

**PWYLLGOR ARCHWILIO A SICRWYDD RISG
AUDIT AND RISK ASSURANCE COMMITTEE**

DYDDIAD Y CYFARFOD: DATE OF MEETING:	08 May 2025
TEITL YR ADRODDIAD: TITLE OF REPORT:	Audit Enquiries To Those Charged With Governance and Management
CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:	Huw Thomas, Director of Finance
SWYDDOG ADRODD: REPORTING OFFICER:	Huw Thomas, Director of Finance

Pwrpas yr Adroddiad (dewiswch fel yn addas)

Purpose of the Report (select as appropriate)

Ar Gyfer Penderfyniad/For Decision

ADRODDIAD SCAA

SBAR REPORT

Sefyllfa / Situation

Both the management of Hywel Dda University Health Board and 'those charged with governance' (the Board) must provide reasonable assurance to the Auditor General for Wales that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error.

The Audit and Risk Assurance Committee (ARAC) is asked to note the evidence requested by Audit Wales to gain this assurance. A draft response is attached for review by ARAC that, subject to any amendment, will be forwarded to Audit Wales to meet the required deadline of 31 May 2025.

Cefndir / Background

The Auditor General for Wales is responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error.

Assurance is sought, in compliance with the International Standard for Auditing (UK and Ireland), in relation to four main areas namely fraud, laws and regulations, regularity and related party relationships and transactions that impact on the audit of the financial statements.

Asesiad / Assessment

The letter (attached at Appendix 1) details the assurance required, from both the management of Hywel Dda University Health Board and 'those charged with governance' (the Board), together with the evidence provided, in response to a number of governance areas that impact on the audit of the financial statements.

Argymhelliad / Recommendation

The Audit and Risk Assurance Committee is asked to review the response prepared and, subject to any required amendment, ratify for onward submission to Audit Wales.

Amcanion: (rhaid cwblhau) Objectives: (must be completed)	
Committee ToR Reference: Cyfeirnod Cylch Gorchwyl y Pwyllgor:	3.25 The Committee shall review the Annual Accounts and Financial Statements before submission to the Board, focusing particularly on: 3.25.1 the ISA 260 report to those charged with governance; 3.25.2 changes in, and compliance with, accounting policies and practices; 3.25.3 unadjusted mis-statements in the financial statements; 3.25.4 major judgemental areas; 3.25.5 significant adjustments resulting from the audit; 3.25.6 other financial considerations include review of the Schedule of Losses and Compensation.
Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol: Datix Risk Register Reference and Score:	Not Applicable
Parthau Ansawdd: Domains of Quality Quality and Engagement Act (sharepoint.com)	Not Applicable
Galluogwyr Ansawdd: Enablers of Quality: Quality and Engagement Act (sharepoint.com)	Not Applicable
Amcanion Strategol y BIP: UHB Strategic Objectives:	Not Applicable
Amcanion Cynllunio Planning Objectives	Not Applicable
Amcanion Llesiant BIP: UHB Well-being Objectives: Hyperlink to HDdUHB Well-being Objectives Annual Report 2021-2022	10. Not Applicable

Gwybodaeth Ychwanegol: Further Information:	
Ar sail tystiolaeth: Evidence Base:	The Board's system of Internal Control and related processes.
Rhestr Termiau: Glossary of Terms:	Included within body of the report.

Partïon / Pwyllgorau â ymgynhorwyd ymlaen llaw y Pwyllgor Archwilio a Sicrwydd Risg Parties / Committees consulted prior to Audit and Risk Assurance Committee:	Not applicable
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Effaith: (rhaid cwblhau) Impact: (must be completed)	
Ariannol / Gwerth am Arian: Financial / Service:	A sound system of financial control safeguards public funds and the Health Board's assets and resources. Robust governance arrangements underpinning financial management contribute towards internal control and value for money being achieved.
Ansawdd / Gofal Claf: Quality / Patient Care:	No specific impact
Gweithlu: Workforce:	No specific impact
Risg: Risk:	No specific impact
Cyfreithiol: Legal:	Compliance with statutory responsibilities
Enw Da: Reputational:	Provides assurance regarding governance
Gyfrinachedd: Privacy:	No specific impact
Cydraddoldeb: Equality:	No specific impact

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Professor Philip Kloer
Chief Executive
Hywel Dda University Health Board

Reference: HDUHB 2024-25

Date issued: 26 March 2025

Dear Philip,

Audit enquiries to those charged with governance and management

We write to you making enquiries to both those charged with governance and management. The Auditor General's Statement of Responsibilities sets out that he is responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. It also sets out the respective responsibilities of auditors, management and those charged with governance.

This letter and the enclosed tables formally seek the documented consideration and understanding on a number of governance areas, which impact on our audit of the financial statements.

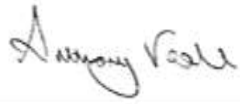
There is a section for management; a section for 'those charged with governance' (the Board); and a section with background information.

The responses will inform our understanding of the Health Board and its business processes; and support our work in providing an audit opinion on your 2024-25 financial statements.

The completed tables should be formally considered and communicated to us, on behalf of both management and those charged with governance, by 31 May 2025. We have also included the 2023-24 responses for reference.

In the meantime, if you have queries, please contact David Williams on 02920 829326 and David.Williams@audit.wales or myself on 07896 271873 and Anthony.Veale@audit.wales.

