement.

#### **1.23. Critical Accounting Judgements and key sources of estimation uncertainty**

In the application of the accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates. The estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or the period of the revision and future periods if the revision affects both current and future periods.

#### **1.24. Key sources of estimation uncertainty**

There are no estimation uncertainties at the SoFP date that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**1.25 Private Finance Initiative (PFI) transactions**

The NHS Wales organisation has no PFI arrangements.

**1.26. Contingencies**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the NHS Wales organisation, or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably. A contingent liability is disclosed unless the possibility of a payment is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the NHS Wales organisation. A contingent asset is disclosed where an inflow of economic benefits is probable.

Where the time value of money is material, contingencies are disclosed at their present value.

Remote contingent liabilities are those that are disclosed under Parliamentary reporting requirements and not under IAS 37 and, where practical, an estimate of their financial effect is required.

**1.27. Absorption accounting**

Transfers of function are accounted for as either by merger or by absorption accounting dependent upon the treatment prescribed in the FReM. Absorption accounting requires that entities account for their transactions in the period in which they took place with no restatement of performance required.

Where there is a transfer of function the gain or loss resulting from the assets and liabilities transferring is recognised in the SoCNE and is disclosed separately from the operating costs.

**1.28. Accounting standards that have been issued but not yet been adopted**

The following accounting standards have been issued and or amended by the IASB and IFRIC but have not been adopted because they are not yet required to be adopted by the FReM

IFRS14 Regulatory Deferral Accounts Not EU-endorsed.

Applies to first time adopters of IFRS after 1 January 2016. Therefore not applicable.

IFRS 16 Leases is to be effective from 1st April 2021.

IFRS 17 Insurance Contracts, Application required for accounting periods beginning on or after 1 January 2021, but not yet adopted by the FReM: early adoption is not therefore permitted.

**1.29. Accounting standards issued that have been adopted early**

During 2019-20 there have been no accounting standards that have been adopted early. All early adoption of accounting standards will be led by HM Treasury.

### **1.30. Charities**

The NHS Organisation has no NHS Charitable Fund.

## 2. Financial Duties Performance

HEIW was established as a Special Health Authority. The statutory financial duties of Special Health Authorities are set out in section 172 of the National Health Service (Wales) Act 2006.

Section 172(1) sets out what is referred to as the 'First Financial Duty' - a duty to secure that HEIW expenditure does not exceed the aggregate of the funding allotted to it for a financial year.

Under the powers of direction in the National Health Service (Wales) Act section 172(6) WHC/2019/004 clarified that the annual statutory financial duty is set separately for revenue and capital resource allocations.

HEIW was issued with a Remit Letter on 25 October 2018, confirming that the period to 31 March 2019 would remain a transitional period as HEIW commenced full operations. Accordingly the Remit Letter set out objectives for delivery by HEIW for the period to 31 March 2019 and beyond, and set the requirement that HEIW prepare an annual plan for 2019/20 in accordance with the NHS Wales Planning Framework.

HEIW is therefore subject to a Second Financial Duty for the period of account to 31 March 2020. HEIW is expected to report in the Annual Report and Accounts for the period of account to 31 March 2020 performance against its objectives set out in the 2019/20 annual plan.

### 2.1 Revenue Resource Performance

#### Financial performance 2019-20

	£'000
<b>Net operating costs for the period</b>	<b>213,020</b>
Less general ophthalmic services expenditure and other non-cash limited expenditure	0
Less revenue consequences of bringing PFI schemes onto SoFP	0
Total operating expenses	213,020
Revenue Resource Allocation	213,104
<b>Under /(over) spend against Allocation</b>	<b>84</b>

HEIW has met its financial duty to break-even against its Revenue Resource Limit over the period.

### 2.2 Capital Resource Performance

#### 2019-20

	£'000
<b>Gross capital expenditure</b>	<b>95</b>
Add: Losses on disposal of donated assets	0
Less: NBV of property, plant and equipment and intangible assets disposed	0
Less: capital grants received	0
Less: donations received	0
Charge against Capital Resource Allocation	95
Capital Resource Allocation	95
<b>(Over) / Underspend against Capital Resource Allocation</b>	<b>0</b>

HEIW has met its financial duty to break-even against its Capital Resource Limit over the period.

### 2.3 Duty to prepare a 1 year plan

The NHS Wales Planning Framework 2019/22 issued to HEIW SHA (Special Health Authority) placed a requirement upon them to prepare and submit an annual plan for 2019-20 to the Welsh Government.

HEIW has submitted an annual plan for the period 2019-20 in accordance with NHS Wales Planning Framework. However, as this was not a statutory requirement for HEIW under the NHS Finance (Wales) Act 2014 the plan did not require Ministerial approval.

**2019-20  
to  
2020-21**

The Minister for Health and Social Services approval

**Status**  
**Date**

**N/A**  
**N/A**

HEIW with the agreement of the Welsh Government, has operated under an annual operating plan that was approved by the Board in March 2019.

HEIW has therefore met its statutory duty to have an approved financial plan for the period 2019-20.

### 2.4 Creditor payment

The SHA is required to pay 95% of the number of non-NHS bills within 30 days of receipt of goods or a valid invoice (whichever is the later). The SHA has achieved the following results:

	<b>2019-20</b>	2018-19
Total number of non-NHS bills paid	<b>6,582</b>	1,755
Total number of non-NHS bills paid within target	<b>6,265</b>	1,681
Percentage of non-NHS bills paid within target	<b>95.2%</b>	95.8%

**HEIW has met the target.**

### 3. Analysis of gross operating costs

#### 3.1 Non Medical Education and Training

05-Oct-17  
to

	2019-20	31-Mar-19
Total		
£'000	£'000	
Student Training Fees (Universities)	58,916	30,304
Additional Training Costs (Universities)	1,026	1,258
Funding for Healthcare Education Fees (Health Boards & Trusts)	2,450	1,258
Student Bursaries Reimbursement (Universities)	23,126	12,542
Student Salaries Reimbursement (Health Boards & Trusts)	16,979	7,321
Advanced Practice Training fees	1,389	1,120
Healthcare Support Working Training	1,935	709
Non-Medical Prescribing	287	330
Training related Travel and Subsistence	3,826	1,924
<b>Total</b>	<b>109,934</b>	<b>56,766</b>

05-Oct-17  
to

#### 3.2 Postgraduate Medical, Dental & Pharmacy Education

	2019-20	31-Mar-19
£'000	£'000	
Training Grade Salaries	50,319	24,321
Postgraduate Centre and Study Leave	4,745	2,384
GP Registrars	18,452	7,759
Induction & Refresher	83	39
Welsh Clinical Academic Training	1,349	688
GP CPD and Appraisal Costs	845	652
Other	424	173
<b>Total</b>	<b>76,217</b>	<b>36,016</b>

		05-Oct-17 to 31-Mar-19
	31-Mar-20 £'000	31-Mar-19 £'000
<b>3.3 Other Operating Expenditure</b>		
Directors' costs	1,052	536
Staff costs	13,604	5,763
Supplies and services - clinical	42	24
Supplies and services - general	2,230	581
Consultancy Services	158	53
Establishment	4,069	2,893
Transport	0	0
Premises	5,433	2,843
External Contractors	231	129
Depreciation	490	112
Amortisation	0	0
Fixed asset impairments and reversals (Property, plant & equipment)	0	0
Fixed asset impairments and reversals (Intangible assets)	0	0
Impairments & reversals of financial assets	0	0
Impairments & reversals of non-current assets held for sale	0	0
Audit fees	172	175
Other auditors' remuneration	0	0
Losses, special payments and irrecoverable debts	(21)	33
Research and Development	0	0
Other operating costs	107	35
<b>Total</b>	<b>27,567</b>	<b>13,177</b>

### 3.4 Losses, special payments and irrecoverable debts: charges to operating expenses

		05-Oct-17 to 31-Mar-19
	31-Mar-20 £'000	31-Mar-19 £'000
<b>Increase/(decrease) in provision for future payments:</b>		
Clinical negligence;		
Secondary care	0	0
Primary care	0	0
Redress Secondary care	0	0
Redress Primary care	0	0
Personal injury	0	0
All other losses and special payments	0	0
Defence legal fees and other administrative costs	(22)	30
Gross increase/(decrease) in provision for future payments	(22)	30
Contribution to Welsh Risk Pool	0	0
Premium for other insurance arrangements	0	0
Irrecoverable debts	1	3
<b>Less: income received/due from Welsh Risk Pool</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>(21)</b>	<b>33</b>

		05-Oct-17 to 31-Mar-19
	31-Mar-20 £	31-Mar-19 £
Permanent injury included within personal injury £:	0	0

**4. Miscellaneous Income**

	05-Oct-17 to 31-Mar-20 £'000	31-Mar-19 £'000
Local Health Boards	26	10
Welsh Health Specialised Services Committee (WHSSC) / Emergency Ambulance Services Committee (EASC)	0	0
NHS trusts	85	44
Foundation Trusts	0	0
Other NHS England bodies	0	0
Local authorities	0	0
Welsh Government	100	3
Welsh Government Hosted Bodies	0	0
Non NHS:		
Prescription charge income	0	0
Dental fee income	0	0
Private patient income	0	0
Overseas patients (non-reciprocal)	0	0
Injury Costs Recovery (ICR) Scheme	0	0
Other income from activities	0	0
Patient transport services	0	0
Education, training and research	487	252
Charitable and other contributions to expenditure	0	0
Receipt of donated assets	0	0
Receipt of Government granted assets	0	0
Non-patient care income generation schemes	0	0
NWSSP	0	0
Deferred income released to revenue	0	0
Contingent rental income from finance leases	0	0
Rental income from operating leases	0	0
<b>Total</b>	<b>698</b>	<b>309</b>

Injury Cost Recovery (ICR) Scheme income is subject to a provision for impairment re personal injury claims

	05-Oct-17 to 31-Mar-20 %	31-Mar-19 %
To reflect expected rates of collection ICR income is subject to a provision for impairment of:	21.79	21.89

	05-Oct-17 to 31-Mar-19	
	31-Mar-20 £000	31-Mar-19 £000
<b>5. Investment Revenue</b>		
<b>Rental revenue :</b>		
PFI Finance lease income		
planned	0	0
contingent	0	0
Other finance lease revenue	0	0
<b>Interest revenue :</b>		
Bank accounts	0	0
Other loans and receivables	0	0
Impaired financial assets	0	0
Other financial assets	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

	05-Oct-17 to 31-Mar-19	
	31-Mar-20 £000	31-Mar-19 £000
<b>6. Other gains and losses</b>		
Gain/(loss) on disposal of property, plant and equipment	0	0
Gain/(loss) on disposal of intangible assets	0	0
Gain/(loss) on disposal of assets held for sale	0	0
Gain/(loss) on disposal of financial assets	0	0
Change on foreign exchange	0	0
Change in fair value of financial assets at fair value through SoCNE	0	0
Change in fair value of financial liabilities at fair value through SoCNE	0	0
Recycling of gain/(loss) from equity on disposal of financial assets held for sale	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

	05-Oct-17 to 31-Mar-19	
	31-Mar-20 £000	31-Mar-19 £000
<b>7. Finance costs</b>		
Interest on loans and overdrafts	0	0
Interest on obligations under finance leases	0	0
Interest on obligations under PFI contracts		
main finance cost	0	0
contingent finance cost	0	0
Interest on late payment of commercial debt	0	0
Other interest expense	0	0
<b>Total interest expense</b>	<b>0</b>	<b>0</b>
Provisions unwinding of discount	0	0
Other finance costs	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

## 8. Operating leases

### HEIW as lessee

	31-Mar-20	05-Oct-17 to 31-Mar-19
	£000	£000
Payments recognised as an expense		
Minimum lease payments	380	181
Contingent rents	0	0
Sub-lease payments	0	0
<b>Total</b>	<b>380</b>	<b>181</b>

### Total future minimum lease payments

	£000	£000
Payable		
Not later than one year	378	363
Between one and five years	1,460	1,453
After 5 years	1,137	1,500
<b>Total</b>	<b>2,975</b>	<b>3,316</b>

### HEIW as lessor

	£000	£000
Rental revenue		
Rent	0	0
Contingent rents	0	0
<b>Total revenue rental</b>	<b>0</b>	<b>0</b>

### Total future minimum lease payments

	£000	£000
Receivable		
Not later than one year	0	0
Between one and five years	0	0
After 5 years	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**9. Employee benefits and staff numbers****9.1 Employee costs**

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Other Staff	Total	05-Oct-17 to 31-Mar-19
					31-Mar-20	
	£000	£000	£000	£000	£000	£000
Salaries and wages	10,502	724	581	0	11,807	5,289
Social security costs	1,020	0	0	0	1,020	434
Employer contributions to NHS Pension Scheme	1,689	0	0	0	1,689	513
Other pension costs	0	0	0	0	0	10
Other employment benefits	0	0	0	0	0	0
Termination benefits	31	0	0	0	31	0
<b>Total Employee costs</b>	<b>13,242</b>	<b>724</b>	<b>581</b>	<b>0</b>	<b>14,547</b>	<b>6,246</b>
Charged to capital					0	0
Charged to revenue					14,547	6,246
					<b>14,547</b>	<b>6,246</b>
Net movement in accrued employee benefits (untaken staff leave accrual included above)					46	79

**9.2 Average number of employees**

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Other Staff	Total	05-Oct-17 to 31-Mar-19
					31-Mar-20	
	Number	Number	Number	Number	Number	Number
Administrative, clerical and board members	150	5	14	0	169	154
Medical and dental	42	1	0	0	43	39
Nursing, midwifery registered	2	1	0	0	3	1
Professional, Scientific, and technical staff	12	0	0	0	12	11
Additional Clinical Services	3	0	0	0	3	3
Allied Health Professions	0	0	0	0	0	0
Healthcare Scientists	0	0	0	0	0	0
Estates and Ancillary	0	0	0	0	0	0
Students	0	0	0	0	0	0
<b>Total</b>	<b>209</b>	<b>7</b>	<b>14</b>	<b>0</b>	<b>230</b>	<b>208</b>
<b>Administrative clerical and board members includes:</b>						
Lay members (undertake medical appraisal and training plans)	0	0	0	0	0	0
Lecturers	0	0	0	0	0	0
	0	0	0	0	0	0
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**9.3. Retirements due to ill-health**

	31-Mar-20	31-Mar-19
Number	0	0
Estimated additional pension costs £	0	0

The estimated additional pension costs of these ill-health retirements have been calculated on an average basis and are borne by the NHS Pension Scheme.

