

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

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| <b>DYDDIAD Y CYFARFOD:<br/>DATE OF MEETING:</b>  | 11 May 2023   |
| <b>TEITL YR ADRODDIAD:<br/>TITLE OF REPORT:</b>  | Audit Enquiries To Those Charged With Governance and Management |
| <b>CYFARWYDDWR ARWEINIOL:<br/>LEAD DIRECTOR:</b> | Huw Thomas, Director of Finance                                 |
| <b>SWYDDOG ADRODD:<br/>REPORTING OFFICER:</b>    | 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 2023.

**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.

| <b>Amcanion: (rhaid cwblhau)</b><br><b>Objectives: (must be completed)</b>  |                    |
|---|--------------------|
| Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol:<br>Datix Risk Register Reference and Score:  | Not applicable     |
| Galluogwyr Ansawdd:<br>Enablers of Quality:<br><a href="#">Quality and Engagement Act (sharepoint.com)</a>                                | Not Applicable     |
| Parthau Ansawdd:<br>Domains of Quality<br><a href="#">Quality and Engagement Act (sharepoint.com)</a>                                     | Not Applicable     |
| Amcanion Strategol y BIP:<br>UHB Strategic Objectives:  | Not Applicable     |
| Amcanion Cynllunio<br>Planning Objectives   | Not Applicable     |
| Amcanion Llesiant BIP:<br>UHB Well-being Objectives:<br><a href="#">Hyperlink to HDdUHB Well-being Objectives Annual Report 2021-2022</a> | 10. Not Applicable |

| <b>Gwybodaeth Ychwanegol:</b><br><b>Further Information:</b>  |   |
|---|---|
| Ar sail tystiolaeth:<br>Evidence Base:  | The Board's system of Internal Control and related processes. |
| Rhestr Termau:<br>Glossary of Terms:  | Included within body of the report.                           |
| Partion / Pwyllgorau â ymgynhorwyd ymlaen llaw y Pwyllgor Archwilio a Sicrwydd Risg:<br>Parties / Committees consulted prior to Audit and Risk Assurance Committee: | Not applicable  |

| <b>Effaith: (rhaid cwblhau)</b><br><b>Impact: (must be completed)</b> |  |
|---|--|
| <b>Ariannol / Gwerth am Arian:</b><br><b>Financial / Service:</b>     | <p>A sound system of financial control enacts robust financial control, safeguards public funds and the Health Board's assets and resources.</p> <p>Robust governance arrangements underpinning financial management contribute towards internal control and value for money being achieved.</p> |

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|--|--|
| <b>Ansawdd / Gofal Claf:<br/>Quality / Patient Care:</b> | No specific impact                         |
| <b>Gweithlu:<br/>Workforce:</b>                          | No specific impact                         |
| <b>Risg:<br/>Risk:</b>                                   | No specific impact                         |
| <b>Cyfreithiol:<br/>Legal:</b>                           | Compliance with statutory responsibilities |
| <b>Enw Da:<br/>Reputational:</b>                         | Provides assurance regarding governance    |
| <b>Gyfrinachedd:<br/>Privacy:</b>                        | No specific impact                         |
| <b>Cydraddoldeb:<br/>Equality:</b>                       | No specific impact                         |

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Steve Moore  
Chief Executive  
Hywel Dda University Health Board

**Reference:** HDUHB 22-23

**Date issued:** 05 April 2023

Dear Steve,

### **Audit enquiries to those charged with governance and management**

I hope you are keeping well?

As in previous years, 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.

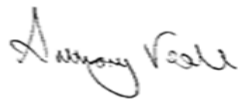
This letter and the enclosed tables formally seek the documented consideration and understanding on a number of governance areas, which impact on our audit of the financial statements.

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 2022-23 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 2023. In the meantime, if you have queries, please contact Lucy Evans on 07976 126763 and [Lucy.Evans@audit.wales](mailto:Lucy.Evans@audit.wales) or myself on 07896 271873 and [Anthony.Veale@audit.wales](mailto:Anthony.Veale@audit.wales).

Yours sincerely

A handwritten signature in black ink that reads "Anthony Veale". The signature is written in a cursive style with a large initial 'A'.