Yours sincerely



Anthony Veale

Engagement Director

Cc Mr Huw Thomas, Director of Finance

Enquiries of management

General enquiries (including financial reporting) of management		
Question	2023-24 Response	2024-25 Response
<p>1. Are there significant matters and/or events that have occurred since April 2024 that could influence our audit approach or the Health Board's financial statements?</p>	<p>The Health Board's deficit has increased during the year. The position improved in the final quarter however, it was unable to meet the control total set by Welsh Government (WG).</p> <p>In 2023/24, the Health Board was unable to meet its statutory duties to breakeven over a rolling three-year period and to prepare a three-year Integrated Medium- Term Plan for approval by the Minister for Health and Social Services, in line with NHS Finance (Wales) Act 2014. Therefore, was not able to comply with both planning and finance statutory duties.</p> <p>Due to WG concerns on the lack of sustained progress over a period of time on integrated planning, finance and delivery the Health Board's escalation status was increased to 'targeted intervention' in January 2024.</p>	<p>In 2024/25, the Health Board was unable to meet its statutory duties to breakeven over a rolling three-year period and to prepare a three-year Integrated Medium-Term Plan for approval by the Minister for Health and Social Services, in line with NHS Finance (Wales) Act 2014. Therefore, was not able to comply with both planning and finance statutory duties.</p> <p>However, the Health Board was allocated additional funding by Welsh Government (WG) in year. As a consequence, WG also set a revised Target Control Total of £31.55m. The Health Board has achieved the revised control total with a yearend deficit of £24.1m (subject to audit).</p> <p>Having placed the entire Health Board in 'targeted intervention' in January 2024, WG has de-escalated three areas to enhanced monitoring due to the progress seen. The three de-escalated areas are Child and Adolescent Health and Mental Health (CAHMS), Planned Care, and Leadership and Governance. While this is a positive step forward, it</p>

General enquiries (including financial reporting) of management

Question	2023-24 Response	2024-25 Response
		is acknowledged that pressures remain across the organisation.
<p>2. What are your general views on the Health Board’s risk assessment process relating to financial reporting?</p>	<p>The risk assessment process for financial reporting follows the Health Board risk management framework.</p> <p>The Health Board has a ‘monitoring and review’ structure in place to ensure risks are effectively identified and assessed and that appropriate controls and responses are in place.</p> <p>The Sustainable Resources Committee is responsible for scrutinising and seeking assurance on behalf of the Board that the risks relating to financial reporting on the Corporate Risk Register are being appropriately managed and mitigated in accordance with the risk management framework. The Audit and Risk Assurance Committee (ARAC) provide assurance on financial compliance on behalf of the Board.</p> <p>The Executive Team has approved the content of the Corporate Risk Register prior to this being</p>	<p>The risk assessment process for financial reporting follows the Health Board risk management framework.</p> <p>The Health Board has a ‘monitoring and review’ structure in place to ensure risks are effectively identified and assessed and that appropriate controls and responses are in place.</p> <p>The Sustainable Resources Committee* is responsible for scrutinising and seeking assurance on behalf of the Board that the risks relating to financial reporting on the Corporate Risk Register are being appropriately managed and mitigated in accordance with the risk management framework. The Audit and Risk Assurance Committee (ARAC) provide assurance on financial compliance on behalf of the Board.</p> <p>The Executive Team has approved the content of the Corporate Risk Register prior to this being</p>

General enquiries (including financial reporting) of management

Question	2023-24 Response	2024-25 Response
	<p>discussed at both Board and Committee level. Risks have been identified via a top-down and bottom-up approach. The Sustainable Resource Committee ensures that the risks assigned to it are being managed appropriately, taking into account gaps, planned actions and agreed tolerances, and to provide assurance regarding the management of these risks to the Board through Committee Update Reports.</p>	<p>discussed at both Board and Committee level. Risks have been identified via a top-down and bottom-up approach. The Sustainable Resources Committee* ensures that the risks assigned to it are being managed appropriately, taking into account gaps, planned actions and agreed tolerances, and to provide assurance regarding the management of these risks to the Board through Committee Update Reports.</p> <p>*Following a review of committee structures the Sustainable Resources Committee will be dis-established from 31 March 2025 and a Finance and Performance Committee established from 1 April 2025 that will take over the scrutiny of the risks relating to financial reporting.</p>
<p>3. Are you aware of significant transactions that are outside the normal trading activities of the Health Board's business?</p>	<p>There are no significant transactions outside the normal trading activities of the Health Board's business.</p>	<p>There are no significant transactions outside the normal trading activities of the Health Board's business.</p>

General enquiries (including financial reporting) of management

Question	2023-24 Response	2024-25 Response
<p>4. Are you aware of any transactions, events or changes in circumstances that would cause impairments of the Health Board’s non-current assets (i.e. its fixed assets, such as land and buildings)?</p>	<p>Reinforced Autoclaved Aerated Concrete (RAAC) has been identified at Withybush Hospital and detailed surveys have identified those planks which require urgent remediation work. A significant programme of capital works has been undertaken in 2023/24 which will continue into 2024/25.</p> <p>The District Valuer has made an impairment assessment as of March 2024 which has been reflected within the Annual Accounts.</p> <p>Planks will continue to be monitored via annual surveys and assessments will be made whether there could be any additional impairments.</p>	<p>Reinforced Autoclaved Aerated Concrete (RAAC) has been identified at Withybush Hospital and detailed surveys identified those planks which required urgent remediation work. A significant programme of capital works has completed in March 2025.</p> <p>The District Valuer has made an impairment assessment as of March 2025 for those capital works completed during 2024/25 which has been reflected within the Annual Accounts.</p> <p>Planks will continue to be monitored via annual surveys and assessments will be made whether there could be any additional impairments.</p>
<p>5. Are you aware of any transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement?</p>	<p>Due to the timescale available to complete the accounts, significant estimates have been made for primary care expenditure where the actual amounts are not known prior to account submission. This includes – primary care prescribing, general medical services and community pharmacy.</p>	<p>Due to the timescale available to complete the accounts, significant estimates have been made for primary care expenditure where the actual amounts are not known prior to account submission. This includes – primary care prescribing, general medical services and community pharmacy. There is also an estimate for</p>

General enquiries (including financial reporting) of management

Question	2023-24 Response	2024-25 Response
		the Band 2 to 3 Health Care Support Worker (HCSW) re-banding issue.
6. Does the Health Board have any new estimates in respect of the 2024-25 year of account?	No new estimates.	The Band 2 to 3 Health Care Support Worker (HCSW) re-banding issue.
7. Have there been any issues that may impact the preparation of the 2024-25 financial statements?	None of which we are aware.	None of which we are aware.
8. Do you have knowledge of events or conditions beyond the period of the going concern assessment that may cast significant doubt on the Health Board's ability to continue as a going concern?	None of which we are aware. However, cash is a significant issue. The Health Board is highly likely to utilise its cash allocation prior to financial year end with no line of sight at present as to how this shortfall will be managed without support from Welsh Government.	None of which we are aware. However, cash continues to be a significant issue. The Health Board is highly likely to utilise its cash allocation prior to financial year end with no line of sight at present as to how this shortfall will be managed without support from Welsh Government.