**9.4 Employee benefits**

HEIW offers three salary sacrifice schemes for childcare vouchers, bikes and lease cars.

## 9.5 Reporting of other compensation schemes - exit packages

05-Oct-17  
to

2019-20

31-Mar-19

Exit packages cost band (including any special payment element)	Number of compulsory redundancies	Number of other departures	Total number of exit packages	Number of departures where special payments have been made	Total number of exit packages
	Whole numbers only	Whole numbers only	Whole numbers only	Whole numbers only	Whole numbers only
less than £10,000	0	0	0	0	0
£10,000 to £25,000	0	0	0	0	0
£25,000 to £50,000	0	1	1	0	0
£50,000 to £100,000	0	0	0	0	0
£100,000 to £150,000	0	0	0	0	0
£150,000 to £200,000	0	0	0	0	0
more than £200,000	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>

05-Oct-17  
to  
31-Mar-19

Exit packages cost band (including any special payment element)	Cost of compulsory redundancies	Cost of other departures	Total cost of exit packages	Cost of special element included in exit packages	Total cost of exit packages
	£'s	£'s	£'s	£'s	£'s
less than £10,000	0	0	0	0	0
£10,000 to £25,000	0	0	0	0	0
£25,000 to £50,000	0	31,200	31,200	0	0
£50,000 to £100,000	0	0	0	0	0
£100,000 to £150,000	0	0	0	0	0
£150,000 to £200,000	0	0	0	0	0
more than £200,000	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>31,200</b>	<b>31,200</b>	<b>0</b>	<b>0</b>

Redundancy costs have been paid in accordance with the NHS Redundancy provisions, other departure costs have been paid in accordance with the provisions of the NHS Voluntary Early Release Scheme (VERS). Where HEIW has agreed early retirements, the additional costs are met by HEIW and not by the NHS pension scheme. Ill-health retirement costs are met by the NHS pensions scheme and are not included in the table.

### 9.6 Remuneration Relationship

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in HEIW in the financial period to 31 March 2020 was £160k to £165k (2018-19 £150k to £155k). This was 3.11 times (2018-19 3.05 times) the median remuneration of the workforce, which was £52,306 (2018-19 £49,969).

During the period, 0 (2018-19, 0) employees received remuneration in excess of the highest-paid director. Remuneration for staff ranged from £14,265 to £162,650 (2018-19, £15,842 to £154,595).

The banded remuneration of the Chief Executive is £150k to £155k (2018-19, £145k to £150k). This is 2.92 times (2018-19, 2.95 times) the median remuneration of the workforce.

Total remuneration includes salary, non-consolidated performance-related pay, and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

## 9.7 Pension Costs

### PENSION COSTS

Past and present employees are covered by the provisions of the two NHS Pension Schemes. Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at [www.nhsbsa.nhs.uk/pensions](http://www.nhsbsa.nhs.uk/pensions). Both are unfunded defined benefit schemes that cover NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State for Health and Social Care in England and Wales. They are not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, each scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in each scheme is taken as equal to the contributions payable to that scheme for the accounting period.

In order that the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the FReM requires that “the period between formal valuations shall be four years, with approximate assessments in intervening years”. An outline of these follows:

#### a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and is accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2020, is based on valuation data as 31 March 2019, updated to 31 March 2020 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

The latest assessment of the liabilities of the scheme is contained in the report of the scheme actuary, which forms part of the annual NHS Pension Scheme Accounts. These accounts can be viewed on the NHS Pensions website and are published annually. Copies can also be obtained from The Stationery Office.

#### b) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the schemes (taking into account recent demographic experience), and to recommend contribution rates payable by employees and employers.

The latest actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2016. The results of this valuation set the employer contribution rate payable from April 2019 to 20.6%, and the Scheme Regulations were amended accordingly.

The 2016 funding valuation was also expected to test the cost of the Scheme relative to the employer cost cap set following the 2012 valuation. Following a judgment from the Court of Appeal in December 2018 Government announced a pause to that part of the valuation process pending conclusion of the continuing legal process.

#### **c) National Employment Savings Trust (NEST)**

NEST is a workplace pension scheme, which was set up by legislation and is treated as a trust-based scheme. The Trustee responsible for running the scheme is NEST Corporation. It's a non-departmental public body (NDPB) that operates at arm's length from government and is accountable to Parliament through the Department for Work and Pensions (DWP).

NEST Corporation has agreed a loan with the Department for Work and Pensions (DWP). This has paid for the scheme to be set up and will cover expected shortfalls in scheme costs during the earlier years while membership is growing.

NEST Corporation aims for the scheme to become self-financing while providing consistently low charges to members.

Using qualifying earnings to calculate contributions, currently the legal minimum level of contributions is 8% of a jobholder's qualifying earnings, for employers whose legal duties have started. The employer must pay at least 3% of this.

The earnings band used to calculate minimum contributions under existing legislation is called qualifying earnings. Qualifying earnings are currently those between £6,136 and £50,000 for the 2019-20 tax year (2018-19 £6,032 and £46,350).

Restrictions on the annual contribution limits were removed on 1st April 2017.

## 10. Public Sector Payment Policy - Measure of Compliance

### 10.1 Prompt payment code - measure of compliance

The Welsh Government requires that HEIW pay all their trade creditors in accordance with the CBI prompt payment code and Government Accounting rules. The Welsh Government has set as part of the HEIW financial targets a requirement to pay 95% of the number of non-NHS creditors within 30 days of delivery.

Payments made prior to HEIW becoming operational on 1st October 2018 were made by the predecessor organisations and are not included in the totals below.

	31-Mar-20	31-Mar-20	05-Oct-17 to 31-Mar-19	05-Oct-17 to 31-Mar-19
	Number	£000	Number	£000
<b>NHS</b>				
Total bills paid	2,623	109,713	615	18,237
Total bills paid within target	2,293	101,223	507	17,563
Percentage of bills paid within target	87.4%	92.3%	82.4%	96.3%
<b>Non-NHS</b>				
Total bills paid	6,582	99,008	1,755	46,875
Total bills paid within target	6,265	98,579	1,681	46,781
Percentage of bills paid within target	95.2%	99.6%	95.8%	99.8%
<b>Total</b>				
Total bills paid	9,205	208,721	2,370	65,112
Total bills paid within target	8,558	199,802	2,188	64,344
Percentage of bills paid within target	93.0%	95.7%	92.3%	98.8%

### 10.2 The Late Payment of Commercial Debts (Interest) Act 1998

	31-Mar-20	05-Oct-17 to 31-Mar-19
	£	£
Amounts included within finance costs (note 7) from claims made under this legislation	0	0
Compensation paid to cover debt recovery costs under this legislation	0	0
<b>Total</b>	<u>0</u>	<u>0</u>

## 11. Property, plant and equipment

	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction & payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
<b>Cost or valuation at 1 April 2019</b>	0	1,413	0	0	573	0	1,358	441	3,785
Indexation	0	0	0	0	0	0	0	0	0
Additions									
- purchased	0	18	0	0	0	0	36	41	95
- donated	0	0	0	0	0	0	0	0	0
- government granted	0	0	0	0	0	0	0	0	0
Transfer from/into other organisations	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0	0
Revaluations	0	0	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
<b>At 31 March 2020</b>	0	1,431	0	0	573	0	1,394	482	3,880
<b>Depreciation at 1 April 2019</b>	0	37	0	0	573	0	96	90	796
Indexation	0	0	0	0	0	0	0	0	0
Transfer from/into other organisations	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0	0
Revaluations	0	0	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
Provided during the period	0	147	0	0	0	0	266	76	489
<b>At 31 March 2020</b>	0	184	0	0	573	0	362	166	1,285
<b>Net book value at 1 April 2019</b>	0	1,376	0	0	0	0	1,262	351	2,989
<b>Net book value at 31 March 2020</b>	0	1,247	0	0	0	0	1,032	316	2,595
<b>Net book value at 31 March 2020 comprises :</b>									
Purchased	0	1,247	0	0	0	0	1,032	316	2,595
Donated	0	0	0	0	0	0	0	0	0
Government Granted	0	0	0	0	0	0	0	0	0
<b>At 31 March 2020</b>	0	1,247	0	0	0	0	1,032	316	2,595
<b>Asset financing :</b>									
Owned	0	1,247	0	0	0	0	1,032	316	2,595
Held on finance lease	0	0	0	0	0	0	0	0	0
On-SoFP PFI contracts	0	0	0	0	0	0	0	0	0
PFI residual interests	0	0	0	0	0	0	0	0	0
<b>At 31 March 2020</b>	0	1,247	0	0	0	0	1,032	316	2,595
<b>The net book value of land, buildings and dwellings at 31 March 2020 comprises :</b>									
									£000
Freehold									0
Long Leasehold									1,247
Short Leasehold									0
									<u>1,247</u>

'Building Assets' held by HEIW relate to leasehold improvements and are depreciated over the shorter of the remainder of the lease or the assessed life of the asset.

## 11.1 Property, plant and equipment

	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction & payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
<b>Cost or valuation at 5 October 2017</b>	0	0	0	0	0	0	0	0	0
Indexation	0	0	0	0	0	0	0	0	0
Additions									
- purchased	0	1,413	0	0	0	0	1,318	370	3,101
- donated	0	0	0	0	0	0	0	0	0
- government granted	0	0	0	0	0	0	0	0	0
Transfer from/into other NHS bodies	0	0	0	0	573	0	40	71	684
Reclassifications	0	0	0	0	0	0	0	0	0
Revaluations	0	0	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
<b>At 31 March 2019</b>	0	1,413	0	0	573	0	1,358	441	3,785
<b>Depreciation at 5 October 2017</b>	0	0	0	0	0	0	0	0	0
Indexation	0	0	0	0	0	0	0	0	0
Transfer from/into other NHS bodies	0	0	0	0	573	0	40	71	684
Reclassifications	0	0	0	0	0	0	0	0	0
Revaluations	0	0	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
Provided during the year	0	37	0	0	0	0	56	19	112
<b>At 31 March 2019</b>	0	37	0	0	573	0	96	90	796
<b>Net book value at 5 October 2017</b>	0	0	0	0	0	0	0	0	0
<b>Net book value at 31 March 2019</b>	0	1,376	0	0	0	0	1,262	351	2,989
<b>Net book value at 31 March 2019 comprises :</b>									
Purchased	0	1,376	0	0	0	0	1,262	351	2,989
Donated	0	0	0	0	0	0	0	0	0
Government Granted	0	0	0	0	0	0	0	0	0
<b>At 31 March 2019</b>	0	1,376	0	0	0	0	1,262	351	2,989
<b>Asset financing :</b>									
Owned	0	1,376	0	0	0	0	1,262	351	2,989
Held on finance lease	0	0	0	0	0	0	0	0	0
On-SoFP PFI contracts	0	0	0	0	0	0	0	0	0
PFI residual interests	0	0	0	0	0	0	0	0	0
<b>At 31 March 2019</b>	0	1,376	0	0	0	0	1,262	351	2,989

The net book value of land, buildings and dwellings at 31 March 2019 comprises :

	£000
Freehold	0
Long Leasehold	1,376
Short Leasehold	0
	<b>1,376</b>

'Building Assets' held by HEIW relate to leasehold improvements and are depreciated over the shorter of the remainder of the lease or the assessed life of the asset.

