

Bundle Audit & Risk Assurance Committee 23 June 2020

7.4 Audit Enquiries to Those Charged with Governance and Management - Response

Presenter: Huw Thomas

Audit Enquiries to Those Charged with Governance and Management - Response ARAC June 2020

Appendix 1 - Audit Wales Letter and Response



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

DYDDIAD Y CYFARFOD: DATE OF MEETING:	23 June 2020
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:	Rhian Davies, Assistant 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 & Risk Assurance Committee (ARAC) is asked to review the response prepared, and subject to any required amendment, ratify for onward submission to Audit Wales.

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 three main areas namely fraud, laws and regulations 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.

Through agreement with Audit Wales, the timeline for response was amended from the original 31st May 2020 to 23rd June 2020, to coincide with the revised ARAC meeting date.

Argymhelliad / Recommendation

The Audit & 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	5.1 The Committee shall review the adequacy of the UHB's strategic governance and assurance arrangements and processes for the maintenance of an effective system of good governance, risk management and internal control, across the whole of the organisation's activities (both clinical and non-clinical) that supports the achievement of the organisation's objectives. 5.2 In particular, the Committee will review the adequacy of: 5.2.1 all risk and control related disclosure statements (in particular the Accountability Report and the Annual Quality Statement), together with any accompanying Head of Internal Audit statement, external audit opinion or other appropriate independent assurances, prior to endorsement by the Board;
Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol: Datix Risk Register Reference and Score:	Not applicable
Safon(au) Gofal ac Iechyd: Health and Care Standard(s):	Governance, Leadership and Accountability
Amcanion Strategol y BIP: UHB Strategic Objectives:	Not Applicable
Amcanion Llesiant BIP: UHB Well-being Objectives: Hyperlink to HDdUHB Well-being Statement	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

Effaith: (rhaid cwblhau) Impact: (must be completed)	
Ariannol / Gwerth am Arian: Financial / Service:	A sound system of financial control enacts robust 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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Reference: HDGOV01

Date issued: 1 May 2020

Dear Steve

Hywel Dda University Health Board 2019-20 – Audit enquiries to those charged with governance and management

In my 2020 Audit Plan I set out that I am responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement whether caused by fraud or error. I also set out the respective responsibilities of auditors, management and those charged with governance.

This letter formally seeks documented consideration and understanding on a number of governance areas that impact on my audit of your financial statements. These considerations are relevant to both the management of Hywel Dda University Health Board (the UHB) and 'those charged with governance' (the Board).

I have set out below the areas of governance on which I am seeking views.

1. Management processes in relation to:
 - Undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud;
 - Identifying and responding to risk of fraud in the organisation;
 - Communication to employees of views on business practice and ethical behaviour; and
 - Communication to those charged with governance the processes for identifying and responding to fraud.
2. Management's awareness of any actual or alleged instances of fraud
3. How management gain assurance that all relevant laws and regulations have been complied with.

4. Whether there is any potential litigation or claims that would affect the financial statements.

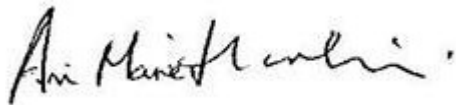
5. Management processes to identify, authorise, approve, account for and disclose related party transactions and relationships.

The information you provide will inform our understanding of the UHB and its business processes and support our work in providing an audit opinion on your 2019-20 financial statements.

I would be grateful if you could complete the attached table in Appendix 1. For information purposes this table also includes the responses provided by the UHB in 2018-19.

Your responses should be formally considered and communicated to us on behalf of both management and those charged with governance by 31 May 2020. In the meantime, if you need anything further, please contact Jeremy Saunders on 02920 829329 or by e-mail at Jeremy.Saunders@audit.wales.

Yours sincerely



Ann-Marie Harkin
Engagement Lead

Cc Mr Huw Thomas, Director of Finance

Appendix 1

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 Audit Committee. Management, with the oversight of those charged with governance, 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 those charged with governance.

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 (cash, property, etc); or
- the intentional manipulation or misstatement of the financial statements.