General enquiries (including financial reporting) of management

Question	2023-24 Response	2024-25 Response
9. Are there any issues around the use of service organisations or common functions, including uncorrected misstatements from service organisations? This would include the NHS Wales Shared Services Partnership.	None of which we are aware. Details of the performance of the NHS Wales Shared Services Partnership are routinely reported through Board meetings.	None of which we are aware. Details of the performance of the NHS Wales Shared Services Partnership are routinely reported through Board meetings.
10. Please provide information on the status of the disclosed contingencies from the prior year.	The movement on contingent liabilities is disclosed within the 23/24 annual accounts. The disclosure made in the 22/23 annual accounts in respect of Reinforced Autoclaved Aerated Concrete (RAAC) has been removed as this is now included as an impairment.	The movement on contingent liabilities is disclosed within the 24/25 annual accounts.

Enquiries of management - in relation to fraud

Question	2023-24 Response	2024-25 Response
<p>11. What is management's assessment of the risk that the financial statements may be materially misstated due to fraud? What is the nature, extent and frequency of management's assessment?</p>	<p>The Counter Fraud team is not aware of any incidents of fraud that would impact materially on the Health Board's financial statements. As such, the risk is deemed minimal.</p> <p>The Health Board has in place financial controls and standard operating procedures to mitigate the risk of financial misstatements. Furthermore, the Health Board's Counter Fraud strategy includes a series of proactive measures to mitigate this risk, which includes developing a counter fraud culture and raising awareness of the risks identified.</p> <p>The risk assessment process for financial reporting follows the Health Board risk management framework. The Health Board has a 'monitoring and review' structure in place to ensure risks are effectively identified and assessed and that appropriate controls and responses are in place. To date, no fraud themes have been identified and reported to the Local Counter Fraud Specialists (LCFS).</p>	<p>The Counter Fraud team is not aware of any incidents of fraud that would impact materially on the Health Board's financial statements. As such, the risk is deemed minimal.</p> <p>The Health Board has in place financial controls and standard operating procedures to mitigate the risk of financial misstatements. Furthermore, the Health Board's Counter Fraud strategy includes a series of proactive measures to mitigate this risk, which includes developing a counter fraud culture and raising awareness of the risks identified.</p> <p>The risk assessment process for financial reporting follows the Health Board risk management framework. The Health Board has a 'monitoring and review' structure in place to ensure risks are effectively identified and assessed and that appropriate controls and responses are in place. To date, no fraud themes have been identified and reported to the Local Counter Fraud Specialists (LCFS).</p>
<p>12. Do you have knowledge of any actual, suspected or</p>	<p>Yes, but nothing which would affect the materiality level. All cases are recorded on a national database,</p>	<p>Yes, but nothing which would affect the materiality level. All cases are recorded on a national database, which is overseen by Counter Fraud Services Wales,</p>

Enquiries of management - in relation to fraud

Question	2023-24 Response	2024-25 Response
<p>alleged fraud affecting the Health Board?</p>	<p>which is overseen by Counter Fraud Services Wales, who review and approve all new referrals and case closures.</p> <p>All cases are reported to Audit, Risk and Assurance Committee (ARAC) sessions, including any outcomes that pose a risk to the organisation.</p> <p>The Counter Fraud Team has actively investigated and closed 37 reports of financial crime in this year. Of these, two cases resulted in arrests being made, 3 criminal sanctions were applied, including one successful prosecution at Swansea Crown Court, one Police Caution and one Community Resolution Order. A further 10 civil sanctions were instigated, including the recovery of funds totalling £64,273 and 9 internal disciplinary referrals were made to Workforce and OD. This is in addition to the proactive exercises undertaken and reported throughout the year. Given this work, it is reasonable to conclude the accounts have not been subject to a risk of material fraud.</p>	<p>who review and approve all new referrals and case closures.</p> <p>All cases are reported to Audit, Risk and Assurance Committee (ARAC) sessions, including any outcomes that pose a risk to the organisation.</p> <p>During 2024/25, the Counter Fraud Team has actively investigated and closed 56 reports of financial crime. 11 cases remain open and under review and will be carried over into the next financial year.</p> <p>Of the investigations that were closed, 4 criminal sanctions were applied, including 1 successful prosecution at Aberystwyth Magistrates Court and 3 Police Cautions. A further 12 civil sanctions were instigated, including the recovery of funds totaling £56,106. There were 8 internal disciplinary referrals, of which 2 members of staff resigned prior to the completion of proceedings and 4 members of staff received written warnings. This is in addition to the proactive activities undertaken and reported throughout the year. Given this work, it is reasonable to conclude the accounts have not been subject to a risk of material fraud.</p>