**11. Property, plant and equipment****11.2 Non-current assets held for sale**

	Land	Buildings, including dwelling	Other property, plant and equipment	Intangible assets	Other assets	Total
	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April 2019</b>	0	0	0	0	0	0
Plus assets classified as held for sale in the period	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0
Less assets sold in the period	0	0	0	0	0	0
Add reversal of impairment of assets held for sale	0	0	0	0	0	0
Less impairment of assets held for sale	0	0	0	0	0	0
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	0
<b>Balance carried forward 31 March 2020</b>	0	0	0	0	0	0
<b>Balance brought forward 5 October 2017</b>	0	0	0	0	0	0
Plus assets classified as held for sale in the year	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0
Less assets sold in the year	0	0	0	0	0	0
Add reversal of impairment of assets held for sale	0	0	0	0	0	0
Less impairment of assets held for sale	0	0	0	0	0	0
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	0
<b>Balance carried forward 31 March 2019</b>	0	0	0	0	0	0

**Assets sold in the period**

There were no assets sold in the period

**Assets classified as held for sale during the period**

No assets were classified as held for sale during 2019-20

## 12. Intangible non-current assets

	Software (purchased)	Software (internally generated)	Licences and trademarks	Patents	Development expenditure- internally generated	Carbon Reduction Commitments	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation at 1 April 2019</b>	0	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0
Additions- purchased	0	0	0	0	0	0	0
Additions- internally generated	0	0	0	0	0	0	0
Additions- donated	0	0	0	0	0	0	0
Additions- government granted	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0
<b>Gross cost at 31 March 2020</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Amortisation at 1 April 2019</b>	0	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0
Impairment	0	0	0	0	0	0	0
Provided during the period	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0
<b>Amortisation at 31 March 2020</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net book value at 1 April 2019</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net book value at 31 March 2020</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>At 31 March 2020</b>							
Purchased	0	0	0	0	0	0	0
Donated	0	0	0	0	0	0	0
Government Granted	0	0	0	0	0	0	0
Internally generated	0	0	0	0	0	0	0
<b>Total at 31 March 2020</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 12.1 Intangible non-current assets

	Software (purchased)	Software (internally generated)	Licences and trademarks	Patents	Development expenditure- internally generated	Carbon Reduction Commitments	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation at 5 Oct 2017</b>	0	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0
Additions- purchased	0	0	0	0	0	0	0
Additions- internally generated	0	0	0	0	0	0	0
Additions- donated	0	0	0	0	0	0	0
Additions- government granted	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0
<b>Gross cost at 31 March 2019</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Amortisation at 1 April 2017</b>	0	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0
Impairment	0	0	0	0	0	0	0
Provided during the year	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0
<b>Amortisation at 31 March 2019</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net book value at 5 Oct 2017</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net book value at 31 March 2019</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>At 31 March 2019</b>							
Purchased	0	0	0	0	0	0	0
Donated	0	0	0	0	0	0	0
Government Granted	0	0	0	0	0	0	0
Internally generated	0	0	0	0	0	0	0
<b>Total at 31 March 2019</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**13 . Impairments**

	31-Mar-20	31-Mar-20	05-Oct-17 to 31-Mar-19	05-Oct-17 to 31-Mar-19
	Property, plant & equipment £000	Intangible assets £000	Property, plant & equipment £000	Intangible assets £000
Impairments arising from :				
Loss or damage from normal operations	0	0	0	0
Abandonment in the course of construction	0	0	0	0
Over specification of assets (Gold Plating)	0	0	0	0
Loss as a result of a catastrophe	0	0	0	0
Unforeseen obsolescence	0	0	0	0
Changes in market price	0	0	0	0
Others (specify)	0	0	0	0
Reversal of impairments	0	0	0	0
<b>Total of all impairments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Analysis of impairments charged to reserves in period :</b>				
Charged to the Statement of Comprehensive Net Expenditure	0	0	0	0
Charged to Revaluation Reserve	0	0	0	0
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**14.1 Inventories**

	31-Mar-20	31-Mar-19
	£000	£000
Drugs	0	0
Consumables	0	0
Energy	0	0
Work in progress	0	0
Other	0	0
<b>Total</b>	<b>0</b>	<b>0</b>
Of which held at realisable value	0	0

**14.2 Inventories recognised in expenses**

	31-Mar-20	05-Oct-17 to 31-Mar-19
	£000	£000
Inventories recognised as an expense in the period	0	0
Write-down of inventories (including losses)	0	0
Reversal of write-downs that reduced the expense	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**15. Trade and other Receivables****Current**

	31-Mar-20 £000	31-Mar-19 £000
Welsh Government	0	0
Welsh Health Specialised Services Committee (WHSSC) / Emergency Ambulance Services Committee (EASC)	0	0
Welsh Health Boards	22	0
Welsh NHS Trusts	22	0
Non - Welsh Trusts	0	0
Other NHS	8	13
Welsh Risk Pool Claim Reimbursement;		
NHS Wales Secondary Health Sector	0	0
NHS Wales Primary Sector FLS Reimbursement	0	0
NHS Wales Redress	0	0
Other	0	0
Local Authorities	0	0
Capital debtors - Tangibles	0	0
Capital debtors - Intangibles	0	0
Other debtors	129	297
Provision for irrecoverable debts	(4)	(3)
Pension Prepayments	0	0
Other prepayments	897	494
Other accrued income	0	0

**Sub total****1,074****801****Non-current**

Welsh Government	0	0
Welsh Health Specialised Services Committee (WHSSC) / Emergency Ambulance Services Committee (EASC)	0	0
Welsh Health Boards	0	0
Welsh NHS Trusts	0	0
Non - Welsh Trusts	0	0
Other NHS	0	0
Welsh Risk Pool Claim Reimbursement;		
NHS Wales Secondary Health Sector	0	0
NHS Wales Primary Sector FLS Reimbursement	0	0
NHS Wales Redress	0	0
Other	0	0
Local Authorities	0	0
Capital debtors - Tangibles	0	0
Capital debtors - Intangibles	0	0
Other debtors	0	0
Provision for irrecoverable debts	0	0
Pension Prepayments	0	0
Other prepayments	0	0
Other accrued income	0	0

**Sub total****0****0****Total****1,074****801**

**15. Trade and other Receivables****Receivables past their due date but not impaired**

	31-Mar-20	31-Mar-19
	£000	£000
By up to three months	34	0
By three to six months	2	58
By more than six months	0	0
	<u>36</u>	<u>58</u>

No debtors past due (but not impaired) are greater than six months old.

**Expected Credit Losses (ECL) previously Allowance for bad and doubtful debts**

Balance at 1 April 2019	3	0
Transfer to other NHS Wales body	0	0
Amount written off during the period	0	0
Amount recovered during the period	0	0
(Increase) / decrease in receivables impaired	1	3
ECL/Bad debts recovered during period	0	0
Balance at 31 March 2020	<u>4</u>	<u>3</u>

In determining whether a debt is impaired consideration is given to the age of the debt and the results of actions taken to recover the debt, including reference to credit agencies.

**Receivables VAT**

Trade receivables	69	37
Other	0	0
Total	<u>69</u>	<u>37</u>

**16. Other Financial Assets**

	Current		Non-current	
	31-Mar-20	31-Mar-19	31-Mar-20	31-Mar-19
	£000	£000	£000	£000
<b>Financial assets</b>				
Shares and equity type investments				
Held to maturity investments at amortised costs	0	0	0	0
At fair value through SOCNE	0	0	0	0
Available for sale at FV	0	0	0	0
Deposits	0	0	0	0
Loans	0	0	0	0
Derivatives	0	0	0	0
Other (Specify)				
Held to maturity investments at amortised costs	0	0	0	0
At fair value through SOCNE	0	0	0	0
Available for sale at FV	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**17. Cash and cash equivalents**

	31-Mar-20	31-Mar-19
	£000	£000
Opening Balance	6,240	0
Net change in cash and cash equivalent balances	1,225	6,240
Balance at 31 March 2020	<b>7,465</b>	<b>6,240</b>
Made up of:		
Cash held at Government Banking Service (GBS)	7,465	6,240
Commercial banks	0	0
Cash in hand	0	0
Current Investments	0	0
<b>Cash and cash equivalents as in Statement of Financial Position</b>	<b>7,465</b>	<b>6,240</b>
Bank overdraft - GBS	0	0
Bank overdraft - Commercial banks	0	0
<b>Cash and cash equivalents as in Statement of Cash Flows</b>	<b>7,465</b>	<b>6,240</b>

In response to the IAS 7 requirement for additional disclosure, the changes in liabilities arising for financing activities are;

Lease Liabilities £0k  
PFI liabilities £0k

The movement relates to cash, no comparative information is required by IAS 7 in 2019-20.

**18. Trade and other payables**

<b>Current</b>	<b>31-Mar-20</b>	<b>31-Mar-19</b>
	<b>£000</b>	<b>£000</b>
Welsh Government	0	86
Welsh Health Specialised Services Committee (WHSSC) / Emergency Ambulance Services Committee (EASC)	0	0
Welsh Health Boards	1,621	2,061
Welsh NHS Trusts	301	529
Other NHS	93	157
Taxation and social security payable / refunds	329	12
Refunds of taxation by HMRC	0	0
VAT payable to HMRC	0	0
Other taxes payable to HMRC	0	0
NI contributions payable to HMRC	0	0
Non-NHS trade payables - revenue	3,095	1,503
Local Authorities	6	0
Capital payables-Tangible	0	0
Capital payables- Intangible	0	0
Overdraft	0	0
Rentals due under operating leases	23	24
Obligations under finance leases, HP contracts	0	0
Imputed finance lease element of on SoFP PFI contracts	0	0
Pensions: staff	189	0
Non NHS Accruals	1,481	1,738
Deferred Income:		
Deferred Income brought forward	11	0
Deferred Income Additions	8	11
Transfer to / from current/non current deferred income	0	0
Released to SoCNE	0	0
Other creditors	0	0
PFI assets –deferred credits	0	0
Payments on account	0	0
<b>Sub total</b>	<b>7,157</b>	<b>6,121</b>
<b>Non-current</b>		
Welsh Government	0	0
Welsh Health Specialised Services Committee (WHSSC) / Emergency Ambulance Services Committee (EASC)	0	0
Welsh Health Boards	0	0
Welsh NHS Trusts	0	0
Other NHS	0	0
Taxation and social security payable / refunds	0	0
Refunds of taxation by HMRC	0	0
VAT payable to HMRC	0	0
Other taxes payable to HMRC	0	0
NI contributions payable to HMRC	0	0
Non-NHS trade payables - revenue	0	0
Local Authorities	0	0
Capital Creditors- Tangible	0	0
Capital Creditors- Intangible	0	0
Overdraft	0	0
Rentals due under operating leases	171	194
Obligations under finance leases, HP contracts	0	0
Imputed finance lease element of on SoFP PFI contracts	0	0
Pensions: staff	0	0
Non NHS Accruals	0	0
Deferred Income :		
Deferred Income brought forward	0	0
Deferred Income Additions	0	0
Transfer to / from current/non current deferred income	0	0
Released to SoCNE	0	0
Other creditors	0	0
PFI assets –deferred credits	0	0
Payments on account	0	0
<b>Sub total</b>	<b>171</b>	<b>194</b>
<b>Total</b>	<b>7,328</b>	<b>6,315</b>

It is intended to pay all invoices within the 30 day period directed by the Welsh Government.