Anthony Veale  
Engagement Director  
Cc Mr Huw Thomas, Director of Finance

## Enquiries of management

| <b>General enquiries (including financial reporting) of management</b>  |  |
|---|--|
| <b>Question</b>   | <b>Response</b>  |
| <p>1. Are there significant matters and/or events that have occurred since April 2022 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, though the final unaudited outturn is less than originally predicted. The drivers of the deficit have been shared and understood with the Board, Finance Delivery Unit and Welsh Government.</p> <p>In 2022/23, 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>The implementation of IFRS 16 from 1 April 2022 was a significant event affecting the financial statements.</p> |

## General enquiries (including financial reporting) of management

| Question  | Response  |
|---|---|
| 2. What are your general views on the Health Board's risk assessment process relating to financial reporting? | <p>The risk assessment process for financial reporting follows the Health Board risk management framework. This requires a 'monitoring and review' structure to be 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.</p> <p>The Executive Team has approved the content of the Corporate Risk Register prior to this being 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> |

## General enquiries (including financial reporting) of management

| Question  | Response   |
|---|--|
| 3. Are you aware of significant transactions that are outside the normal trading activities of the Health Board's business?   | There are no significant transactions outside the normal trading activities of the Health Board's business.  |
| 4. Are you aware of any transactions, events or changes in circumstances that would cause impairments of non-current assets (i.e. its fixed assets, such as land and buildings)?                          | Reinforced Autoclaved Aerated Concrete (RAAC) has been identified within the Health Board. A full RAAC plank by plank analysis will be carried out during 2023/2024. This may lead to an impairment. However, there is insufficient detail available at the time of preparing the accounts to make a provision and therefore a contingent liability has been disclosed.  |
| 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? | All Health Boards received a guidance letter in March 2023 from Welsh Government regarding recovery of funding from dental practitioners holding NHS contracts. The assessment of underperformance against the contract are complex and the final outcome will not be known until July 2023. Therefore, in accordance with prudent accounting principles the Health Board has made the judgement to account for the totality of the contract and not assumed any recovery. |



## General enquiries (including financial reporting) of management

| Question   | Response   |
|--|--|
|  | <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>Pre Covid 19 allowances for carry forward of annual leave have been reinstated. As such, the high provision previously included has been released. The individual approved requests from staff have been used to derive the 2022/23 provision.</p> |
| 6. Does the Health Board have any new estimates in respect of the 2022-23 year of account? | No new estimates.  |

## General enquiries (including financial reporting) of management

| Question   | Response  |
|--|---|
| 7. Have there been any issues that may impact the preparation of the 2022-23 financial statements?   | 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.   |
| 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.                            |
| 10. Please provide information on the status of the disclosed contingencies from the prior year.   | The movement on contingent liabilities is disclosed within the 22/23 annual accounts. Additional disclosure has been made in the 22/23 annual accounts in respect of an issue |

## General enquiries (including financial reporting) of management

| Question | Response   |
|----------|--|
|          | that has been identified in the Health Board with Reinforced Autoclaved Aerated Concrete (RAAC). |

## Enquiries of management - in relation to fraud

| Question   | Response  |
|--|---|
| 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>The risk is assessed to be minimal, and we are not aware of any fraud that would impact materially on the Health Board's financial statements, based on robust and comprehensive counter fraud and internal audit services.</p> <p>The Head of Internal Audit opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management, and control for 2022/23 is a rating of reasonable assurance.</p> |

## Enquiries of management - in relation to fraud

| Question  | Response   |
|---|--|
|   | <p>All known cases of fraud are recorded via Counter Fraud Services (CFS) Wales crime management software, Clue 3, which is provided and maintained by the Counter Fraud Authority. The outcome of each case is reported to both Welsh Government and to the Audit and Risk Assurance Committee (ARAC) on a bimonthly basis and reviewed accordingly.</p>  |
| 12. Do you have knowledge of any actual, suspected or alleged fraud affecting the Health Board? | <p>Yes. Update reports on the status of current cases are supplied to ARAC on a bimonthly basis.</p> <p>Investigations, risks, and recommendations are discussed during the in-committee section of ARAC meetings to ensure confidentiality of investigation and fairness to subjects linked with investigations.</p> <p>The Counter Fraud Team has actively investigated and closed 47 reports of financial crime in this year. Of those closed in-year 17 civil sanctions were applied including the recovery of funds totalling £62,843 and 5 internal disciplinary referrals</p> |