Enquiries of management - in relation to fraud

Question	2023-24 Response	2024-25 Response
<p>13. What is management's process for identifying and responding to the risks of fraud in the Health Board, including any specific risks of fraud that management has identified or that have been brought to its attention?</p>	<p>The Health Board has a Counter Fraud (CF) Policy & Response Plan which includes the overall strategic aims of counter fraud work and operational response aligned to the NHS Counter Fraud Authority (NHSCFA) counter fraud, bribery, and corruption strategy. The Health Board Standards of Behaviour Policy incorporates professional behaviour with reference to fraud, corruption, and the Bribery Act 2010.</p> <p>To develop a robust CF culture within the organisation, the Policy is actively promoted within the Health Board's programme of awareness. In addition, a mandatory online ESR training package is in place for all staff.</p> <p>A top-down approach to maintaining professional scepticism, by way of collaborative working with directorates and the Director of Corporate Governance (Board Secretary), who is the Health Board's appointed Fraud Champion. This provides a level of support to the Counter Fraud function which is independent of the Executive Leadership and management of the Executive Director of Finance, who is responsible for the provision of the Counter Fraud Service.</p>	<p>The Health Board has a Counter Fraud Policy & Response Plan which includes the overall strategic aims of counter fraud work and operational response aligned to the NHS Counter Fraud Authority (NHSCFA) counter fraud, bribery, and corruption strategy. The Health Board Standards of Behaviour Policy incorporates professional behaviour with reference to fraud, corruption, and the Bribery Act 2010.</p> <p>To assist in the development of a robust CF culture within the organisation, the Policy is actively promoted within the Health Board's programme of awareness. In addition, a mandatory online ESR CF training package is in place for all staff.</p> <p>A top-down approach to maintaining professional scepticism, by way of collaborative working with directorates and the Director of Corporate Governance (Board Secretary), who is the Health Board's appointed Fraud Champion. This provides a level of support to the Counter Fraud function which is independent of the Executive Leadership and management of the Executive Director of Finance, who is responsible for the provision of the Counter Fraud Service.</p> <p>Collaborative work and sharing of information across Wales with both NHS and Non-NHS bodies is undertaken to appropriately identify known fraud and</p>

Enquiries of management - in relation to fraud		
Question	2023-24 Response	2024-25 Response
	<p>Collaborative work and sharing of information across Wales with both NHS and Non-NHS bodies is undertaken to appropriately identify known fraud and associated risks. This is supported by the National Fraud Initiative, which assists in identifying public sector fraud across multiple sectors.</p> <p>Risks identified at a service level or via the LCFS are assessed in line with Health Board procedure and where applicable they are recorded on Datix. Risks with a fraud theme can be raised by service users on Datix, which in turn get reported to the LCFS. Fraud risks identified will be reported to ARAC (in-committee) and those applicable will be recorded on the Health Board's Risk Register.</p> <p>In terms of proactive management, the LCFS are the primary point of contact for all economic crime concerns within the Health Board. They are professionally trained and accredited and equipped to respond to any concerns raised by staff.</p>	<p>associated risks. This is supported by the National Fraud Initiative, which assists in identifying public sector fraud across multiple sectors.</p> <p>Risks identified at a service level or via the LCFS are assessed in line with Health Board procedure and where applicable they are recorded on Datix. Risks with a fraud theme can be raised by service users on Datix, which in turn get reported to the LCFS. Fraud risks identified will be reported to ARAC (in-committee) and those applicable will be recorded on the Health Board's Risk Register.</p> <p>In terms of proactive management, the LCFS are the primary point of contact for all economic crime concerns within the Health Board. They are professionally trained and accredited and equipped to respond to any concerns raised by staff.</p>
14. What classes of transactions, account	An increase in mandate fraud, whereby fraudsters seek to change bank account details of suppliers to divert	The cyber element of Mandate Fraud means that the risk of fraud in this area is ever evolving and present,

Enquiries of management - in relation to fraud

Question	2023-24 Response	2024-25 Response
<p>balances and disclosures, within the financial statements, have you identified as most at risk of fraud?</p>	<p>payments to accounts they control, have targeted the NHS throughout 2023/24 with new digitally enabled methods deployed.</p> <p>This resulted in NHSCFA issuing a Fraud Prevention Notice around Cyber Enabled Mandate Fraud risks, which was shared with relevant stakeholders. A risk assessment was</p> <p>undertaken in response to the Notice by both the local and NWSSP shared services Counter Fraud teams.</p>	<p>although significant controls have been implemented to mitigate its impact on the organisation. These controls have directly resulted in the identification of suspicious invoices prior to them being actioned.</p> <p>The risk assessment process for financial reporting follows the Health Board risk management framework. The Health Board has a 'monitoring and review' structure in place to ensure risks are effectively identified and assessed and that appropriate controls and responses are in place.</p> <p>To date, no fraud themes have been identified and reported to the Local Counter Fraud Specialists (LCFS), however, areas of risk have been identified internally and these centre around procurement of goods and services.</p>
<p>15. Are you aware of any whistleblowing or complaints by potential whistle-blowers? If so, what has been the Health Board's response?</p>	<p>We are not aware of any whistleblowing or complaints of potential whistle-blowers relating to fraudulent activity.</p>	<p>We are not aware of any whistleblowing or complaints of potential whistle-blowers relating to fraudulent activity.</p> <p>Should a concern be received the Health Board would follow the process outlined in the All Wales Raising Concerns Policy.</p>

Enquiries of management - in relation to fraud

Question	2023-24 Response	2024-25 Response
	Should a concern be received the Health Board would follow the process outlined in the All Wales Raising Concerns Policy.	As stated, concerns of Fraud have been raised and these have been recorded and investigated. Please see question 12 for further information.
16. What is management's communication to those charged with governance (the Board) regarding their processes for identifying and responding to risks of fraud?	<p>The steps undertaken are outlined in question 13.</p> <p>The LCFS attends all meetings of ARAC and regularly presents reports on counter fraud activity and any material changes to the annual work plan.</p>	<p>The steps undertaken are outlined in question 13.</p> <p>The LCFS attends all meetings of ARAC and regularly presents reports on counter fraud activity and any material changes to the annual work plan.</p> <p>Fraud risks / themes are recorded internally by CF and details are provided to relevant risk owners. Each risk is then assessed and where applicable, outcomes are reported in line with HB policy and in line with CF guidance, which includes, reporting each exercise as a piece of pro-active work on the Counter Fraud national crime recording system, Clue3.</p>