**18. Trade and other payables (continued)**

Amounts falling due more than one year are expected to be settled as follows:	31-Mar-20 £000	31-Mar-19 £000
Between one and two years	23	23
Between two and five years	69	69
In five years or more	79	102
Sub-total	<u>171</u>	<u>194</u>

**19. Other financial liabilities**

	Current		Non-current	
Financial liabilities	31-Mar-20 £000	31-Mar-19 £000	31-Mar-20 £000	31-Mar-19 £000
Financial Guarantees:				
At amortised cost	0	0	0	0
At fair value through SoCNE	0	0	0	0
Derivatives at fair value through SoCNE	0	0	0	0
Other:				
At amortised cost	0	0	0	0
At fair value through SoCNE	0	0	0	0
<b>Total</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

## 20. Provisions

	At 1 April 2019	Structured settlement cases transferred to Risk Pool	Transfer of provisions to creditors	Transfer between current and non-current	Arising during the period	Utilised during the period	Reversed unused	Unwinding of discount	At 31 March 2020
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Current</b>									
Clinical negligence:-	0								0
Secondary care	0	0	0	0	0	0	0	0	0
Primary care	0	0	0	0	0	0	0	0	0
Redress Secondary care	0	0	0	0	0	0	0	0	0
Redress Primary care	0	0	0	0	0	0	0	0	0
Personal injury	0	0	0	0	0	0	0	0	0
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administratio	30	0	0	0	0	(8)	(22)		0
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	0			0	0	0	0	0	0
Restructuring	0			0	0	0	0	0	0
Other	0		0	0	130	0	0		130
<b>Total</b>	<b>30</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>130</b>	<b>(8)</b>	<b>(22)</b>	<b>0</b>	<b>130</b>
<b>Non Current</b>									
Clinical negligence:-	0								0
Secondary care	0	0	0	0	0	0	0	0	0
Primary care	0	0	0	0	0	0	0	0	0
Redress Secondary care	0	0	0	0	0	0	0	0	0
Redress Primary care	0	0	0	0	0	0	0	0	0
Personal injury	0	0	0	0	0	0	0	0	0
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administratio	0	0	0	0	0	0	0		0
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	0			0	0	0	0	0	0
Restructuring	0			0	0	0	0	0	0
Other	0		0	0	0	0	0		0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL</b>									
Clinical negligence:-	0								0
Secondary care	0	0	0	0	0	0	0	0	0
Primary care	0	0	0	0	0	0	0	0	0
Redress Secondary care	0	0	0	0	0	0	0	0	0
Redress Primary care	0	0	0	0	0	0	0	0	0
Personal injury	0	0	0	0	0	0	0	0	0
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administratio	30	0	0	0	0	(8)	(22)		0
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	0			0	0	0	0	0	0
Restructuring	0			0	0	0	0	0	0
Other	0		0	0	130	0	0		130
<b>Total</b>	<b>30</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>130</b>	<b>(8)</b>	<b>(22)</b>	<b>0</b>	<b>130</b>

## Expected timing of cash flows:

	in year to 31 March 2021	Between 1 April 2021 31 March 2025	Thereafter	Total
				£000
Clinical negligence:-	0			0
Secondary care	0	0	0	0
Primary care	0	0	0	0
Redress Secondary care	0	0	0	0
Redress Primary care	0	0	0	0
Personal injury	0	0	0	0
All other losses and special payments	0	0	0	0
Defence legal fees and other administration	0	0	0	0
Pensions relating to former directors	0	0	0	0
Pensions relating to other staff	0	0	0	0
Restructuring	0	0	0	0
Other	130	0	0	130
<b>Total</b>	<b>130</b>	<b>0</b>	<b>0</b>	<b>130</b>

The provision of £130k held on the balance sheet at 31st March 2020 is made up of:

- £4k for the estimated costs of holiday pay on overtime worked in HEIW since 1st October 2018. This is as a result of a case brought against the East of England Ambulance Service that is pending an appeal.
- £78k for the estimated costs of untaken annual leave as at 31st March 2020 by Dental Trainees in non-NHS settings. This is as a result of the COVID-19 pandemic.
- £48k for the estimated costs of untaken annual leave as at 31st March 2020 by Pharmacy Technicians/Pre-reg Pharmacists in non-NHS settings. This is as a result of the COVID-19 pandemic.

## 20. Provisions (continued)

	At 5 October 2017	Structured settlement cases transferred to Risk Pool	Transfer of provisions to creditors	Transfer between current and non-current	Arising during the period	Utilised during the period	Reversed unused	Unwinding of discount	At 31 March 2019
Current	£000	£000	£000	£000	£000	£000	£000	£000	£000
Clinical negligence:-	0	0	0	0	0	0	0	0	0
Secondary care	0	0	0	0	0	0	0	0	0
Primary care	0	0	0	0	0	0	0	0	0
Redress Secondary care	0	0	0	0	0	0	0	0	0
Redress Primary care	0	0	0	0	0	0	0	0	0
Personal injury	0	0	0	0	0	0	0	0	0
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	0	0	0	0	30	0	0		30
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	0			0	0	0	0	0	0
Restructuring	0			0	0	0	0	0	0
Other	0		0	0	0	0	0		0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>30</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>30</b>
<b>Non Current</b>									
Clinical negligence:-	0	0	0	0	0	0	0	0	0
Secondary care	0	0	0	0	0	0	0	0	0
Primary care	0	0	0	0	0	0	0	0	0
Redress Secondary care	0	0	0	0	0	0	0	0	0
Redress Primary care	0	0	0	0	0	0	0	0	0
Personal injury	0	0	0	0	0	0	0	0	0
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	0	0	0	0	0	0	0		0
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	0			0	0	0	0	0	0
Restructuring	0			0	0	0	0	0	0
Other	0		0	0	0	0	0		0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL</b>									
Clinical negligence:-	0	0	0	0	0	0	0	0	0
Secondary care	0	0	0	0	0	0	0	0	0
Primary care	0	0	0	0	0	0	0	0	0
Redress Secondary care	0	0	0	0	0	0	0	0	0
Redress Primary care	0	0	0	0	0	0	0	0	0
Personal injury	0	0	0	0	0	0	0	0	0
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	0	0	0	0	30	0	0		30
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	0			0	0	0	0	0	0
Restructuring	0			0	0	0	0	0	0
Other	0		0	0	0	0	0		0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>30</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>30</b>

## 21. Contingencies

### 21.1 Contingent liabilities

	31-Mar-20 £'000	31-Mar-19 £'000
Provisions have not been made in these accounts for the following amounts :		
Legal claims for alleged medical or employer negligence		
Secondary Care	0	0
Primary Care	0	0
Secondary Care Redress	0	0
Primary Care Redress	0	0
Doubtful debts	0	0
Equal Pay costs	0	0
Defence costs	0	0
Continuing Health Care costs	0	0
Other	0	0
Total value of disputed claims	0	0
Amounts recovered in the event of claims being successful	0	0
<b>Net contingent liability</b>	<b>0</b>	<b>0</b>

**21.2 Remote Contingent liabilities**

31-Mar-20	31-Mar-19
£'000	£'000

Please disclose the values of the following categories of remote contingent liabilities :

Guarantees	0	0
Indemnities	0	0
Letters of Comfort	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**21.3 Contingent assets**

31-Mar-20	31-Mar-19
£'000	£'000

	0	0
	0	0
	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**22. Capital commitments****Contracted capital commitments**

31-Mar-20	31-Mar-19
£'000	£'000

Property, plant and equipment	0	0
Intangible assets	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

## 23. Losses and special payments

HEIW has made one payment included within the 'losses and special payments' definition during the period. Losses and special payments are charged to the Statement of Comprehensive Net Expenditure in accordance with IFRS but are recorded in the losses and special payments register when payment is made. Therefore this note is prepared on a cash basis.

### Gross loss to the Exchequer

Number of cases and associated amounts paid out or written-off during the financial period

	Amounts paid out during period to 31 March 2020	
	Number	£
Clinical negligence	0	0
Personal injury	0	0
All other losses and special payments	1	31,200
<b>Total</b>	<b>1</b>	<b>31,200</b>

Analysis of cases which exceed £300,000 and all other cases

Cases exceeding £300,000	Number	Case type	Amounts paid out in period	Cumulative amount
			£	£
Sub-total			0	0
All other cases			31,200	31,200
<b>Total cases</b>			<b>31,200</b>	<b>31,200</b>

## 24. Finance leases

### 24.1 Finance leases obligations (as lessee)

HEIW has no finance lease obligations as lessee.

#### Amounts payable under finance leases:

##### Land

	31-Mar-20 £000	31-Mar-19 £000
<b>Minimum lease payments</b>		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Less finance charges allocated to future periods	0	0
Minimum lease payments	<u>0</u>	<u>0</u>
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	<u>0</u>	<u>0</u>
<b>Present value of minimum lease payments</b>		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Present value of minimum lease payments	<u>0</u>	<u>0</u>
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	<u>0</u>	<u>0</u>

**24.1 Finance leases obligations (as lessee) continue****Amounts payable under finance leases:****Buildings**

	31-Mar-20	31-Mar-19
	£000	£000
<b>Minimum lease payments</b>		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Less finance charges allocated to future periods	0	0
Minimum lease payments	<u>0</u>	<u>0</u>
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	<u>0</u>	<u>0</u>

**Present value of minimum lease payments**

Within one year	0	0
Between one and five years	0	0
After five years	0	0
Present value of minimum lease payments	<u>0</u>	<u>0</u>
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	<u>0</u>	<u>0</u>

**Other**

	31-Mar-20	31-Mar-19
	£000	£000
<b>Minimum lease payments</b>		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Less finance charges allocated to future periods	0	0
Minimum lease payments	<u>0</u>	<u>0</u>
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	<u>0</u>	<u>0</u>

**Present value of minimum lease payments**

Within one year	0	0
Between one and five years	0	0
After five years	0	0
Present value of minimum lease payments	<u>0</u>	<u>0</u>
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	<u>0</u>	<u>0</u>

**24.2 Finance leases obligations (as lessor) continued**

HEIW has no finance leases receivable as a lessor.

**Amounts receivable under finance leases:**

	<b>31-Mar-20</b>	<b>31-Mar-19</b>
	<b>£000</b>	<b>£000</b>
<b>Gross Investment in leases</b>		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Less finance charges allocated to future periods	0	0
Minimum lease payments	<u>0</u>	<u>0</u>
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	<u>0</u>	<u>0</u>
<b>Present value of minimum lease payments</b>		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Less finance charges allocated to future periods		
Present value of minimum lease payments	<u>0</u>	<u>0</u>
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	<u>0</u>	<u>0</u>

**25. Private Finance Initiative contracts****25.1 PFI schemes off-Statement of Financial Position**

HEIW has no PFI schemes which are deemed to be on or off the statement of financial position.

## 25. Private Finance Initiative contracts

### 25.1 PFI schemes off-Statement of Financial Position

HEIW has no PFI schemes which are deemed to be on or off the statement of financial position.

Commitments under off-SoFP PFI contracts	Off-SoFP PFI contracts 31 March 2020 £000	Off-SoFP PFI contracts 31 March 2019 £000
Total payments due within one year	0	0
Total payments due between 1 and 5 years	0	0
Total payments due thereafter	0	0
Total future payments in relation to PFI contracts	0	0
Total estimated capital value of off-SoFP PFI contracts	0	0

### 25.2 PFI schemes on-Statement of Financial Position

Capital value of scheme included in Fixed Assets Note 11 £000

Contract start date:

Contract end date:

£000

Contract start date:

Contract end date:

Total obligations for on-Statement of Financial Position PFI contracts due:

	On SoFP PFI Capital element 31 March 2020 £000	On SoFP PFI Imputed interest 31 March 2020 £000	On SoFP PFI Service charges 31 March 2020 £000
Total payments due within one year	0	0	0
Total payments due between 1 and 5 years	0	0	0
Total payments due thereafter	0	0	0
Total future payments in relation to PFI contracts	0	0	0

	On SoFP PFI Capital element 31 March 2019 £000	On SoFP PFI Imputed interest 31 March 2019 £000	On SoFP PFI Service charges 31 March 2019 £000
Total payments due within one year	0	0	0
Total payments due between 1 and 5 years	0	0	0
Total payments due thereafter	0	0	0
Total future payments in relation to PFI contracts	0	0	0

Total present value of obligations for on-SoFP PFI contracts £0m

**25.3 Charges to expenditure**

	31-Mar-20	31-Mar-19
	£000	£000
Service charges for On Statement of Financial Position PFI contracts (excl interest costs)	0	0
Total expense for Off Statement of Financial Position PFI contracts	0	0
The total charged in the year to expenditure in respect of PFI contracts	<u>0</u>	<u>0</u>

The LHB is committed to the following annual charges

	31-Mar-20	31-Mar-19
	£000	£000
<b>PFI scheme expiry date:</b>		
Not later than one year	0	0
Later than one year, not later than five years	0	0
Later than five years	0	0
<b>Total</b>	<u>0</u>	<u>0</u>

The estimated annual payments in future years will vary from those which the LHB is committed to make during the next year by the impact of movement in the Retail Prices Index.

**25.4 Number of PFI contracts**

	Number of on SoFP PFI contracts	Number of off SoFP PFI contracts
Number of PFI contracts	0	0
Number of PFI contracts which individually have a total commitment > £500m	0	0
<b>PFI Contract</b>		
Number of PFI contracts which individually have a total commitment > £500m	0	0

**PFI Contract**

On/Off  
On/Off

**25.5 Public Private Partnerships during the year**

HEIW has no Public Private Partnerships

**26. Financial risk management**

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. HEIW is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which these standards mainly apply. HEIW has limited powers to invest and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing HEIW in undertaking its activities.

**Currency risk**

HEIW is principally a domestic organisation with the great majority of transactions, assets and liabilities being in the UK and Sterling based. HEIW has no overseas operations. HEIW therefore has low exposure to currency rate fluctuations.

**Interest rate risk**

HEIW is not permitted to borrow. HEIW therefore has low exposure to interest rate fluctuations

**Credit risk**

Because the majority of HEIW funding derives from funds voted by the Welsh Government HEIW has low exposure to credit risk.

