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Mr Mark Hackett, Chief Executive  
Mr Darren Griffiths, Director of Finance  
Swansea Bay University Health Board  
One Talbot Gateway  
Baglan Energy Park  
Port Talbot  
SA12 7BR

**Reference:** SBUHB 22-23

**Date issued:** 16 March 2023

Dear Mark and Darren

## **Audit enquiries to 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 formally seeks documented consideration and understanding on a number of governance areas that impact on our audit of your financial statements. These considerations are relevant to both the management of the Health Board and 'those charged with governance' (the Board).

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

- Matters in relation to fraud
- Matters in relation to laws and regulations
- Matters in relation to related parties

The information you provide 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.

I would be grateful if you could update the attached table in **Appendix 1** to **Appendix 3** for 2022-23.

The completed **Appendix 1** to **Appendix 3** should be formally considered and communicated to us on behalf of both management and those charged with governance by 14 April 2023. In the meantime, if you have queries, please contact me on 07970737478 or [jason.blewitt@audit.wales](mailto:jason.blewitt@audit.wales).

Yours sincerely



Derwyn Owen

Engagement Lead

# Appendix 1

## Matters in relation to fraud

International Standard for Auditing (UK) 240 covers auditors' responsibilities relating to fraud in an audit of financial statements. This standard has been revised for 2022-23 audits.

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. 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, management's process for identifying and responding to the risks and the internal controls established to mitigate them.

## Enquiries of management – in relation to financial reporting

Question	2022-23 Response
Are there any significant matters or events which have occurred during the year which could influence our audit approach or the Health Board's financial statements?	<p>IFRS 16 Leases supersedes IAS 17 Leases and became effective in the public sector from 1 April 2022. IFRS 16 provides a single lessee accounting model and requires a lessee to recognise right-of-use assets and liabilities for leases with a term more than 12 months unless the underlying value is of low value. This new accounting standard has resulted in changes in the format and content of the draft accounts – in line with the Manual of accounts issued by the Welsh Government.</p> <p>There have not been any significant structure or board changes during the year.</p> <p>There have not been any significant claims against the Health Board or significant increases in provisions during the financial year.</p>
What are your general views on the entity's risk assessment process relating to financial reporting?	<p>The Health Board's risk assessment process relating to financial reporting is considered to be robust. This is supported by the findings and work plans of External and Internal Audit during 2022-23.</p>

## Enquiries of management – in relation to financial reporting

Question	2022-23 Response
	<p>No issues were raised in the ISA 260 report to the Audit Committee or the Auditor General's opinion on the 2021-22 financial statement as to any significant issues, concerns or risk associated with the financial reporting processes within the Health Board. No issues have been raised with the content or form of the financial information presented.</p> <p>The internal audit plan for 2023-24 is risk-based and recognises the need for the prioritisation of audit coverage to provide assurance on the management of key areas of risk, and our approach addresses this by considering:</p> <ul style="list-style-type: none"><li>• the organisation's risk assessment and maturity;</li><li>• the organisation's response to key areas of governance, risk</li><li>• management and control;</li><li>• the previous years' internal audit activities; and</li><li>• the audit resources required to provide a balanced and comprehensive view.</li></ul>

## Enquiries of management – in relation to financial reporting

Question	2022-23 Response
	<p>The plan does not identify financial reporting as an area of risk.</p> <p>The Health Board was de-escalated to routine arrangements from enhanced monitoring for finance and planning during 2022-23 as it had an approved IMTP.</p>
Are you aware of significant transactions that are outside the normal trading activities of the business?	No – other than a payment of £1.2m relating to the decommissioning costs, post vacation, of the Bay Field Hospital during 2022-23. This payment was made as a commercial settlement agreed by the Board and Welsh Government.
Are you aware of any transactions, events or changes in circumstances that would cause impairments of non-current assets?	<p>At each reporting period end, the Health Board checks whether there is any indication that any of its non-current assets have suffered an impairment loss.</p> <p>Annually on completion of capital schemes, an assessment of the scheme value is undertaken by the district valuer which may result in the asset valuation being lower than the cost of the scheme, leading to an impairment.</p>

## Enquiries of management – in relation to financial reporting

Question	2022-23 Response
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>Significant estimations are made in relation to on-going clinical negligence and personal injury claims. Assumptions as to the likely outcome, the potential liabilities and the timings of these litigation claims are provided by independent legal advisors. Any material changes in liabilities associated with these claims would be recoverable through the Welsh Risk Pool.</p> <p>Significant estimations are also made for continuing care costs resulting from claims post 1 April 2003. An assessment of likely outcomes, potential liabilities and timings of these claims are made on a case by case basis. Material changes associated with these claims would be adjusted in the period in which they are revised.</p> <p>Estimates are also made for contracted primary care services. These estimates are based on the latest payment levels. Changes associated with these liabilities are adjusted in the following reporting period.</p> <p>The methodology for these significant estimates is approved by the Audit Committee on an annual basis.</p>