Enquiries of management - in relation to fraud

Question	2023-24 Response	2024-25 Response
<p>17. What is management's communication to employees regarding their views on business practices and ethical behaviour?</p>	<p>The Health Board Standing Orders articulate the standards of behaviour expected by Board Members, Health Board Officers, and others as appropriate within the organisation. The Standards of Behaviour Policy sets out the Health Board's commitment to ensuring that its employees and Independent Members practice the highest standards of conduct and behaviour. The policy sets out the expectations and provides supporting guidance in delivering that requirement.</p> <p>The CF Team has an on-going work programme to develop an anti-fraud culture within the NHS as outlined in question 13.</p> <p>A programme of raising awareness exists where fraud risks impacting the organisation are reviewed and shared, highlighting key policies and processes currently in place to mitigate associated risks.</p>	<p>The Health Board Standing Orders articulate the standards of behaviour expected by Board Members, Health Board Officers, and others as appropriate within the organisation. The Standards of Behaviour Policy sets out the Health Board's commitment to ensuring that its employees and Independent Members practice the highest standards of conduct and behaviour. The policy sets out the expectations and provides supporting guidance in delivering that requirement.</p> <p>Counter Fraud assisted in the review of this policy in quarter four 2024/25.</p> <p>The CF Team has an on-going work programme to develop an anti-fraud culture within the NHS as outlined in question 13.</p> <p>A programme of raising awareness exists where fraud risks impacting the organisation are reviewed and shared, highlighting key policies and processes currently in place to mitigate associated risks.</p>
<p>18. For the Health Board's service organisations, have you reported any fraud or</p>	<p>To date, there has been no requirement to report fraud to any affected parties.</p>	<p>To date, there has been no requirement to report fraud to any affected parties.</p>

Enquiries of management - in relation to fraud		
Question	2023-24 Response	2024-25 Response
potential fraud to any affected parties?		

Enquiries of management – in relation to laws and regulations

Question	2023-24 Response	2024-25 Response
<p>19. What are the policies and procedures in place to identify applicable legal and regulatory requirements to ensure compliance?</p>	<p>The Health Board has taken reasonable endeavours to comply with identified relevant legislation and has a number of policies and procedures in place to comply with legislation relating to health and safety and employment matters, as well as specific Acts for example the Health and Social Care (Quality and Engagement) (Wales) Act 2020 which came into force on 1st April 2023.</p> <p>Legal implications are considered as necessary in all papers to the Board or its Committees. This is supported by internal and external and assurance testing by auditors/inspection and regulators. Executive Directors also have delegated responsibilities which are captured in the Scheme of Delegation. The Health Board’s risk management framework places the responsibility for identifying, assessing and managing risks of potential areas of non-compliance with legislation and regulations with services and directorates.</p>	<p>The Health Board has taken reasonable endeavours to comply with identified relevant legislation and has a number of policies and procedures in place to comply with legislation relating to health and safety and employment matters, as well as specific Acts for example the Health and Social Care (Quality and Engagement) (Wales) Act 2020 which came into force on 1st April 2023.</p> <p>Legal implications are considered as necessary in all papers to the Board or its Committees. This is supported by internal and external and assurance testing by auditors/inspection and regulators. Executive Directors also have delegated responsibilities which are captured in the Scheme of Delegation. The Health Board’s risk management framework places the responsibility for identifying, assessing and managing risks of potential areas of non-compliance with legislation and regulations with services and directorates.</p>
<p>20. Are you aware of any instances of non-compliance with laws or regulations? Has the Health Board received any</p>	<p>In 2023/24, the Health Board did not receive any new Enforcement Notices in respect of The Regulatory Reform (Fire Safety) Order 2005: Article 30. The Health Board closed 1</p>	<p>In 2024/25, the Health Board received 2 new Fire Enforcement Notices in respect of The Regulatory Reform (Fire Safety) Order 2005: Article 30. The Health Board closed 2 Enforcement Notice issued by Mid and</p>

Enquiries of management – in relation to laws and regulations

Question	2023-24 Response	2024-25 Response
<p>notice of any such known of possible instances of non-compliance?</p>	<p>Enforcement Notice issued by Mid and West Wales Fire and Rescue Service (MWWFRS) and continues to address the 3 outstanding Enforcement Notices (2 relating to GGH have received formal extensions from MWWFRS in February 2024).</p> <p>There is also an issue of full compliance with the European Working Time Directive (EWTd), with switchboard staff working in the Finance, Digital and Performance directorate. Switchboard modernisation has been implemented which allows calls to be transferred to other sites for the break periods however the Health Board is looking to strengthen arrangements further by introducing double handed shifts on weekends and evenings, subject to consultation with staff and unions in 2024/25.</p> <p>The Health Board has had contact with the Information Commissioner’s Office (ICO) in relation to five incidents during the year (self-reported by the Health Board). Incidents involved misfiling paper records, access to medical records by unauthorised individuals, records lost in transit and information disclosed in error. Two incidents have been closed by the ICO with no further</p>	<p>West Wales Fire and Rescue Service (MWWFRS) and continues to address the 2 outstanding Enforcement Notices (1 relating to GGH with a completion date of December 2027 and 1 related to WGH with a completion date of August 2027 – these dates have been agreed in principle with MWWFRS).</p> <p>There is also an issue of full compliance with the European Working Time Directive (EWTd), with switchboard staff working in the Finance, Digital and Performance directorate. Switchboard modernisation has been implemented which allows calls to be transferred to other sites for the break periods however the Health Board is looking to strengthen arrangements further by introducing double handed shifts on weekends and evenings, subject to consultation with staff and unions by March 2026.</p> <p>The Health Board has had contact with the Information Commissioner’s Office (ICO) in relation to four incidents during the year (self-reported by the Health Board). Incidents involved access to medical records by unauthorised individuals and information disclosed in error. One incident has been closed by the ICO with no further action required and three incidents are still being investigated by the ICO.</p>