**Liquidity risk**

HEIW is required to operate within cash limits set by the Welsh Government for the financial year and draws down funds from the Welsh Government as the requirement arises. HEIW is not, therefore, exposed to significant liquidity risks.

**27. Movements in working capital**

	31-Mar-20 £000	31-Mar-19 £000
(Increase)/decrease in inventories	0	0
(Increase)/decrease in trade and other receivables - non-current	0	0
(Increase)/decrease in trade and other receivables - current	(273)	(801)
Increase/(decrease) in trade and other payables - non-current	(23)	194
Increase/(decrease) in trade and other payables - current	1,036	6,121
<b>Total</b>	<b>740</b>	<b>5,514</b>
Adjustment for accrual movements in fixed assets - creditors	0	0
Adjustment for accrual movements in fixed assets - debtors	0	0
Other adjustments	0	0
	<b>740</b>	<b>5,514</b>

**28. Other cash flow adjustments**

	31-Mar-20 £000	31-Mar-19 £000
Depreciation	489	112
Amortisation	0	0
(Gains)/Loss on Disposal	0	0
Impairments and reversals	0	0
Release of PFI deferred credits	0	0
Donated assets received credited to revenue but non-cash	0	0
Government Grant assets received credited to revenue but non-cash	0	0
Non-cash movements in provisions	108	30
Other movements	515	0
<b>Total</b>	<b>1,112</b>	<b>142</b>

**29. Events after the Reporting Period**

HEIW has not experienced any events having a material effect on the accounts, between the date of the statement of financial position and the date on which these accounts were approved by its Board.

**30. Related Party Transactions**

The Welsh Government is regarded as a related party. During the accounting period HEIW has had a significant number of material transactions with the Welsh Government and with other entities for which the Welsh Government is regarded as the parent body:

Related Party	Expenditure to related party £000	Income from related party £000	Amounts owed to related party £000	Amounts due from related party £000
Welsh Government	189	212,596	0	0
Welsh LHBS	76,356	26	1,621	22
Welsh NHS Trusts	26,714	85	301	22
Swansea University	21,488	184	785	0
Cardiff University	26,333	0	1,001	0
University of West of England	129	0	3	0
University of South Wales	17,321	230	102	0
Royal College of Nursing	30	0	0	0
	<b>168,560</b>	<b>213,121</b>	<b>3,813</b>	<b>44</b>

During the year, other than the individuals set out below, there were no other material related party transactions involving other board members or key senior management staff.

Tina Donnelly is a Fellow of the University of South Wales and Royal College of Nursing

Ruth Hall is a visiting Chair of the University of West of England and an advisory Board Member, Centre for Public Policy Wales at Cardiff University.

Ceri Phillips is Head of College of Human and Health Sciences, Swansea University.

Heidi Phillips is Associate Professor Primary Care, Swansea University

Mr Eifion Williams is a Member of the Finance Committee of Swansea University and was employed by Powys Teaching Health Board until 30th June 2019.

**31. Third Party assets**

HEIW does not hold cash on behalf of third parties.

## **32. Pooled budgets**

HEIW does not operate any pooled budgets.

## **33. Operating segments**

IFRS 8 requires bodies to report information about each of its operating segments.

HEIW is deemed to operate as one segment.

**34. Other Information****34.1. 6.3% Staff Employer Pension Contributions - Notional Element**

The notional transactions are based on estimated costs for the twelve month period, calculated from actual Welsh Government expenditure for the 6.3% staff employer pension contributions as at month eleven and the actual employer staff payments for month 12.

Transactions include notional expenditure in relation to the 6.3% paid to NHS BSA by Welsh Government and notional funding to cover that expenditure as follows:

<b>Statement of Comprehensive Net Expenditure for the year ended 31 March 2020</b>	<b>£'000</b>
--	--------------

Other Operating Expenditure	<b>2019-20</b>	<b>515</b>
-----------------------------	----------------	------------

<b>Statement of Changes in Taxpayers' Equity For the year ended 31 March 2020</b>	
---	--

Net operating cost for the year	<b>Balance at 31 March 2020</b>	<b>-515</b>
Notional Welsh Government Funding	<b>Balance at 31 March 2020</b>	<b>515</b>

<b>Statement of Cash Flows for year ended 31 March 2020</b>	
---	--

Net operating cost for the financial year	<b>2019-20</b>	<b>0</b>
Other cash flow adjustments	<b>2019-20</b>	<b>515</b>

**2.1 Revenue Resource Performance**

Revenue Resource Allocation	<b>2019-20</b>	<b>515</b>
-----------------------------	----------------	------------

**3. Analysis of gross operating costs****3.3 Expenditure on Hospital and Community Health Services**

Directors' costs	<b>2019-20</b>	<b>37</b>
Staff costs	<b>2019-20</b>	<b>478</b>

**9.1 Employee costs****Permanent Staff**

Employer contributions to NHS Pension Scheme	<b>2019-20</b>	<b>515</b>
Charged to capital	<b>2019-20</b>	<b>0</b>
Charged to revenue	<b>2019-20</b>	<b>515</b>

**18. Trade and other payables****Current**

Pensions: staff	<b>Balance at 31 March 2020</b>	<b>0</b>
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**28. Other cash flow adjustments**

Other movements	<b>2019-20</b>	<b>515</b>
-----------------	----------------	------------

## **34. Other Information**

### **34.2. IFRS 16**

HM Treasury agreed with the Financial Reporting Advisory Board (FRAB), to defer the implementation of IFRS 16 *Leases* until 1 April 2021, because of the circumstances caused by Covid-19. To ease the pressure on NHS Wales Finance Departments the IFRS 16 detailed impact statement has been removed by the Welsh Government Health and Social Services Group, Finance Department.

We expect the introduction of IFRS16 will not have a significant impact and this will be worked through for disclosure in our 2020-21 financial statements.

**THE NATIONAL HEALTH SERVICE IN WALES ACCOUNTS DIRECTION GIVEN BY  
WELSH MINISTERS IN ACCORDANCE WITH PARAGRAPH 3(1) OF SCHEDULE 9 TO  
THE NATIONAL HEALTH SERVICE (WALES) ACT 2006 (C.42) AND WITH THE  
APPROVAL OF TREASURY**

**HEALTH EDUCATION AND IMPROVEMENT WALES**

1. Health Education and Improvement Wales (HEIW), a special health authority, shall prepare accounts for the financial period 5<sup>th</sup> October 2017 to 31 March 2019 and subsequent financial years in the form specified in paragraphs 2 to 4 below.

**BASIS OF PREPARATION**

2. The accounts of HEIW shall comply with:

(a) the accounting principles and disclosure requirements of the Government Financial Reporting Manual ('the FReM') issued by HM Treasury which is in force for that financial year, as detailed in the NHS Wales Manual for Accounts; and

(b) any other specific guidance or disclosures required by the Welsh Government.

3. The accounts shall be prepared so as to:

(a) give a true and fair view of the state of affairs as at the year-end and of the net expenditure, financial position, cash flows and changes in taxpayers' equity for the financial year then ended; and

(b) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by the National Assembly for Wales or material transactions that have not conformed to the authorities which govern them.

4. Compliance with the requirements of the FReM as detailed in the NHS Wales Manual for Accounts will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM as detailed in the NHS Wales Manual for Accounts is inconsistent with the requirement to give a true and fair view, the requirements of the FReM as detailed in the NHS Wales Manual for Accounts should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgment should be used to devise an appropriate alternative treatment which should be consistent both with the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with the Welsh Government.

Signed by the authority of the Welsh Ministers

Signed:

Dated:

Alan Brace, Director of Finance HSSG



**GIG**  
CYMRU  
**NHS**  
WALES

Addysg a Gwella Iechyd  
Cymru (AaGIC)  
Health Education and  
Improvement Wales (HEIW)

<b>Meeting Date</b>	<b>26 May 2020</b>	<b>Agenda Item</b>	<b>2.4</b>
<b>Report Title</b>	<b>Audit of Accounts Report – Health Education and Improvement Wales</b>		
<b>Report Author</b>	Audit Wales		
<b>Report Sponsor</b>	Eifion Williams, Director of Finance		
<b>Presented by</b>	Audit Wales		
<b>Freedom of Information</b>	Open		
<b>Purpose of the Report</b>	The report summarises the main findings from the Audit Wales audit of HEIW's 2019-20 accounts.		
<b>Key Issues</b>	The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of Health Education and Improvement Wales at 31 March 2020 and its income and expenditure for the period then ended.		
<b>Specific Action Required</b> <i>(please ✓ one only)</i>	<b>Information</b>	<b>Discussion</b>	<b>Assurance</b>
		x	
<b>Recommendations</b>	Members are asked to: <ul style="list-style-type: none"> <li>• <b>Note</b> the report</li> </ul>		

Governance and Assurance			
<b>Link to IMTP strategic aims</b> <i>(please ✓)</i>	<b>Strategic Aim 1:</b> To lead the planning, development and wellbeing of a competent, sustainable and flexible workforce to support the delivery of 'A Healthier Wales'	<b>Strategic Aim 2:</b> To improve the quality and accessibility of education and training for all healthcare staff ensuring that it meets future needs	<b>Strategic Aim 3:</b> To work with partners to influence cultural change within NHS Wales through building compassionate and collective leadership capacity at all levels
			✓
	<b>Strategic Aim 4:</b> To develop the workforce to support the delivery of safety and quality	<b>Strategic Aim 5:</b> To be an exemplar employer and a great place to work	<b>Strategic Aim 6:</b> To be recognised as an excellent partner, influencer and leader
<b>Quality, Safety and Patient Experience</b>			
N/A			
<b>Financial Implications</b>			
N/A			
<b>Legal Implications (including equality and diversity assessment)</b>			
N/A			
<b>Staffing Implications</b>			
N/A			
<b>Long Term Implications (including the impact of the Well-being of Future Generations (Wales) Act 2015)</b>			
N/A			
<b>Report History</b>	N/A		
<b>Appendices</b>	N/A		

## Audit of Accounts Report – Health Education and Improvement Wales

Audit year: 2019-20

Date issued: May 2020

Document reference: [TBC](#)

### **Purpose of this document**

This document is a draft supplied in confidence solely for the purpose of verifying the accuracy and completeness of the information contained in it and to obtain views on the conclusions reached.

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We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

# Contents

Our audit work is largely complete, and we currently anticipate issuing an unqualified audit report on your Accounts. There will be some issues to report to you prior to their approval and this report is provided to those charged with governance as an interim statement.

## Audit of Accounts Report

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## Introduction

- 1 We summarise the main findings from our audit of your 2019-20 accounts in this report.
- 2 We have already discussed these issues with the Director of Finance and Head of Financial Accounting.
- 3 Auditors can never give complete assurance that accounts are correctly stated. Instead, we work to a level of 'materiality'. This level of materiality is set to try to identify and correct misstatements that might otherwise cause a user of the accounts into being misled.
- 4 We have set this level at £2,137,000 for this year's audit.
- 5 There are some areas of the accounts that may be of more importance to the reader and therefore we have set a lower materiality level for the following:
  - Remuneration report (remuneration £5,000 banding, pension disclosures £1,000)
  - Related party disclosures (personal interests £10,000, Companies £50,000)
  - Audit fee (£1,000)
- 6 Our audit work is largely complete, but the following work is outstanding:
  - Review of Accountability Report, to include the Annual Governance Statement, Statement of Directors' Responsibilities and Remuneration Report (draft not yet received)
  - Audit of Remuneration Report (evidence to support disclosures outstanding)
  - Additional cut-off testing for April/May 2020
  - Agreement of inter-NHS transactions and balances (current audit work undertaken on draft agreement of balances, the final version is anticipated 29 May 2020)
  - Nationally hosted IT systems assurances
  - Subsequent events review (for period up to approval of accounts by HEIW Board and AGW certification)
- 7 In our professional view, we have complied with the ethical standards that apply to our work; have remained independent of yourselves and our objectivity has not been compromised in any way. There are no relationships between ourselves and yourselves that we believe could undermine our objectivity and independence.

## Impact of Covid-19 on this Year's Audit

- 8 The Covid-19 pandemic has had a significant impact on all aspects of our society and continues to do so. You are required by law to prepare accounts and it is of considerable testament to the commitment of your Finance team that you have succeeded in doing so this year in the face of the challenges posed by this pandemic. We are extremely grateful to the professionalism of the team in supporting us to complete our audit in such difficult circumstances.
- 9 The pandemic has unsurprisingly affected our audit and we summarise in **Exhibit 1** the main impacts. Other than where we specifically make recommendations, the detail in **Exhibit 1** is provided for information purposes only to help you understand the impact of the Covid-19 pandemic on this year's audit process.