## Enquiries of management - in relation to fraud

| Question  | Response  |
|---|---|
|   | were made. Given this work, it is reasonable to conclude the accounts have not been subject to a risk of material fraud.  |
| 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>A key part of identifying fraud is by raising awareness. The HB has a Counter Fraud (CF) Policy &amp; Response Plan which includes the overall strategic aims of counter fraud work and operational response aligned to the NHSCFA counter fraud, bribery, and corruption strategy. The HB Standards of Behaviour Policy incorporates professional behaviour with reference to fraud, corruption, and the Bribery Act 2010. Executive approval of policies is provided via the Policy Review Process. The CF policy is available to all staff and highlighted within the CF intranet page and policy library.</p> <p>In order to develop a robust CF culture within the organisation, the Policy is actively promoted within the Health Board's programme of awareness. A mandatory online ESR training package is in place for all staff, awareness is also raised by way of e-newsletters, social media posts and training. Information on emerging threats is communicated to staff and key groups.</p> |

## Enquiries of management - in relation to fraud

| Question | Response  |
|----------|---|
|          | <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, whom 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. 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 through open investigations will be reported to ARAC (in-committee) and</p> |

## Enquiries of management - in relation to fraud

| Question  | Response   |
|---|--|
|   | <p>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>14. What classes of transactions, account balances and disclosures, within the financial statements, have you identified as most at risk of fraud?</p> | <p>Risks associated with fraud are assessed throughout the year and the Counter Fraud work plan reflects this, allowing for the identification and assessments of fraud risks and the testing of controls via Local Proactive Exercises.</p> <p>This year risk assessments have been undertaken in connection with procurement related fraud, including Mandate Fraud, buying goods and services and Credit Card usage (in partnership with NWSSP).</p> <p>In response to this, a procurement related exercise was undertaken, looking at the risk, existing controls and compliance, the outcome of which was reported to ARAC.</p> |

## Enquiries of management - in relation to fraud

| Question  | Response  |
|---|---|
| 15. Are you aware of any whistleblowing or complaints by potential whistle-blowers? If so, what has been the Health Board's response? | <p>There is an anti-fraud, bribery and corruption policy in place that outlines the responsibilities of staff in countering fraud and corruption within the Health Board. Links to the Counter Fraud policy and associated 'All Wales Procedure for NHS Staff to Raise Concerns' are also made available to all staff via the Counter Fraud page on the staff intranet.</p> <p>As a result, a number of internal referrals have been received by the LCFS and dealt with in accordance with the Counter Fraud Policy. All cases are recorded by the LCFS on Clue 3 and reviewed by CFS Wales, who authorise case progression and closures. All investigations are reported to ARAC.</p> <p>For non-fraud related referrals, the Health Board has adopted the 'All Wales Procedure for NHS Staff to Raise Concerns' and employees are encouraged to report concerns in line with this. The Health Board also has further means of reporting concerns either anonymously, via a Working Together programme or via Datix. Outcomes of such reports are discussed both locally and at People, Organisational Development and Culture Committee (PODCC).</p> |



## Enquiries of management - in relation to fraud

| Question  | Response  |
|---|---|
|   | Cases which are Workforce related that are classed as 'whistle blowing' are reviewed by the department. Due to the sensitivity of the information, details of each case and outcomes are redacted before being reported to the PODCC  |
| 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 regularly attends ARAC meetings and provides the opportunity for IMs to be updated on fraud matters and provide input on direction. IMs also hold a private meeting with the LCFS on an annual basis to discuss any issues arising.</p>  |
| 17. What is management's communication to employees regarding their views on business practices and ethical behaviour?  | 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 IMs practice the highest standards of conduct and behaviour. The policy sets out the expectations and provides supporting guidance in delivering that requirement. |

## Enquiries of management - in relation to fraud

| Question  | Response  |
|---|---|
|   | <p>The CF Team has an on-going work programme with CFS (Wales) to develop an anti-fraud culture within the NHS as outlined in question 13.</p> <p>The HB has financial policies and procedures in place to promote good and ethical practices.</p> <p>Bespoke training is provided to those at higher risk of contact with fraud such as recruitment, finance, payroll, Post Payment Verification Teams, and community-based staff, including General Practitioners. Raising awareness of key issues as and when they develop, highlighting key policies, currently in place to mitigate fraud, bribery and corruption and communicating expectations of ethical governance and standards of conduct to relevant parties.</p> |
| 18. For the Health Board's service organisations, have you reported any fraud or potential fraud to any affected parties? | To date, there has been no requirement to report fraud to any affected parties.   |

## Enquiries of management – in relation to laws and regulations

| Question   | Response  |
|--|---|
| 19. What are the policies and procedures in place to identify applicable legal and regulatory requirements to ensure compliance? | <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 Nurse Staffing Levels (Wales) Act.</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/inspectors and regulators. Executive Directors also have delegated responsibilities which are captured in the Detailed 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> |
| 20. Are you aware of any instances of non-compliance with laws or regulations? Has the Health Board received any notice of any   | In 2022/23, the Health Board did not receive new Enforcement Notices in respect of The Regulatory Reform (Fire Safety) Order 2005: Article 30. The Health Board closed 2 Enforcement Notices issued by Mid and West   |