Enquiries of management – in relation to laws and regulations

Question	2023-24 Response	2024-25 Response
	<p>action required and three incidents are still being investigated by the ICO.</p> <p>The Health Board is in breach of its statutory duties relating to finance and planning as the Health Board has been unable to break even over a three-year period; and has been unable to submit a balanced three-year Integrated Medium-Term Plan.</p>	<p>The Health Board is in breach of its statutory duties relating to finance and planning as the Health Board has been unable to break even over a three-year period; and has been unable to submit a balanced three-year Integrated Medium-Term Plan.</p>
<p>21. Have there been any examinations or inquiries performed by licensing, tax, or other authorities/ regulators?</p>	<p>HMRC did not commence any new examinations or inquiries during the year. Communications with HMRC during the year related to matters routine in nature or related to matters which arose in prior financial years but which remain not settled at the start of the financial year.</p>	<p>HMRC did not commence any new examinations or inquiries during the year. Communications with HMRC during the year related to matters routine in nature or related to matters which arose in prior financial years but which remain not settled at the start of the financial year.</p>
<p>22. Has there been any significant communications with regulators?</p>	<p>In respect of the fire enforcement notices, MWWFRS are kept fully informed of the extensive fire safety improvement works that are being undertaken at Withybush Hospital, Glangwili Hospital and at Bronglais Hospital with WG agreed funding. MWWFRS inspect all fire</p>	<p>The Health Board accepted an invitation from HMRC to participate in a National Minimum Wage (NMW) Employer Support Programme. The programme offers an opportunity for the organisation to utilise HMRC’s expert advice and support to check that it is paying all workers in accordance with NMW regulations. This opportunity comes following a rapid increase in the</p>

Enquiries of management – in relation to laws and regulations

Question	2023-24 Response	2024-25 Response
	<p>improvement works when completed and close enforcement notices, as appropriate.</p> <p>There have been regular communications with Healthcare Inspectorate Wales (HIW) throughout the year in respect of off-site and on-site inspection activity which have resulted in areas of improvement for the Health Board to address and ensure lessons learnt are shared through the organisation.</p>	<p>NMW over recent years, which has brought more staff groups within its range. The programme commenced in January 2025 with an interactive face-to-face workshop hosted by HMRC. The Health Board will be working with HMRC over the coming months as the programme proceeds.</p> <p>There have been regular communications with all our regulators throughout 2024/25. This includes Healthcare Inspectorate Wales (HIW), in respect of off-site and on-site inspection activity which has resulted in areas of improvement for the Health Board to address and ensure lessons learnt are shared through the organisation.</p> <p>MWWFRS have provided 51 LOFSM (11 have been closed) throughout 2024/25 which have resulted in areas of improvement for the Health Board to address.</p>
<p>23. For the Health Board’s service organisations, have you reported any non-compliance with laws and regulations?</p>	<p>None of which we are aware. Details of the performance of the NHS Wales Shared Services Partnership are routinely reported through Board meetings.</p>	<p>None of which we are aware. Details of the performance of the NHS Wales Shared Services Partnership are routinely reported through Board meetings.</p>

Enquiries of management – in relation to regularity

Question	2023-24 Response	2024-25 Response
24. What is your assessment of the risk of material irregularity, in respect of the 2024-25 financial statements?	Annual accounts are prepared in accordance with all relevant accounting guidelines including Manual of Accounts; the Treasury's Financial Reporting Manual (FRoM); Standing Orders and Standing Financial Instructions. Therefore, the risk of material irregularity has been minimised to a low level.	Annual accounts are prepared in accordance with all relevant accounting guidelines including Manual of Accounts; the Treasury's Financial Reporting Manual (FRoM); Standing Orders and Standing Financial Instructions. Therefore, the risk of material irregularity has been minimised to a low level.
25. What is the process for responding to the risk of irregularity?	As per point 24, all available guidelines are followed to ensure the risk of irregularity is addressed and minimised to a low level.	As per point 24, all available guidelines are followed to ensure the risk of irregularity is addressed and minimised to a low level.
26. What is your knowledge of actual, suspected, or alleged irregularity?	We are not aware of any actual, suspected or alleged irregularity.	We are not aware of any actual or suspected irregularity. Allegations of irregularity were made during the year which the Health Board investigations have not been able to substantiate.
27. Where service organisations are used by the Health Board, have any irregularities been reported to any affected parties?	None of which we are aware. Details of the performance of the NHS Wales Shared Services Partnership are routinely reported through Board meetings.	None of which we are aware. Details of the performance of the NHS Wales Shared Services Partnership are routinely reported through Board meetings.

Enquiries of management in relation to related parties

Question	2023-24 Response	2024-25 Response
28. Have there been any changes to related parties from the prior year? If so, what is the identity of the related parties and the nature of those relationships?	Changes to related parties will be reflected in Annual Accounts disclosures. Likely change to related party note following changes to Board/Senior Management (key personnel).	Changes to related parties will be reflected in Annual Accounts disclosures. Likely change to related party note following changes to Board/Senior Management (key personnel).
29. What transactions have been entered into with related parties during the period? What is the purpose of these transactions?	As per point 28 above.	As per point 28 above.
30. What controls are in place to identify, account for and disclose related parties?	Register of Board Members Interests is maintained and reviewed by the Corporate Governance directorate.	Register of Board Members Interests is maintained and reviewed by the Corporate Governance directorate.