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

Enquiries of management - in relation to fraud

Question	2018-19 Response	2019-20 Response
<p>1. What is management's assessment of the risk that the financial statements may be materially misstated due to fraud and what are the principal reasons?</p>	<p>We consider this risk to be minimal and are not aware of any fraud that would impact materially on our financial statements, based on robust and comprehensive counter fraud and internal audit services. Internal Audit of Treasury Management and Accounts Receivable concluded an overall reasonable assurance rating and Financial Ledger concluded a substantial rating in 2018/19.</p>	<p>The risk is considered to be minimal and we are not aware of any fraud that would impact materially on our financial statements, based on robust and comprehensive counter fraud and internal audit services.</p> <p>The Head of Internal Audit has concluded for 2019/20 the Board can take Reasonable Assurance that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Corporate Governance, Risk and Regulatory Compliance and Financial Governance and Management both received an assessment of Reasonable Assurance. The Internal Audit review into Core Financial Systems gave Substantial Assurance.</p>
<p>2. What processes are employed to identify and respond to the risks of fraud more</p>	<p>Executive support of the Counter Fraud agenda in monitoring the intelligence, reporting and investigation of fraud. The application of the NHSSP guidance Standing</p>	<p>The University Health Board (UHB) employs 2 full time Local Counter Fraud Specialists (LCFS) to undertake the full duties of anti-fraud work. The LCFS' work to a Counter</p>

Enquiries of management - in relation to fraud

Question	2018-19 Response	2019-20 Response
<p>generally and specific risks of misstatement in the financial statements?</p>	<p>Orders, Financial Procedures and Health Board policies. Staff training in counter fraud. Use of audit testing and audit recommendation in respect of best practice e.g. segregation of duties to minimise risk</p>	<p>Fraud work plan devised around the 4 strategic areas outlined within the NHS Counter Fraud Authority (NHS CFA) Standards and organisational risks. The annual self-assessment undertaken by the LCFS of the counter fraud activity completed within the UHB assessed performance as green against the NHS CFA's fraud, bribery and corruption standards. All key requirements of the Welsh Government (WG) Directions July 2006 to NHS Bodies on Counter Fraud Measures have been achieved.</p> <p>Liaison between internal auditors and the LCFS ensures areas where audit reveals a potential fraud risk, or system vulnerability are assessed by the Counter Fraud Team.</p> <p>The UHB's Standing Orders (SOs) Standing Financial Instructions (SFIs), Financial Procedures and policies; staff training in counter fraud; use of audit testing and audit recommendation in respect of best practice e.g. segregation of duties all minimise the risk of misstatement.</p>
<p>3. What arrangements are in place to report fraud issues and risks to the Audit Committee?</p>	<p>The Health Board is compliant with WG Directions on Counter Fraud Measures 2006 and employs two full time Counter Fraud Specialists (CFS) for this purpose. The CFS</p>	<p>The UHB's Director of Finance is the delegated person responsible for providing strategic management on all aspects of economic crime. This is evidenced by the</p>

Enquiries of management - in relation to fraud

Question	2018-19 Response	2019-20 Response
	<p>role includes raising awareness of fraud, undertaking preventative action and investigation of potential Fraud Act 2006 offences. The Audit Committee receive regular updates of CFS on all areas of work including production of an Annual Report.</p>	<p>preparation of the antifraud, bribery and corruption work plan, along with counter fraud annual report and progress reports presented on a bi-monthly basis to Audit & Risk Assurance Committee (ARAC). HDUHB has nominated the Board Secretary as its Fraud Champion.</p> <p>The annual report, highlights the activities undertaken by the Counter Fraud Service, to demonstrate compliance with the NHS CFA guidance on working with fraud, bribery and corruption. The standards are reviewed on a regular basis and cross referenced against work undertaken by the Lead LCFS.</p>
<p>4. How has management communicated expectations of ethical governance and standards of conduct and behaviour to all relevant parties, and when?</p>	<p>Standards of Behaviour Policy is publicly available on the Health Board's website and routinely communicated in all Local Counter Fraud presentations (Bribery, Corruption, Gifts and Hospitality is covered) and potentially fraud related elements are notified to staff through the payslip messaging system throughout the year and via global emails. The Standards of Behaviour Policy will be refreshed as part of its three-year review in May 2019. Links to the Counter Fraud policy and associated 'All Wales Raising Concerns (Whistle blowing) Policy', are also made available to all staff via the Counter Fraud page on the staff intranet.</p>	<p>The LCFS has supported the Corporate Governance Team in raising awareness around the requirements of the Standards of Behaviour Policy. Specifically the requirement around Declaration of Interests and Gifts, Hospitality and Sponsorship.</p> <p>The LCFS' have an on-going work programme with the NHS Counter Fraud Service (Wales) to develop an Anti-Fraud Culture within the NHS. There is an anti-fraud, bribery and corruption policy in place that outlines the responsibilities of staff in countering Fraud and corruption within the UHB. Links to the Counter Fraud policy and</p>