### Exhibit 1 – impact of Covid-19 on this year's audit

<b>Timetable</b>	<ul style="list-style-type: none"><li>• The deadline for completing your accounts was changed by Welsh Government from 28 April 2020 to 22 May 2020.</li><li>• However, HEIW management opted not to make use of the extension and were able to deliver good quality draft accounts and supporting working papers to the original timetable.</li><li>• At the request of HEIW management, we have conducted our audit work largely to the original timetable, however, there are some areas of work still to be completed as set out in paragraph 6.</li><li>• At the request of the HEIW Audit and Assurance Committee, we present our interim statement to the 26 May 2020 meeting.</li><li>• Following completion of our audit work, our final Audit of Accounts Report will be reported to the HEIW Audit and Assurance Committee on 23 June 2020, prior to sign-off by the HEIW Accounting Officer and Chair on 25 June 2020.</li><li>• We are making arrangements for the AGW to certify your audit report on 2 July 2020.</li></ul>
<b>Electronic signatures</b>	<ul style="list-style-type: none"><li>• It is anticipated that electronic signatures will be required for the HEIW Accounting Officer and Chair to sign the accounts, and for the AGW to certify the accounts. We will keep this situation under review should lockdown restrictions be eased/lifted.</li></ul>

<b>Audit evidence</b>	<ul style="list-style-type: none"> <li>• HEIW officers uploaded working papers to Sharepoint in accordance with our agreed Audit Deliverables Report.</li> <li>• HEIW officers provided audit evidence to the audit team via secure email, Sharepoint and also Objective Connect (a secure, web-based portal for the sharing of larger files).</li> <li>• HEIW officers were available by Skype for discussions, and also for the sharing of on-screen information/evidence.</li> <li>• Audit Wales also secured remote read only access to the HEIW Oracle ledger which enabled the audit team to query the ledger and hence reduce the burden on HEIW officers to provide this information.</li> </ul>
<b>Other</b>	<ul style="list-style-type: none"> <li>• Skype has enabled the audit team to correspond effectively with HEIW officers throughout the audit.</li> <li>• Skype based HEIW Audit and Assurance Committee meetings have enabled us to proficiently discharge our responsibility for reporting to those charged with governance.</li> </ul>

- 10 We will be reviewing what we have learned for our audit process from the Covid-19 pandemic and whether there are innovative practices that we might seek to adopt in the future to enhance that process. We will engage with HEIW officers in this post project learning soon after completion of our audit work.

## Proposed Audit Opinion

- 11 We currently anticipate issuing an unqualified audit opinion on this year's accounts once you have provided us with a Letter of Representation based on that set out in **Appendix 1**. This remains subject to satisfactory completion of audit work as listed in paragraph 6.
- 12 We would issue a 'qualified' audit opinion if we had material concerns about some aspects of your accounts; however since this is not the case, we anticipate issuing an unqualified opinion.
- 13 The Letter of Representation contains certain confirmations we are required to obtain from you under auditing standards along with confirmation of other specific information you have provided to us during our audit.
- 14 Our proposed audit report is set out in **Appendix 2**.

## Significant Issues arising from the Audit [as at 21 May 2020]

### Uncorrected misstatements

- 15 [There are no misstatements identified in the accounts, which remain uncorrected.]

### Corrected misstatements

- 16 [There was no need to correct any misstatements as a result of our audit work. **Appendix 3** is a summary of disclosure amendments made to the draft accounts.]

### Other Significant Issues arising from the Audit

- 17 In the course of the audit, we consider a number of matters relating to the accounts and report any significant issues arising to you. [There were no significant issues arising from the audit.]

## Recommendations

- 18 The recommendations arising from our audit will be included within our final Audit of Accounts Report once we have received management responses.

# Appendix 1

## Final Letter of Representation

*[Audited body's letterhead]*

Auditor General for Wales

Wales Audit Office

24 Cathedral Road

Cardiff

CF11 9LJ

[Date]

## Representations regarding the 2019-20 financial statements

This letter is provided in connection with your audit of the financial statements (including that part of the Remuneration Report that is subject to audit) of Health Education and Improvement Wales for the year ended 31 March 2020 for the purpose of expressing an opinion on their truth and fairness, their proper preparation and the regularity of income and expenditure.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

## Management representations

### Responsibilities

As Chief Executive and Accountable Officer I have fulfilled my responsibility for:

- Preparing the financial statements in accordance with legislative requirements and the Treasury's Financial Reporting Manual. In preparing the financial statements, I am required to:
  - observe the accounts directions issued by Welsh Ministers with the approval of HM Treasury, including the relevant accounting and disclosure requirements and apply appropriate accounting policies on a consistent basis;
  - make judgements and estimates on a reasonable basis;

- state whether applicable accounting standards have been followed and disclosed and explain any material departures from them; and
- prepare them on a going concern basis on the presumption that the services of Health Education and Improvement Wales will continue in operation.
- Ensuring the regularity of any expenditure and other transactions incurred.
- The design, implementation and maintenance of internal control to prevent and detect error.

## Information provided

We have provided you with:

- Full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
  - additional information that you have requested from us for the purpose of the audit; and
  - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects Health Education and Improvement Wales and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

- The identity of all related parties and all the related party relationships and transactions of which we are aware.
- Our knowledge of all possible and actual instances of irregular transactions.

## **Financial statement representations**

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. There are no misstatements within the accounts which remain uncorrected.

**Insert here any all-Wales COVID-19 specific representations.**

## **Representations by the Board**

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Board on 25 June 2020.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

**COVID Insert here any all-Wales COVID-19 specific representations**

Signed by:

Chief Executive

Date:

Signed by:

Chair

Date:

# Appendix 2

## Proposed Audit Report

### **The Certificate and independent auditor's report of the Auditor General for Wales to the Senedd**

#### **Report on the audit of the financial statements**

##### **Opinion**

I certify that I have audited the financial statements of Health Education and Improvement Wales for the year ended 31 March 2020 under Section 61 of the Public Audit (Wales) Act 2004. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Cash Flow Statement and Statement of Changes in Tax Payers Equity and related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and HM Treasury's Financial Reporting Manual based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the state of affairs of Health Education and Improvement Wales as at 31 March 2020 and of its net operating costs for the year then ended; and
- have been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by Welsh Ministers.

##### **Basis for opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the board in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

##### **Conclusions relating to going concern**

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Executive has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the board's ability to continue to adopt the going concern basis of accounting for a period of at least

twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The Chief Executive is responsible for the other information in the annual report and accounts. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

### **Opinion on regularity**

In my opinion, in all material respects, the expenditure and income in the financial statements have been applied to the purposes intended by the Senedd and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### **Report on other requirements**

#### **Opinion on other matters**

In my opinion, the part of the remuneration report to be audited has been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by Welsh Ministers.

In my opinion, based on the work undertaken in the course of my audit:

- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Governance Statement has been prepared in accordance with Welsh Ministers' guidance;
- the information given in the **Foreword** and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the **Foreword** and Accountability Report has been prepared in accordance with Welsh Ministers' guidance.

### **Matters on which I report by exception**

In the light of the knowledge and understanding of the board and its environment obtained in the course of the audit, I have not identified material misstatements in the Foreword and Accountability Report or the Governance Statement.

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns;
- information specified by HM Treasury or Welsh Ministers regarding remuneration and other transactions is not disclosed; or
- I have not received all the information and explanations I require for my audit.

## **Report**

I have no observations to make on these financial statements.

## **Responsibilities**

### **Responsibilities of Directors and the Chief Executive for the financial statements**

As explained more fully in the Statements of Directors' and Chief Executive's Responsibilities [set out on pages ... and ...], the Directors and the Chief Executive are responsible for the preparation of financial statements which give a true and fair view and for such internal control as the Directors and Chief Executive determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors and Chief Executive are responsible for assessing the board's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

### **Auditor's responsibilities for the audit of the financial statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

### **Responsibilities for regularity**

The Chief Executive is responsible for ensuring the regularity of financial transactions.

I am required to obtain sufficient evidence to give reasonable assurance that the expenditure and income have been applied to the purposes intended by the Senedd and the financial transactions conform to the authorities which govern them.

Adrian Crompton

Auditor General for Wales

2 July 2020

24 Cathedral Road

Cardiff

CF11 9LJ

## Appendix 3

### Summary of Corrections Made

During our audit we recommended some additions, amendments and deletions to disclosures within the accounts to ensure completeness, clarity, accuracy and consistency throughout, and to comply with best practice as set out in the NHS Wales 2019-20 Manual for Accounts.

#### Exhibit 2: summary of disclosure amendments made to the draft accounts

Disclosure note	Nature of amendment
Note 1.24 Areas of sources estimation uncertainty	Narrative inserted to describe key sources of estimation uncertainty HEIW will face in 2020-21.
Note 9.1 Employee costs	Net movement in accrued employee benefits is £46,000 for 2019-20.
Note 30 Related Party Transactions	Expenditure with Cardiff University is £26,333,000 for 2019-20.
Remuneration report	[to be updated]
Various disclosure notes	A number of narrative and disclosure amendments, not identified separately in this table, as not regarded as material to the financial statements.



DRAFT



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We welcome correspondence and telephone calls in Welsh and English. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.



**GIG**  
CYMRU  
**NHS**  
WALES

Addysg a Gwella Iechyd  
Cymru (AaGIC)  
Health Education and  
Improvement Wales (HEIW)

<b>Meeting Date</b>	<b>26 May 2020</b>	<b>Agenda Item</b>	<b>2.5</b>
<b>Report Title</b>	<b>Welsh Government Guidance Note: Discharging Board Committee Responsibilities during COVID-19 Response Phase</b>		
<b>Report Author</b>	Dafydd Bebb		
<b>Report Sponsor</b>	Dafydd Bebb		
<b>Presented by</b>	Dafydd Bebb		
<b>Freedom of Information</b>	Open		
<b>Purpose of the Report</b>	To highlight implications for HEIW arising from Welsh Government's Guidance Note (the WGGN) on Boards and Committees discharging their responsibilities during the current COVID-19 pandemic (Appendix 1).		
<b>Key Issues</b>	<p>Welsh Government's (WG) governance principles during the current crisis were outlined in a letter dated 26 March and addressed to NHS Wales' Board Secretaries.</p> <p>The WGGN aims to provide further assistance with particular attention to the role of the Quality and Safety Committee and Audit Committee.</p> <p>The WGGN is largely focussed on the provision of direct patient care which are of limited relevance to HEIW.</p> <p>The implications of the WGGN are limited for HEIW as COVID-19 has had a limited impact on HEIW's governance structure.</p>		
<b>Specific Action Required</b> <i>(please ✓ one only)</i>	<b>Information</b>	<b>Discussion</b>	<b>Assurance</b>
			✓
<b>Recommendations</b>	<p>Committee members are asked to not for assurance:</p> <ul style="list-style-type: none"> <li>- the areas within the WGGN that will impact HEIW and the proposed actions in response to the note (as highlighted in paragraphs 2.2. and 2.4).</li> </ul>		

# **Welsh Government Guidance Note: Discharging Board Committee Responsibilities during COVID-19 Response Phase**

## **1. INTRODUCTION**

To highlight implications for HEIW arising from Welsh Government's Guidance Note (the WGGN) on Boards and Committees discharging their responsibilities during the current COVID-19 pandemic (Appendix 1).

## **2. BACKGROUND**

2.1 Several areas within the guidance are of limited relevance to HEIW for the following reasons:

- the guidance is primarily aimed at Health Boards as providers of direct patient care;
- HEIW's corporate governance has been impacted less than Health Boards as we have not cancelled scheduled Board, Committee or Executive Team meetings;
- Comparatively limited impact on HEIW's decision making process;
- guidance reinforces what HEIW is already undertaking in many areas.

The areas within the guidance which impact HEIW and proposed actions are highlighted below:

### **2.2 Audit Committee**

- As some services will change as a result of the crisis some audit recommendations and subject matters may need to be reviewed to ensure continued relevance. The Chair of Audit and Board Secretary to continue to regularly meet with both Internal Audit and WAO to ensure that audit work plans are relevant and do not distract resource from responding to the pandemic.
- Consider the arrangements for undertaking post-event assurance to look for fraud and ensure access to fraud investigation resources. To be undertaken as soon as practically possible.
- Risk management. Review risk management process. As move back to recovery and reactivation necessary to reconsider risk appetite.

### **2.3 Annual Governance Statement (AGS).**

Ensure AGS is an accurate reflection of the impact of the response to COVID-19. The draft AGS is on today's agenda and has been updated to record the response to the COVID-19 pandemic.

## 2.4 Decision making

Any changes to approach to decision making documented. We have documented the changes to the procedures for the Board and its Committees at our Board Meeting held on 26 March. The main changes relate to open Board and Committee meetings no longer being held in public and more streamlined agendas focussed on supporting the response to COVID-19. There have been no deviations from standard financial control procedures.

## 3. PROPOSAL

The proposed response to the areas highlighted within the WGGN are detailed in paragraphs 2.2-2.4 above.