## Enquiries of management – in relation to laws and regulations

| Question  | Response   |
|---|--|
| such known of possible instances of non-compliance? | <p>Wales Fire and Rescue Service (MWWFRS) and continues to address the 4 outstanding Enforcement Notices. One additional Enforcement Notice has had all works completed, with the MWWFRS invited to inspect the completed work.</p> <p>There is also an issue of full compliance with the European Working Time Directive (EWTN), with switchboard staff working in the Finance, Digital and Performance directorate. Switchboard modernisation is being implemented with a post evaluation exercise undertaken, which identified some further issues which are being addressed.</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 access to medical records by unauthorised individuals, and records storage being compromised. Two incidents have 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  | Response   |
|---|--|
|   | The Health Board is in breach of its statutory duty to break even over a three-year period; and has been unable to submit a balanced three-year Integrated Medium Term Plan.   |
| 21. Have there been any examinations or inquiries performed by licensing, tax, or other authorities/regulators? | 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 unsettled at the start of the financial year.   |
| 22. Has there been any significant communications with regulators?  | During the financial year, HMRC communicated to the Health Board the result of its Business Risk Review along with a supporting report. The Health Board is pleased to report that HMRC assigned the organisation with a risk rating of “Low Risk”, the lowest of four possible risk ratings. HMRC’s conclusion is based on a compliance visit and a series of compliance activities undertaken from 2017 to 2022 where it considered factors including governance, systems and processes and the organisation’s approach to tax compliance. |

## Enquiries of management – in relation to laws and regulations

| Question  | Response  |
|---|---|
|   | <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 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 on 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> |
| 23. For the Health Board's service organisations, have you reported any non-compliance with laws and regulations? | 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 regularity

| Question   | Response   |
|--|--|
| 24. What is your assessment of the risk of material irregularity, in respect of the 2022-23 financial statements?            | Annual accounts are prepared in accordance with all relevant accounting guidelines including Manual of Accounts; the Treasury's Financial Reporting Manual (FReM); 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.   |
| 26. What is your knowledge of actual, suspected, or alleged irregularity?  | We are not aware of any actual, suspected or alleged irregularity.   |
| 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.   |

## Enquiries of management in relation to related parties

| Question  | 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).                           |
| 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.   |
| 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.  |
| 31. What controls are in place to authorise and approve significant transactions and arrangements: <ul data-bbox="338 1109 947 1182" style="list-style-type: none"><li>• with related parties; and</li><li>• outside the normal course of business?</li></ul> | Standing Orders, Standing Financial Instructions, Standards of Behaviour Policy together with declarations of interest forms are all in place.<br>No transactions outside the course of normal business. |



## Enquiries of those charged with governance

| Enquiries of those charged with governance   |  |
|--|--|
| Question   | Response   |
| 32. Do you have any knowledge of actual, suspected, or alleged fraud affecting the entity? | <p>Yes. The Counter Fraud Team has actively investigated and closed 47 reports of financial crime in this year. Of those closed in-year 17 civil sanctions were applied including the recovery of funds totalling £62,843 and 5 internal disciplinary referrals were made.</p> <p>Update reports on the status of current cases are supplied to ARAC on a bimonthly basis.</p> <p>Investigations, risks, and recommendations are discussed during the in-committee section of the ARAC meeting to ensure confidentiality of investigation and fairness to subjects linked with investigations.</p> |
| 33. What is your assessment of the risk of fraud within the entity, including those risks  | <p>There is a risk of fraud against the NHS, and this has been demonstrated by referrals received, however, this can be mitigated by a strong emphasis on fraud prevention, which</p>  |

## Enquiries of those charged with governance

| Question   | Response  |
|--|---|
| that are specific to the Health Board's business sector? | <p>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. This involves a commitment to creating a culture of honesty and ethical behaviour which can be reinforced by an active oversight by those charged with governance. This is undertaken by way of the active participation of the LCFS in developing an anti-fraud culture, testing controls and reporting on cases and pro-active pieces of work.</p> <p>Risk assessments are carried out in line with Heath Board Risk Management Policy. The Health Board's Datix system has a fraud specific module allowing managers to add fraud risks. The LCFS receives updates to new or existing risks. The annual Counter Fraud plan is informed by these risk assessments and the plan is reviewed and agreed by the Director of Finance and ARAC.</p> |
| 34. How do you exercise oversight of:                    | Oversight is achieved by way of having in place an effective Counter Fraud, Bribery and Corruption workplan, which aligns itself to the Health Board's Anti-Fraud, Bribery and Corruption Policy.   |