Enquiries of management - in relation to fraud

Question	2018-19 Response	2019-20 Response
	<p>Induction training and the Managers Passport training sessions include Counter Fraud presentations</p>	<p>associated 'All Wales Raising Concerns (Whistle blowing) Policy' are also made available to all staff via the Counter Fraud page on the staff intranet.</p> <p>Fraud awareness presentations have been provided in numerous ways including Induction, Managers Passport, student placements, Medicine Safety Days, Finance Department Induction. Bespoke face to face Counter Fraud learning has also targeted staff groups at higher risk of contact with fraud such as recruitment, finance, community based staff and staff who work with service users with learning disabilities.</p> <p>Communications links have been enhanced and developed over this work period and the Counter Fraud Team now has a dedicated Twitter account to promote the counter fraud message.</p>
<p>5. Are you aware of any instances of actual, suspected or alleged fraud within the audited body since 1 April 2019?</p>	<p>The Health Board employs 2 full time Local Counter Fraud Specialists who investigate all suspicions of fraud within the Organisation. The Health Board has a Counter Fraud Policy which requires all instances of Fraud to be reported to the Local Counter Fraud Specialist for review and investigation as required.</p>	<p>Update reports on the status of current cases are supplied to ARAC on a regular basis. The reports are discussed during the in-committee section of the meeting to ensure confidentiality of investigation and fairness to investigation subjects.</p>

Enquiries of management - in relation to fraud

Question	2018-19 Response	2019-20 Response
	<p>The LCFS logs all cases of suspected fraud on the NHS fraud case management system and investigates matters in line with relevant legislation and the NHS counter fraud manual.</p> <p>Since 01 April 2018 36 cases of fraud have been actively investigated. Of these 18 remain open for investigation with one case proceeding to Court and one case file with CPS for prosecution decision. 6 cases resulted in an internal sanction and 12 cases were closed as no fraud found or proven.</p> <p>Civil/Voluntary financial recoveries of £24,467.55 were made in 5 cases.</p>	<p>The Counter Fraud Team has actively investigated 26 reports of financial crime in this year, which includes 15 cases carried over from the previous year with 11 new investigations initiated in 2019/20. This work has resulted in the application of 3 criminal sanctions, 3 internal sanctions and 4 civil recoveries.</p> <p>The total recovery for the UHB in relation to fraud investigations stands at £21,015. Seven investigations remain open for investigation in 2019/20.</p> <p>Given this work, it is reasonable to conclude the accounts have not been subject to a risk of material fraud.</p>

Enquiries of those charged with governance – in relation to fraud

Question	2018-19 Response	2019-20 Response
<p>1. How does the Audit and Risk Committee, exercise oversight of management's processes for identifying and responding to the risks of fraud within the audited body and the internal control that management has established to mitigate those risks?</p>	<p>The CFS have established a Fraud theme on the Health Board's Risk Management System. This allows all staff to register fraud risks on their own risk register for the attention of CFS. Adherence with the Counter Fraud work plan is also reviewed, and progress/recommendations are reported to Audit and Risk Assurance Committee.</p>	<p>Regular attendance by the Lead LCFS at ARAC provides the opportunity for Independent Members (IM) to be updated on fraud matters and provide input on direction. Learning arising from LCFS work around risk reduction and investigation outcomes are shared with relevant leads and updates provided via ARAC. The UHB's IMs also hold a private meeting with the LCFS on an annual basis to discuss any issues arising.</p>
<p>2. Are you aware of any instances of actual, suspected or alleged fraud with the audited body since 1 April 2019?</p>	<p>The Health Board employs 2 full time Local Counter Fraud Specialists who investigate all suspicions of fraud within the Organisation. The Health Board has a Counter Fraud Policy which requires all instances of Fraud to be reported to the Local Counter Fraud Specialist for review and investigation as required.</p> <p>The LCFS logs all cases of suspected fraud on the NHS fraud case management system and investigates matters in line with relevant legislation and the NHS counter fraud manual.</p> <p>Since 01 April 2018 36 cases of fraud have been actively investigated. Of these 18 remain open for investigation with one case</p>	<p>Update reports on the status of current cases are supplied to ARAC on a regular basis. The reports are discussed during the in-committee section of the meeting to ensure confidentiality of investigation and fairness to investigation subjects.</p> <p>The Counter Fraud Team has actively investigated 26 reports of financial crime in this year, which includes 15 cases carried over from the previous year with 11 new investigations initiated in 2019/20. This work has resulted in the application of 3 criminal sanctions, 3 internal sanctions and 4 civil recoveries.</p> <p>The total recovery for the UHB in relation to fraud investigations stands at £21,015.</p>