Enquiries of management in relation to related parties

Question	2023-24 Response	2024-25 Response
<p>31. What controls are in place to authorise and approve significant transactions and arrangements:</p> <ul style="list-style-type: none">• with related parties; and• outside the normal course of business?	<p>Standing Orders, Standing Financial Instructions, Standards of Behaviour Policy together with declarations of interest forms are all in place.</p> <p>No transactions outside the course of normal business.</p>	<p>Standing Orders, Standing Financial Instructions, Standards of Behaviour Policy together with declarations of interest forms are all in place.</p> <p>No transactions outside the course of normal business.</p>

Enquiries of those charged with governance

Enquiries of those charged with governance		
Question	2023-24 Response	2024-25 Response
32. Do you have any knowledge of actual, suspected, or alleged fraud affecting the entity?	Yes. The CF Team has actively investigated and closed 37 reports of Fraud or theft this financial year. All cases are recorded and managed with oversight from CFS Wales on the approved crime reporting system, Clue 3.	Yes. The CF Team has actively investigated and closed 56 reports of Fraud or theft this financial year. All cases are recorded and managed with oversight from CFS Wales on the approved crime reporting system, Clue 3. All cases are reported to Audit, Risk and Assurance Committee (ARAC) sessions, including any outcomes that pose a risk to the organisation.
33. What is your assessment of the risk of fraud within the entity, including those risks that are specific to the Health Board's business sector?	Overall, the risk of fraud can be described as low risk of individual high loss but an increased risk of high volume, low loss frauds. However, this can be mitigated by a strong emphasis on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and punishment.	Overall, the risk of fraud can be described as low risk of individual high loss but an increased risk of high volume, low loss frauds. However, this can be mitigated by a strong emphasis on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and punishment.
34. How do you exercise oversight of:	Oversight is achieved by way of having in place an effective Counter Fraud, Bribery and Corruption	Oversight is achieved by way of having in place an effective Counter Fraud, Bribery and Corruption

Enquiries of those charged with governance

Question	2023-24 Response	2024-25 Response
<ul style="list-style-type: none"> • Management’s processes for identifying and responding to the risk of fraud in the Health Board; and • The controls to manage these risks? 	<p>workplan, which aligns itself to the Health Board’s Anti-Fraud, Bribery and Corruption Policy. The Health Board is required to demonstrate compliance with NHS Requirements of Government Functional Standard 013 Counter Fraud.</p> <p>Component 3 of the functional standards requires the Health Board to undertake comprehensive local risk assessments to identify fraud, bribery, and corruption risks in line with Government Counter Fraud Profession (GCFP) fraud risk assessment methodology and record and manage risks in line with the organisation’s risk management policy and included on the appropriate risk registers where necessary.</p>	<p>workplan, which aligns itself to the Health Board’s Anti-Fraud, Bribery and Corruption Policy. The Health Board is required to demonstrate compliance with NHS Requirements of Government Functional Standard 013 Counter Fraud. Component 3 of the functional standards requires the Health Board to undertake comprehensive local risk assessments to identify fraud, bribery, and corruption risks in line with Government Counter Fraud Profession (GCFP) fraud risk assessment methodology and record and manage risks in line with the organisation’s risk management policy and included on the appropriate risk registers where necessary.</p>
<p>35. Are you aware of any non-compliance with laws and regulations that may be expected to have a fundamental effect on the operations of the Health Board?</p>	<p>In 2023/24, the Health Board was unable to meet its statutory duties to breakeven over a rolling three year period and to prepare a three year Integrated Medium Term Plan for approval by the Minister for Health and Social Services, in line with NHS Finance (Wales) Act 2014. This has resulted in the Health Board escalation status being increased to targeted intervention by Welsh</p>	<p>In 2024/25, the Health Board was unable to meet its statutory duties to breakeven over a rolling three year period and to prepare a three year Integrated Medium Term Plan for approval by the Minister for Health and Social Services, in line with NHS Finance (Wales) Act 2014.</p> <p>The Health Board has not been able to submit a balanced financial plan for 2025/26. Therefore was</p>

Enquiries of those charged with governance

Question	2023-24 Response	2024-25 Response
	<p>Government for the organisation as a whole in January 2024.</p> <p>The Health Board has not been able to submit a balanced financial plan for 2024/25. Therefore was non-compliant with both planning and finance statutory duties.</p> <p>There is also an issue of full compliance with the European Working Time Directive (EWTD), with switchboard staff working in the Finance, Digital and Performance directorate. Switchboard modernisation has been implemented which allows calls to be transferred to other sites for the break periods however the Health Board is looking to strengthen arrangements further by introducing double handed shifts on weekends and evenings, subject to consultation with staff and unions in 2024/25.</p>	<p>non-compliant with both planning and finance statutory duties. Also, as per response to Q20.</p>
<p>36. Are you aware of any instances of non-compliance with relevant laws and regulations?</p>	<p>As above in respect of its statutory duties under the NHS Finance (Wales) Act 2014, fire enforcement notices and EWTD.</p>	<p>As per response to Q20.</p>

Enquiries of those charged with governance

Question	2023-24 Response	2024-25 Response
<p>37. What is the process for identifying and responding to the risks of fraud?</p>	<p>In order to effectively identify and respond to the risks of fraud, the LCFS actively undertakes inform and involve work to raise awareness of fraud in the NHS, empowering employees to identify and report their concerns.</p> <p>Employees can also report concerns / fraud risks via Datix or through the Working Together programme.</p> <p>The Health Board is required to demonstrate compliance with NHS Requirements of Government Functional Standard 013 Counter Fraud.</p> <p>The LCFS undertakes local assessments to identify fraud, bribery, and corruption risks in line with Government Counter Fraud Profession (GCFP) fraud risk assessment methodology and records and manages risks in line with the organisation’s risk management policy and includes on the appropriate risk registers where necessary.</p>	<p>To effectively identify and respond to the risks of fraud, the LCFS actively undertakes inform and involve work to raise awareness of fraud in the NHS, empowering employees to identify and report their concerns.</p> <p>Employees can report concerns of Fraud or fraud risks direct to Counter Fraud, via an anonymous reporting hotline, online or via Datix or through the Working Together programme.</p> <p>The Health Board is required to demonstrate compliance with NHS Requirements of Government Functional Standard 013 Counter Fraud.</p> <p>The LCFS undertakes local assessments to identify fraud, bribery, and corruption risks in line with Government Counter Fraud Profession (GCFP) fraud risk assessment methodology and records and manages risks in line with the organisation’s risk management policy and includes on the appropriate risk registers where necessary.</p> <p>The CF workplan includes Preventative work, which is aimed at testing the effectiveness of existing controls and where applicable, develop new processes to further mitigate any identified risks. Such activities are known as Local Proactive Exercises and are recorded</p>