## 4. GOVERNANCE AND RISK ISSUES

The WGGN aims to provide guidance to NHS organisations in respect of governance with a particular attention to the role of the Quality and Safety Committee and Audit Committee. Quality within HEIW comes under the terms of reference of our Audit and Assurance Committee. The aim is to identify key areas of risk caused by the response to the pandemic and ensure they are either mitigated, managed or resolved. The areas within the WGGN that require further focus by HEIW are highlighted in paragraphs 2.2-2.4 above.

## 5. FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this matter.

## 6. RECOMMENDATION

Committee members are asked to note for assurance:

- the areas within the WGGN that will impact HEIW and the proposed actions in response to the note (as highlighted in paragraphs 2.2. and 2.4).

Governance and Assurance			
<b>Link to IMTP strategic aims</b> <i>(please ✓)</i>	<b>Strategic Aim 1:</b> To lead the planning, development and wellbeing of a competent, sustainable and flexible workforce to support the delivery of 'A Healthier Wales'	<b>Strategic Aim 2:</b> To improve the quality and accessibility of education and training for all healthcare staff ensuring that it meets future needs	<b>Strategic Aim 3:</b> To work with partners to influence cultural change within NHS Wales through building compassionate and collective leadership capacity at all levels
	<b>Strategic Aim 4:</b> To develop the workforce to support the delivery of safety and quality	<b>Strategic Aim 5:</b> To be an exemplar employer and a great place to work	<b>Strategic Aim 6:</b> To be recognised as an excellent partner, influencer and leader
	✓		
<b>Quality, Safety and Patient Experience</b> The WGGN aims to provide guidance to NHS organisations in respect of governance the aim is to ensure that risks created by the response to the pandemic are either mitigated, managed or resolved. The process supports HEIW's objective of supporting the training and education needs of the NHS workforce which impacts the quality and safety of the patient experience.			
<b>Financial Implications</b> There are no direct financial implications arising from the report.			
<b>Legal Implications (including equality and diversity assessment)</b> There are no direct legal implications arising from the report.			
<b>Staffing Implications</b> There are no direct staffing implications arising from the report.			
<b>Long Term Implications (including the impact of the Well-being of Future Generations (Wales) Act 2015)</b> n/a			
<b>Report History</b>	n/a		
<b>Appendices</b>	Appendix 1 - Welsh Government's Guidance Note on Boards and Committees discharging their responsibilities during the current COVID-19 pandemic		



## Guidance Note : Discharging Board Committee Responsibilities during COVID-19 response phase

### Introduction

The NHS in Wales is currently facing unprecedented and increasing pressure in planning and providing services to meet the needs of those who are affected by COVID-19. Alongside this is the need for organisations to balance continuing to provide and commission life-saving and life impacting essential services. As a result of the pressure placed on the NHS bodies and the Welsh Government response to managing the impact of the pandemic it has been necessary to adapt governance arrangements. The Welsh Government in its response (dated 26 March 2020) to a letter received on behalf of the Board Secretaries Group, agreed the Governance Principles that are designed to help focus consideration of governance matters over the coming weeks and months (see below).

### Governance Principles:

- **Public interest and patient safety** – We will always act in the best interests of the population of Wales and will ensure every decision we take sits in this context taking in to account the national public health emergency that (COVID-19) presents.
- **Staff wellbeing and deployment** – we will protect and support our staff in the best ways we can. We will deploy our knowledge and assets where there are identified greatest needs.
- **Good governance and risk management** – we will maintain the principles of good governance and risk management ensuring decisions and actions are taken in the best interest of the public, our staff and stakeholders ensuring risk and impact is appropriately considered.
- **Delegation and Escalation** – any changes to our delegation and escalation frameworks will be made using these principles, will be documented for future record and will be continually reviewed as the situation unfolds. Boards and other governing for a will retain appropriate oversight, acknowledging different arrangements may need to be in place for designated officers, deputies and decisions.
- **Departures** – where it is necessary to depart from existing standards, policies or practices to make rapid but effective decisions – these decisions will be documented appropriately. Departures are likely, but not exclusively, to occur in areas such as standing orders (for example in how the Board operates), Board and executive scheme of delegation, consultations, recruitment, training and procurement, audit and revalidation.
- **One Wales** – we will act in the best interest of all of Wales ensuring where possible resources and partnerships are maximised and consistency is achieved where it is

*appropriate to do so. We will support our own organisation and the wider NHS to recover as quickly as possible from the national public health emergency that COVID-19 presents returning to business as usual as early as is safe to do so.*

- **Communication and transparency** – *we will communicate openly and transparently always with the public interest in mind accepting our normal arrangements may need to be adapted, for example Board and Board Committee meetings being held in public.*

The purpose of this guidance note is to assist the Board in discharging their responsibilities during this time, paying particular attention to the role of the Quality and Safety Committee and Audit Committee.

## **Background**

NHS Boards are required to establish a number of Committees, including a Quality and Safety and an Audit Committee in accordance with the Model Standing Orders for NHS organisations in Wales.<sup>1</sup> In responding to the pandemic, NHS organisations in Wales have revised their arrangements, standing down some board committees and partnership forums, and reviewing the remit of others. Two committees which will continue to meet in all organisations are the Quality and Patient Safety Committee and the Audit Committee, operating where required, through revised arrangements.

## **Assessment of Board and Committee Roles in Responding to the Pandemic**

Whilst the Quality and Patient Safety (Q&PS) and Audit Committees may operate with more focused agendas as the organisation responds to the pandemic a number of areas will still require their attention which are not directly COVID-19 related. Organisations should consider their current governance arrangements including the operation and frequency of the Board and appropriate committees.

It may be sensible for the Board to consider an integrated approach to assurance that limits the amount of management time needed, particularly on those with clinical responsibility where the impact of COVID-19 will be most felt.

As the organisation moves into the recovery and re-activation phase it will be necessary to consider the currency of previous audits and reviews as it is recognised that some services/activities will inevitably change in the long term as a result of the different ways of working that have been established. In the interests of openness and transparency it will be necessary to ensure there is a log of Committee activity pre-Crises to ensure this does not get overlooked and there is a clear audit trail.

Some areas for the Board to consider for the Q&PS Committee and Audit Committee to discharge include:

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<sup>1</sup> *Model Standing Orders*, Welsh Government, September 2019, <http://www.wales.nhs.uk/governance-emanual/standing-orders>

## ***Quality and Safety Committee***

### ***Workforce and volunteers***

- Safety and use of temporary staff/staff working in unfamiliar environments (including field hospitals)/with unfamiliar patient mix and use of volunteers
- Sickness absence levels/need for staff to self-isolate and impact on safer staffing
- Capacity of other non-patient areas, e.g. pathology with regard to COVID-19 and non-COVID workloads
- Health and well-being of staff (in the absence of a Workforce Committee this may fall to the Quality and Safety Committee or the Board may decide they wish to maintain oversight of this area).

### ***Equipment, Medicines, Supplies and Facilities Management***

- Availability of appropriate PPE, its procurement, deployment, staff training, guidance and communication.
- Availability of equipment and consumables - procurement, deployment, risk assessment and training requirements , monitoring supplies and stocks,
- Medicines management - access to critical medicines, community access etc.
- Cleaning and hygiene – cleaning regimes for all areas, potential impact on other hospital acquired infections, ability of staff to shower and change as appropriate at the end of their shift etc.

### ***Safety, Quality and Clinical Effectiveness***

- Maintaining an oversight and monitoring of the organisations ability to provide/ commission essential services and agree action where there are significant risks to delivery.
- Serious incident management – to include any changes to the arrangements for reporting and managing incidents, monitoring and tracking themes as a result of COVID-19
- Responding to patient safety alerts and notices and other improvement actions needed, including any requirements from inspections in line with advice from Healthcare Inspectorate Wales and other regulatory bodies.
- Mortality reviews – maintain oversight of mortality reviews for those deaths where there may be a concern or unusual circumstances. Committees should ensure immediate ‘make safes’ are put in place and learning shared across the organisation in the usual way
- Triggers for clinical harm reviews of those on waiting lists – how will these be identified and will there be any change to the pre-COVID arrangements?
- Understanding position regarding the organisations clinical audit programme (Note – National Programme suspended)
- Arrangements for approving amendments to policies, procedures and protocols – how will this be managed during the phases of the response?
- How is the organisation keeping a track of the published guidance? Are there arrangements for evaluating and ensuring an appropriate response?

- Is the Committee clear regarding the expectations of staff regarding following guidance and maintaining parameters of clinical practice?
- Potential risk to patients if unable to fulfil assessment of specialising needs leading to potential increased Deprivation of Liberty concerns e.g. if clinical areas are locked to maintain patient safety.
- Ensuring that services delivered in surge facilities such as field hospitals have clear operating procedures in place and in line with the organisation's clinical/quality governance arrangements

#### *Patient Experience*

- Patient Experience and Concerns Reporting – arrangements for managing and responding during response, recovery and re-activation phases.
- Consideration of issues and concerns which may be raised by the Community Health Council.
- Impact on patients due to their ability to access essential services such as end of life and palliative care, pain control, value based decision making.
- Concerns and mitigation regarding ability to ensure Welsh language, other language and needs as a result of protected characteristics are met.
- DNACPR and ensuring its appropriate use.
- Impact on patients and their families regarding visiting policies, ability to ensure supplies of clothing and basic toiletries, provide for hygiene and nutrition needs, provide comfort towards end of life, pastoral needs etc.

#### *Capacity*

- Ability to meet demand of COVID and patients requiring essential services
- Status and utilisation of surge capacity
- Plans for use during response, recovery and re-activation phase.
- Status of life saving and life enhancing services
- Performance split between COVID- and non-COVID patients.

#### *Annual Reporting*

- Agree Annual Quality Statement for approval by the Board before 30 September 2020.
- Receive Annual Putting Things Right Report
- Receive information regarding annual reports/programmes which have been suspended (e.g. National Clinical Audit Programme) and arrangements for receiving exception reports if required.

#### *\*Decision Making and Delegation of Powers/Risk Management and Assurance*

See below in Audit Committee Section. The Q&PS Committee will need to consider matters which fall within their Terms of Reference and decision making powers.

## **Audit Committee**

### *Annual Reporting*

Revised timescales were issued in the Welsh Government letter dated 26 March 2020 (see References section below). This will inform the work of the Committee during the annual reporting period.

- Review and recommend the annual accounts for adoption and approval by the Board
- Review the Annual Governance Statement to ensure it is an accurate reflection of the position for 2019/20 and up to the date of approval, prior to signature by the Chief Executive/Accountable Officer – ensure the impact of the need to respond to COVID-19 is clear.
- Review the Remuneration Report and recommend for approval by the Board
- Review the Annual Report and accountability statements in accordance with revised timetable issued by Welsh Government and recommend for approval by the Board

*Note:* Whilst it is for each organisation to agree the level of assurance required and content of reports consideration should be given to the potential impact of diverting resources to prepare reports which will add limited value to the response, recovery and reactivation of services.

### *Internal Audit*

The Chair may benefit from holding a discussion with the Head of Internal Audit and Board Secretary to help inform the activity of the Committee during the response, recovery and reactivation phase. The Committee will be required to:

- Receive the Annual Audit Opinion of the Head of Internal Audit and Annual Internal Audit Report which will inform the Annual Governance Statement
- Assess the status of the Annual Internal Audit Plan 2019/20 and the potential impact on the 2020/21 Plan
- Review and agree a revised plan for 2020/21 with the Head of Internal Audit. This will need to remain fluid as it is not clear at this stage when the programme will be able to commence or what revisions will be required to cover both supporting recovery and reflecting the revised risk profile of the organisation.
- Agree the arrangements for tracking internal audit actions during the period. The Committee may wish to focus on:
  - Reports which received a Limited Assurance or No Assurance Rating
  - Actions assessed as high priority where the “action by date” has passed
- As the organisation moves into the recovery and reactivation phase consider whether previous reports and resulting actions still remain relevant
- Assess whether any decisions/ways of working which were established during the response phase would benefit from an Internal Audit Review to provide assurance to the organisation.

## *Audit Wales*

As indicated for Internal Audit it is suggested that Chair holds a discussion with the Audit Wales Partner and Board Secretary to inform the activity of the Committee during the response, recovery and reactivation phase. Annual Reports and Structured Assessment reports for 2019 were published before the COVID-19 pandemic was declared. The Auditor General for Wales has advised on the Audit Wales website<sup>2</sup> that whilst delivering his statutory responsibilities, he wants to ensure that audit work does not have a detrimental impact on audited bodies and their staff at a time when the public service is stretched and focused on more important matters.

Arrangements will be put in place to ensure delivery of the statutory end of year duties in accordance with the revised accounting timetable.

## *Risk Management and Assurance\**

Although the Committee should not be directly involved in the process of risk management, the organisation's risk management system will underlie the assurance system and the Committee needs to review the risk management processes in exercising its functions in relation to this system of assurance<sup>3</sup>.