Enquiries of those charged with governance – in relation to fraud

Question	2018-19 Response	2019-20 Response
	<p>proceeding to Court and one case file with CPS for prosecution decision. 6 cases resulted in an internal sanction and 12 cases were closed as no fraud found or proven</p> <p>Civil/Voluntary financial recoveries of £24,467.55 were made in 5 cases.</p>	<p>Seven investigations remain open for investigation in 2019/20.</p> <p>The value of these is not anticipated to exceed £40k in total.</p>

Appendix 2

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 Audit Committee, is responsible for ensuring that the Health Board'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;
- 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 Audit Committee as to whether the Health Board 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.

Enquiries of management – in relation to laws and regulations

Question	2018-19 Response	2019-20 Response
1. How have you gained assurance that all relevant laws and regulations have been complied with?	<p>Legal implications are considered as necessary in all papers to the Board or Board Committees. In addition a legislative assurance framework is in place, reporting to the Audit & Risk Assurance Committee. Executive Directors also have delegated responsibilities which are captured in the Detailed Scheme of Delegation. The Chief Executive is responsible for performance management of Directors and for providing assurance to the Board. In addition, compliance with laws and regulations are tested by the Board's Committees which are supported in this task by internal and external audit and assurance testing. The Directors are also part of national peer groups and work with other Health Boards to gain assurance.</p>	<p>The UHB has taken reasonable endeavours to comply with identified relevant legislation. Legal implications are considered as necessary in all papers to the Board or Board Committees. In addition a legislative assurance framework is in place. Executive Directors also have delegated responsibilities which are captured in the Detailed Scheme of Delegation. The Chief Executive Officer is responsible for performance management of Directors and for providing assurance to the Board. In addition, compliance with laws and regulations is tested by the Board's Committees which are supported in this task by internal and external audit and assurance testing.</p>
2. Have there been any instances of non-compliance or suspected non-compliance with relevant laws and regulations since 1 April 2019, or earlier with an ongoing impact on the 2019-20 financial statements?	<p>There have not been any instances of non-compliance or suspected non-compliance with relevant laws and regulations since 1 April 2018, or earlier with an ongoing impact on the 2018-19 financial statements. However ARAC are aware of an issue with non-compliance with the European Working Time Directive, with switchboard staff working in the IM&T directorate. Management are investigating a short term solution prior to the upgrade of the switchboard system. The Board has</p>	<p>During 2019/20, the Health and Safety Executive issued 8 Improvement Notices and 13 material breaches to the UHB in relation to violence and aggression, manual handling and incident management. In addition, the UHB also received 5 Enforcement Notices in respect of The Regulatory Reform (Fire Safety) Order 2005: Article 30. ARAC are also aware of an issue of non-compliance with the European Working Time Directive, with switchboard staff working in the IM&T</p>

	been made aware of the non-compliance. This is documented within the Health Board's wider legislative assurance framework. The breach would not have a material impact on the Financial Statements of the Health Board	directorate. A follow up review by Internal Audit in March 2020 provided Reasonable Assurance however due to COVID the instances of one person covering switchboards has increased due to some staff needing to self-isolate or deemed too at risk to work. Switchboard modernisation is expected to be implemented by March 2021. These breaches have not had a material impact on the UHB's Financial Statements.
3. Are there any potential litigations or claims that would affect the financial statements?	All known litigations/claims are either provided for within the financial statements or disclosed as a contingency liability or contingent asset as appropriate	All known litigations/claims are either provided for within the financial statements or disclosed as a contingency as appropriate.
4. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	No	A number of routine reviews have been undertaken during the year or are on-going by HMRC that are reported to ARAC. Where these have been concluded and identified underpayment this has been paid in full.