Enquiries of those charged with governance

Question	2023-24 Response	2024-25 Response
		<p>and reported to ARAC. Any recommendations are noted and where applicable tracked via the Audit Tracker function.</p> <p>Fraud risks are also identified via the review of internal controls by internal audit, who will report to CF any emerging Fraud Risks.</p>
<p>38. Are there any matters which those charged with governance consider require particular attention during the audit?</p>	<p>No</p>	<p>No</p>
<p>39. Are there any other matters which those charged with governance consider may influence the audit of the financial statements?</p>	<p>No</p>	<p>No</p>
<p>40. Are those charged with governance aware of any</p>	<p>All significant communications with regulators are shared with the Board via its Committee structure</p>	<p>All significant communications with regulators are shared with the Board via its Committee structure in</p>

Enquiries of those charged with governance

Question	2023-24 Response	2024-25 Response
significant communications with regulators?	in public/open session, who seek assurance that issues are being addressed.	public/open session, who seek assurance that issues are being addressed.
41. What arrangements are in place to oversee the effectiveness of internal control?	<p>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.</p> <p>The board and committees rely on a number of sources of internal and external assurances which demonstrate the effectiveness of the Health Board's system of internal control and advise where there are areas of improvement. These include:</p> <ul style="list-style-type: none"> • Feedback from WG and the specific statements issued by the Cabinet Secretary for Health and Social Care • Local Counter-Fraud and Post Payment Verification Activity; • Inspections by Healthcare Inspectorate Wales; • Delivery of audit plans and reports by external and internal auditors; 	<p>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.</p> <p>The board and committees rely on a number of sources of internal and external assurances which demonstrate the effectiveness of the Health Board's system of internal control and advise where there are areas of improvement. These include:</p> <ul style="list-style-type: none"> • Feedback from WG and the specific statements issued by the Cabinet Secretary for Health and Social Care • Local Counter-Fraud and Post Payment Verification Activity; • Inspections by Healthcare Inspectorate Wales; • Delivery of audit plans and reports by external and internal auditors;

Enquiries of those charged with governance

Question	2023-24 Response	2024-25 Response
	<ul style="list-style-type: none">• Feedback from statutory Commissioners;• Feedback from staff, patients, service users and members of the public;• Assurance provided by ARAC and other committees of the board;• AW Structured Assessment.	<ul style="list-style-type: none">• Feedback from statutory Commissioners;• Feedback from staff, patients, service users and members of the public;• Assurance provided by ARAC and other committees of the board;• AW Structured Assessment• Head of Internal Audit opinion

Background information

Matters in relation to fraud

International Standard for Auditing (UK) and Ireland) 240 covers auditors' responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both management, and 'those charged with governance', which for the Health Board is the Board itself. Management, with the Board, should ensure there is a strong emphasis on fraud prevention and deterrence and create a culture of honest and ethical behaviour, reinforced by active oversight by the Board.

As external auditors, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

What are we required to do?

As part of our risk assessment procedures, we are required to consider the risks of material misstatement due to fraud. This includes understanding the arrangements management has put in place in respect of fraud risks. The ISA views fraud as either:

- the intentional misappropriation of assets; or
- the intentional manipulation or misstatement of the financial statements.

We also need to understand how the Board exercises oversight of management's processes. We are also required to make enquiries of both management and the Board as to their knowledge of any actual, suspected, or alleged fraud and for identifying and responding to the risks of fraud and the internal controls established to mitigate them.

Matters in relation to laws and regulations

International Standard for Auditing (UK and Ireland) 250 covers auditors' responsibilities to consider the impact of laws and regulations in an audit of financial statements.

Management, with the oversight of those charged with governance, (the Board), is responsible for ensuring that the Fund's operations are conducted in accordance with laws and regulations, including compliance with those that determine the reported amounts and disclosures in the financial statements.

As external auditors, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. The ISA distinguishes two different categories of laws and regulations:

- laws and regulations that have a direct effect on determining material amounts and disclosures in the financial statements; and
- other laws and regulations where compliance may be fundamental to the continuance of operations, or to avoid material penalties.

What are we required to do?

As part of our risk assessment procedures, we are required to make inquiries of management and the Board as to whether the Fund is in compliance with relevant laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance, we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Matters in relation to related parties

International Standard for Auditing (UK and Ireland) 550 covers auditors' responsibilities relating to related party relationships and transactions.

The nature of related party relationships and transactions may, in some circumstances, give rise to higher risks of material misstatement of the financial statements than transactions with unrelated parties.

Because related parties are not independent of each other, many financial reporting frameworks establish specific accounting and disclosure requirements for related party relationships, transactions, and balances to enable users of the financial statements to understand their nature and actual or potential effects on the financial statements. An understanding of the Health Board's related party relationships and transactions is relevant to the auditor's evaluation of whether one or more fraud risk factors are present as required by ISA (UK and Ireland) 240, because fraud may be more easily committed through related parties.

What are we required to do?

As part of our risk assessment procedures, we are required to perform audit procedures to identify, assess and respond to the risks of material misstatement arising from the Health Board's failure to appropriately account for or disclose related party relationships, transactions or balances in accordance with the requirements of the framework.

Regularity

Regularity is the concept that transactions that are reflected in the financial statements must be in accordance with the Health Board's framework of authorities.

Frameworks of authorities are external frameworks, specific to an audited entity, with which the audited entity's transactions must conform. These frameworks are set up by bodies able to issue and/or enforce the authorities for that entity and might include, for example:

- authorising legislation;
- regulations issued under governing legislation;
- parliamentary authorities; and
- government or related authorities (for example Managing Welsh Public Money, issued by the Welsh Government).

Further information is available in [Practice Note 10](#).

What are we required to do?

The Practice Note includes an overview, from page 56 of the Practice Note, of what we are required to do