## Enquiries of those charged with governance

| Question  | Response   |
|---|--|
| <ul style="list-style-type: none"><li>• Management's processes for identifying and responding to the risk of fraud in the Health Board; and</li><li>• The controls to manage these risks?</li></ul> | <p>Part of this involves the assessment and recording of both existing and emerging fraud risks, ensuring that they are recorded and reviewed in line with procedure.</p> <p>Fraud risks are recorded on Datix and reported / monitored via ARAC. Controls are reviewed and where applicable tested for compliance and effectiveness by way of the LCFS undertaking local pro-active exercises, which are recorded and reported to ARAC. Risks highlighted as having a fraud theme, are reviewed, and brought to the attention of the LCFS for review.</p> <p>Furthermore, alerts and details of new / emerging fraud risks are communicated at a national level, before being reviewed locally for relevance. Where a risk does pose a threat to the organisation, the relevant information is shared, and the risk is assessed, ensuring that the relevant controls are reviewed and whether any further actions are required. The risk will then be scored and managed in line with policy.</p> |
| 35. Are you aware of any non-compliance with laws and regulations that may be   | In 2022/23, the Health Board was unable to meet its statutory duties to breakeven over a rolling three year period   |

## Enquiries of those charged with governance

| Question   | Response   |
|--|--|
| expected to have a fundamental effect on the operations of the Health Board? | <p>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 Government. The Health Board has not been able to submit a balanced financial plan for 2023/24 to date. Therefore was non-compliant with both planning and finance statutory duties.</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.</p> <p>There is also an issue of full compliance with the EWTD, with switchboard staff working in the IM&amp;T directorate. Switchboard modernisation is being implemented with a post evaluation exercise undertaken, which identified some further issues to address.</p> |

## Enquiries of those charged with governance

| Question   | Response   |
|--|--|
| 36. Are you aware of any instances of non-compliance with relevant laws and regulations? | As above in respect of its statutory duties under the NHS Finance (Wales) Act 2014, fire enforcement notices and EWTD.   |
| 37. What is the process for identifying and responding to the risks of fraud?            | <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 either in person, direct to the LCFS, online via the intranet / internet or by calling or reporting a concern anonymously via Crimestoppers. Employees can also report concerns via Datix or through the Working Together programme.</p> <p>This is supported by having in place an effective counter fraud function with a workplan in place to address both known and emerging fraud risks.</p> <p>All known cases of fraud are recorded utilising Clue3 and the outcome of each case is reported to both Welsh Government and to ARAC on a bimonthly basis. Investigations are conducted in line with procedure and expert advice sought from CFS (Wales) where appropriate.</p> |

## Enquiries of those charged with governance

| Question  | Response  |
|---|---|
|   | <p>Known intelligence is shared with stakeholders, fraud risks are assessed in line with Health Board policies, which involves liaising with directorates and undertaking assessments, before recording.</p> <p>A collaborative approach is required to fully address this issue and close working with NHS Wales Shared Services Partnership (NWSSP) required. As such, the Health Board LCFS maintains regular contact with NWSSP via the appointed LCFS.</p> |
| 38. Are there any matters which those charged with governance consider require particular attention during the audit?             | No  |
| 39. Are there any other matters which those charged with governance consider may influence the audit of the financial statements? | No  |

## Enquiries of those charged with governance

| Question   | Response   |
|--|--|
| 40. Are those charged with governance aware of any significant communications with regulators? | All significant communications with regulators are shared with the Board via its Committee structure in 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"><li>• Feedback from WG and the specific statements issued by the Minister for Health and Social Services;</li><li>• Local Counter-Fraud and Post Payment Verification Activity;</li><li>• Inspections by Healthcare Inspectorate Wales;</li></ul> |

## Enquiries of those charged with governance

| Question | Response  |
|----------|---|
|          | <ul style="list-style-type: none"><li>• Delivery of audit plans and reports by external and internal auditors;</li><li>• Feedback from statutory Commissioners;</li><li>• Feedback from staff, patients, service users and members of the public;</li><li>• Assurance provided by ARAC and other committees of the board;</li><li>• AW Structured Assessment.</li></ul> |



## 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.