Enquiries of those charged with governance – in relation to laws and regulations

Question	2018-19 Response	2019-20 Response
1. How does the Audit and Risk Committee, in its role as those charged with governance, obtain assurance that all relevant laws and regulations have been complied with?	The Audit & Risk Assurance Committee, through the UHB's reporting process is provided with assurance from the monitoring committees and sub committees. Any known/identified	The UHB has taken reasonable endeavours to comply with identified relevant legislation. The ARAC, through the UHB's reporting process is provided with assurance from the monitoring

Enquiries of those charged with governance – in relation to laws and regulations

Question	2018-19 Response	2019-20 Response
	<p>departure from compliance would be highlighted by this means and the associated risks of non-compliance assessed and managed appropriately by the lead. In addition, the Audit & Risk Assurance Committee scrutinises the Legislative Assurance Framework presented to it by management. This document and the accompanying report outlines the action being taken to ensure the UHB can be confident that it is complying with existing requirements and is in a position to respond to new legislation.</p>	<p>committees and sub committees. Any known/identified departure from compliance would be highlighted by this means and the associated risks of non-compliance assessed and managed appropriately by the lead. In addition, the UHB has a Legislative Assurance Framework (LAF) in place which lists key legislation and this is routinely reviewed with Directorates and informed by audits/inspections/reviews findings. Areas of non-compliance are risk assessed to provide assurance that the issue of non-compliance is addressed and the impacts are mitigated as far as reasonably practicable.</p>
<p>2. Are you aware of any instances of non-compliance with relevant laws and regulations?</p>	<p>There have not been any instances of non-compliance or suspected non-compliance with relevant laws and regulations since 1 April 2018, or earlier with an ongoing impact on the 2018-19 financial statements. However ARAC are aware of an issue with non-compliance with the European Working Time Directive, with switchboard staff working in the IM&T directorate. Management are investigating a short term solution prior to the upgrade of the switchboard system. The Board has been made aware of the non-compliance. This is documented within the Health Board's wider legislative</p>	<p>There are areas of limited assurance identified on the LAF by Directorates, in addition to those outlined above, which have been risk assessed and have plans to address issues. These relate to the following</p> <ul style="list-style-type: none"> • Safeguarding Vulnerable Groups Act 2006 in respect of historical DBS checks • Medicines Act 1968 in respect of wholesale license • Violence against Women and Sexual Violence (Wales) Act 2015 in respect to levels of attendance at mandatory training.

Enquiries of those charged with governance – in relation to laws and regulations

Question	2018-19 Response	2019-20 Response
	assurance framework. The breach would not have a material impact on the Financial Statements of the Health Board.	<ul style="list-style-type: none">Counter Terrorism & Security Act 2015 in respect of site security.

Appendix 3

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 entity'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 entity's failure to appropriately account for or disclose related party relationships, transactions or balances in accordance with the requirements of the framework.

Enquiries of management – in relation to related parties

Question	2018-19 Response	2019-20 Response
<p>1. Confirm that you have disclosed to the auditor:</p> <ul style="list-style-type: none"> • the identity of any related parties, including changes from the prior period; • the nature of the relationships with these related parties; • details of any transactions with these related parties entered into during the period, including the type and purpose of the transactions. 	<p>Yes, will be fully disclosed within the Annual Accounts.</p>	<p>Yes, fully disclosed within the Annual Accounts.</p>
<p>2. What controls are in place to identify, authorise, approve, account for and disclose related party transactions and relationships?</p>	<p>A fully comprehensive Declaration of Interest form is completed and returned by each Board member annually. This declaration is also returned if there are any changes in interests throughout the year. In addition, any Board member may declare any change in their interests at the Board meetings. A central Register of Interests is maintained, copies of this central register together with the signed declarations are made available to Finance in order that all related party financial transactions are identified and incorporated in the Annual Accounts. These financial transactions are then subject to WAO and Audit Committee scrutiny. Each Board member has the opportunity to disclose interests at each Board meeting.</p>	<p>A fully comprehensive Declaration of Interest form is completed and returned by each Board member annually. This declaration is also returned if there are any changes in interests throughout the year. In addition, any Board member may declare any change in their interests at the Board and Committee meetings. A central Register of Interests is maintained, copies of this central register together with the signed declarations are made available to Finance in order that all related party financial transactions are identified and incorporated in the Annual Accounts. These financial transactions are then subject to Audit Wales and ARAC scrutiny.</p>

Enquiries of the those charged with governance – in relation to related parties

Question	2018-19 Response	2019-20 Response
1. How does the Audit Committee, in its role as those charged with governance, exercise oversight of management's processes to identify, authorise, approve, account for and disclose related party transactions and relationships?	The Audit & Risk Assurance Committee on behalf of the Board considers related party disclosures as an integral element of its scrutiny of the annual accounts and underpinning processes and is assured through SFIs and underpinning Financial Procedure that there are effective internal controls.	ARAC on behalf of the Board considers related party disclosures as an integral element of its scrutiny of the annual accounts and underpinning processes and is assured through SFIs and underpinning Financial Procedure that there are effective internal controls.