- It is likely that the organisations risk appetite will be higher than in the pre-crises phase to ensure the organisation is able to respond effectively and at pace. This may be evidenced in the speed that decisions have been arrived at for example.
- The Committee should seek assurance that risks have been assessed and evidenced transparently including disproportionate impact on other areas.
- What level of assurance is available from external sources for the risks and what is the level of confidence that can be gained from this as it is likely their programmes have also been impacted? Is there confidence in the sources of internal assurance during this time to help mitigate against the impact on sources of external assurance?
- As the organisation moves into the recovery and reactivation phase it will be necessary to further consider the risk appetite and tolerance of the organisation. Whilst accepting that it is unlikely to be appropriate to revert back to the position before the pandemic it is important to ensure that any changes have been considered and agreed by the Board and arrangements are in place to manage appropriately.

## *Decision Making and Delegation of Powers\**

The Governance Principles recognise there may be changes to the delegation and escalation frameworks, together with departures from existing standards, policies or practice to make rapid but effective decisions. They also recognise the need to document such departures for future record and to ensure their continual review as the situation unfolds.

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<sup>2</sup> <https://www.audit.wales/news/covid-19>

<sup>3</sup> Welsh Government Audit Committee Handbook , June 2012, <http://www.wales.nhs.uk/sitesplus/documents/1064/NHS%20Wales%20Audit%20Committee%20Handbook%20%28June%202012%29.pdf>

- Committee has a role to consider any variation in Standing Orders, approving these where it considers appropriate and providing a formal report to the Board.
- Assess robustness of the arrangements for recording decisions and arrangements for ensuring business continuity if individuals are not able to discharge their responsibilities.
- Receive information regarding any variation from Schemes of Delegation/Organisational Policies and Procedures/Standard Operating Procedures

\* Note –The Audit Committee together with the Quality and Patient Safety Committee will have a role in advising the Board regarding the appropriateness of this risk management arrangements, decision making and the delegation of powers.

### *Financial Control and Management*

The HFMA have published COVID-19 Financial Governance Considerations<sup>4</sup> which advises of areas which will require consideration such as review of scheme of delegation, authorised signatory arrangements, coding of expenditure etc. The Audit Committee will have a role in:

- Receiving information on the changes to control procedures and delegations which have been necessary to ensure the organisation is able to respond
- Receiving information relating to the arrangements for recording any deviations
- Receiving information regarding these deviations – this may be a list of contracts entered into which have not been subject to the full procurement controls
- Review losses and special payments
- Assurance that there where appropriate legal advice has been sought prior to entering into agreements

### *Counter Fraud*

The Local Counter Fraud Specialist (LCFS) is the main point of contact and will advise regarding reports which should be received by Audit Committees during this time.

The fraud threat posed during emergency situations is higher than at other times and organisations should put in appropriate controls to mitigate where possible.

The UK government are issuing information regarding safeguards which should be put in place<sup>5</sup> and alerts are also being issued in Wales

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<sup>4</sup> COVID-19 Financial Governance Considerations, Healthcare Financial Management Association (HFMA), <https://www.hfma.org.uk/docs/default-source/publications/covid19-financial-governance-implications.pdf?sfvrsn=0>

<sup>5</sup> Fraud control in Emergency Management:COVID-19 UK Government response, Government Counter Fraud Function, <https://www.gov.uk/government/publications/fraud-control-in-emergency-management-covid-19-uk-government-guide>

The Audit Committee should consider the arrangements for undertaking post-event assurance to look for fraud and ensure access to fraud investigation resources. This should be undertaken as soon as practicable and the Committee should receive the findings.

## **Recommendation**

NHS organisations should consider the information and guidance provided in this document to inform the arrangements for their Board Committees during the COVID-19 response phase. They will also need to consider the relevance as they move into the recovery/reactivation phase.

Further guidance will be issued if required.

## **References**

*COVID-19 Financial Governance Considerations*, Healthcare Financial Management Association (HFMA), <https://www.hfma.org.uk/docs/default-source/publications/covid19-financial-governance-implications.pdf?sfvrsn=0>

*Fraud control in Emergency Management: COVID-19 UK Government response*, Government Counter Fraud Function, <https://www.gov.uk/government/publications/fraud-control-in-emergency-management-covid-19-uk-government-guide>

*Strengthening the health system response to COVID-19, Recommendations for the WHO European Region Policy brief*, World Health Organisation, 1 April 2020, [http://www.euro.who.int/\\_data/assets/pdf\\_file/0003/436350/strengthening-health-system-response-COVID-19.pdf](http://www.euro.who.int/_data/assets/pdf_file/0003/436350/strengthening-health-system-response-COVID-19.pdf)

*COVID-19: Operational guidance for maintaining essential health services during an outbreak*, World Health Organisation, 25 March 2020, <https://www.who.int/publications-detail/covid-19-operational-guidance-for-maintaining-essential-health-services-during-an-outbreak>

*Welsh Government Audit Committee Handbook*, June 2012, <http://www.wales.nhs.uk/sitesplus/documents/1064/NHS%20Wales%20Audit%20Committee%20Handbook%20%28June%202012%29.pdf>

**Reference:** AC/190/caf

**Date issued:** 30 April 2020

Dear Colleague

## Audit Wales work programme

I am writing to update you on some important aspects of the work that my office will be undertaking over the coming weeks and months. Firstly though, I would like to pay tribute to all the public servants who are working so hard to see our country through this crisis. As the organisation responsible for scrutinising so many of these public bodies, we have a privileged insight into how vital they are to everyone's lives, every day – and even more so at a time like this. As Auditor General, on behalf of everyone at Audit Wales, and simply as a member of the public - thank you.

As you know, last month I decided to pull back from all on-site audit work as the public service focused on the pandemic. We have continued to make progress on other activity whilst working and engaging with you remotely. I remain committed to ensuring that our audit work does not have a detrimental impact on the efforts of severely stretched public bodies to deal with the national emergency. That is not to say, however, that I want us to be entirely passive. Well targeted and well delivered public audit has a vital part to play at this time in ensuring value for money, good governance and accountability. This letter explains how we will be approaching our work over the coming months.

### Well-being of Future Generations report

In line with statutory requirements, we have published our Annual Plan for 2020-21, recognising that much of the performance audit work programme described in it will now need to be re-shaped or deferred.

One important exception to this is my national report under the Well-Being of Future Generations (Wales) Act 2015, which I am required by statute to lay by 5 May 2020. I have decided to lay my report 'without fanfare' before the Senedd on 5 May, and to defer any significant engagement with public service leaders and others regarding the key report messages until later in the year. I consider this to be a pragmatic way of discharging my statutory duty under the 2015 Act, whilst minimising any unnecessary distractions for the wider public sector at this difficult time. I hope the delay in engagement will also help to ensure that the impact of this important report in supporting constructive change is not significantly diminished.

## Real-time audit work in respect of COVID-19

It is already apparent to my audit teams that people and organisations right across the Welsh public services are developing novel and innovative ways of working in response to COVID-19. The crisis is forcing us all to innovate and address long-standing issues with urgency. Both opportunities and risks will doubtless emerge during this period which, if acted upon sooner rather than later, can generate real-time benefits and help to mitigate other risks.

To that end, I want to deploy the capability and capacity of Audit Wales for the good of the wider public sector. Specifically, I propose to undertake work providing real-time capture and sharing of learning and experience across our audited bodies. This will involve our staff in gathering novel and other practice as it emerges and analysing it rapidly to draw out relevant points of learning. We are developing a software tool to assist us in gathering and processing this information. We will share the resulting insights swiftly to our key contacts across the Welsh public service.

I am acutely conscious that we will need to conduct any activity in a manner that doesn't impede the very important work that is happening across Wales, and which can add substantial value in informing that work. My intention is therefore to work closely with audited bodies to support them to improve their evolving responses to COVID-19, whilst preserving my objectivity and independence as Auditor General.

I am pleased to say that we have received support for this proposal from the Permanent Secretary and other senior officials at Welsh Government, the WLGA and the NHS Wales Confederation. As soon as we are able, my staff will be in touch to discuss practicalities which, as I say, will be designed to be as least intrusive as possible.

I attach a short summary of the project for your information. If you have any queries or concerns with this approach, or if you can suggest particular areas where it could be usefully directed, please let me or a member of my team know.

## Other audit work in respect of Wales' response to COVID-19

Given the impact of COVID-19, I will be re-shaping my previously planned programmes of audit work. You won't be surprised, for example, that I am tracking the various COVID-19 funding flows from both UK and Welsh Governments and considering how best I can assure the people of Wales that those funds are well managed and that there is appropriate governance and accountability for the use of public money. Looking a little further ahead, I envisage a focus on what the impact of the current crisis means both in terms of the resilience and the future shape of public services in Wales. Of course, timing is everything, and I will ensure that our work does not prejudice the efforts of the public sector to tackle the crisis, whilst still reporting sufficiently thoroughly and promptly to support both scrutiny and learning.

## Audit of accounts

My Engagement Directors have written to each of you about the impact of the COVID-19 emergency on your audit plan. This includes specific audit risks, as well as

revisions to the audit timetable and accounting requirements (where relevant). My staff will continue our close engagement with you and your senior team over the coming weeks and months to ensure that we deliver a high quality audit of your accounts in these changed circumstances.

### Other matters

As well as considering how best to deploy Audit Wales resources to support the COVID-19 effort through our audit work, I am very aware that staff resources across public services are being stretched as never before. I want to let you know that, subject to availability and provided that the future independence of our work is not compromised, I am very willing to consider how my staff can assist wherever their skills and expertise may be required. Please let me (or a member of my team) know if there is anything specific that we can do to assist.

And finally, you will have noticed the identity and name change in this letter. Such a secondary issue in the current climate, I know, but in response to feedback on how we communicate and engage, we took the decision last year to bring together the various strands of our work under a new, clearer umbrella identity – Audit Wales. While not affecting our formal legal status, we will operate as Audit Wales henceforth in the vast majority of our public facing work. It is just one part of a wider programme of change for our audit reports; our website; our communications style and the way we engage more generally, that I hope you will recognise and value.

In closing, I would like to pay tribute once again to my colleagues across the Welsh public service and the phenomenal work they are doing for the people of Wales.

Yours sincerely



**ADRIAN CROMPTON**  
**Auditor General for Wales**

## Title

### Project Briefing note:

## **The Auditor General for Wales plans to support the rapid collection, analysis and sharing of knowledge and insights during COVID-19**

### **Novel Practice Emerges During a Crisis.**

During any emergency or crisis people will develop solutions and work in ways that are novel. Practices will emerge that are outside the range of what could be described as business as usual.

The prolonged duration of COVID-19 provides the opportunity to capture and consider this novel practice from three perspectives:

1. The identification of opportunities to improve the current response to the situation, in as close to real time as possible;
2. The identification of emerging risks (for example widespread fraud attempts) that can then be mitigated before they develop to a large scale; and
3. The recording and consolidation of novel practice, that could be shared more widely in real time and also incorporated as good practice into 'business as usual' once COVID-19 has subsided.

### **Collecting and Recording Novel Practice**

Organisations that are experienced in emergency and crisis situations often deploy observers / information gatherers alongside their recovery teams, to identify the novel practice as it emerges. This role is recognised as a vital part of learning from what has happened and facilitates being better prepared to face the future.

The collection of information can be achieved through a range of approaches that include impartial observation, conversations and document review. It is supported by rapid analysis to draw out key insights and feedback learning. This 'closes the loop' and supports a process of real time learning and improvement.

### **The role of Audit Wales in supporting the Welsh Public Services response to COVID-19**

The Auditor General's statutory remit places Audit Wales in a unique position to observe activity wherever public resources are being used. Our staff have strong networks and trusted relationships with people across the Welsh public services. Consistent with preserving his independence, the Auditor General plans to deploy Audit Wales staff in the three areas identified above, in support of the 'team Wales' efforts to respond to COVID-19.

Importantly, the approach taken will not impose an additional burden upon public bodies and will be predicated upon sharing useful information and analysis in real time alongside collecting what might be useful insights and learning for others.

Specifically, this will involve:

- Audit Wales staff collecting information through methods including reviews of documents and published materials, discussions with individuals and groups and observations of meetings (generally via remote working);
- The collation of this material within and across our audit teams, using our SenseMaker data tool, to provide rapid analysis; and
- The rapid dissemination of insights, additional knowledge and potential shared learning points to their original data sources, and more widely across Welsh public services where appropriate.

We anticipate that this will be an ongoing process of 'collect, analyse, share and repeat'. Greater value will potentially be generated over time as more information is gathered and shared with the people who can use it to support their response to COVID-19. We will also keep the process itself under close review and adjust it as needed in response to feedback and changing circumstances.

The overall approach taken will be consistent with how our Good Practice work has been developed over the last decade - working with public services to support them to improve, whilst maintaining the objectivity and independence that is required of the Auditor General.