Enquiries of management – in relation to financial reporting	
Question	2022-23 Response
Have there been any changes in accounting policies in relation to significant estimates?	No
Have there been any issues that may impact the preparation of the accounts identified so far?	No The implementation of IFRS 16 Leases will lead to additional work following 31 March 2023 however the impact on the preparation of the accounts should be limited due to the extension of the draft accounts submission deadline to 5 May 2023.
Do you have knowledge of events or conditions beyond the period of the going concern assessment that may cast significant doubt on the entity's ability to continue as a going concern?	No
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.	No



## Enquiries of management – in relation to financial reporting

Question	2022-23 Response
Please provide information on the status of contingencies from the prior year.	<p>The Health Board holds contingent liabilities in respect of clinical negligence and personal injury claims. The contingent liabilities represent those claims with a probability of success between 6 and 49% as provided by NWSSP Legal and Risk Services.</p> <p>Such claims may move during the year from contingent liabilities to requiring a provision as more information on the claims become available. Any movement in provisions is offset by a movement in the Welsh Risk Pool debtor, where the provision required is above the health board excess of £25k per claim.</p> <p>The Health Board also accounts for retrospective continuing health care claims as both provisions and contingent liabilities. The provisions and contingent liabilities are calculated on historic success rates for such claims.</p>

## Enquiries of management – in relation to fraud

Question	2022-23 Response
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## Enquiries of management – in relation to financial reporting

Question	2022-23 Response
<p>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 Health Board has a counter fraud, bribery and corruption policy and response plan in place which is intended to provide direction and help to staff, or board members who identify and/or find themselves having to deal with suspected cases of economic crime. It gives a framework for a response, and advice and information on various aspects and implications of an investigation. A written work plan is produced at the beginning of each financial year, the content of which takes due account of the following:</p> <ul style="list-style-type: none"><li>• An assessment of the work required to ensure consistent and effective implementation and delivery of the NHS Counter Fraud Authority Fraud, Bribery and Corruption Standards for NHS bodies</li><li>• Measures required to address any recommendations made following quality assessment reviews undertaken by the NHS Counter Fraud Authority</li><li>• An assessment of the main risks facing the health board at that time Progress against the plan is monitored during the year by the Director of Finance and Audit Committee.</li></ul>

## Enquiries of management – in relation to financial reporting

Question	2022-23 Response
	The Health Board is also required to demonstrate compliance with NHS Requirements of Government Functional Standard 013 Counter Fraud.
Do you have knowledge of any actual, suspected or alleged fraud affecting the audited body?	<p>Via regular reporting to the Audit Committee, the Health Board is made aware of allegations of fraud received. The Health Board had 24 active investigations into allegations of fraud at 1<sup>st</sup> April 2022. 38 allegations have been received and logged on the NHS Counter Fraud Authority Case Management System since April 2022 with 39 investigations closed. Investigations have resulted in the application of 4 criminal sanctions, 5 disciplinary sanctions and 15 civil financial recoveries with a value of £151,840.</p> <p>None of these fraud investigations related to financial reporting concerns.</p> <p>The progress and subsequent outcome of all investigations undertaken is also reported to the Director of Finance and Audit Committee.</p>

## Enquiries of management – in relation to financial reporting

Question	2022-23 Response
What is management's process for identifying and responding to the risks of fraud in the audited body, including any specific risks of fraud that management has identified or that have been brought to its attention?	<p>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>The Health Board's Counter Fraud Team are the main point of contact for economic crime matters. The Team has accredited counter fraud specialists trained to undertake the range of activity required.</p> <p>Concerns of fraud are actioned by that Counter Fraud Team in line with the Health Board's Counter Fraud Policy and Response Plan.</p>

## Enquiries of management – in relation to financial reporting

Question	2022-23 Response
What classes of transactions, account balances and disclosures have you identified as most at risk of fraud?	An increase in mandate fraud, whereby fraudsters seek to change bank account details of suppliers to divert payments to accounts they control, have targeted the NHS throughout 2022/23 with new cyber enabled methods deployed. This resulted in NHS Counter Fraud Authority issuing a Fraud Prevention Notice around Cyber Enabled Mandate Fraud risks. A comprehensive risk assessment was undertaken in response to the Notice by the Counter Fraud Team and reported to the Health Board's Audit Committee in September 2022.
Are you aware of any whistleblowing or complaints by potential whistle blowers? If so, what has been the audited body's response?	No referrals received by the Counter Fraud Team have been classed as whistleblowing under the Health Board's Raising Concerns Policy instead being actioned under the Health Board's Counter Fraud Policy and Response Plan as allegations of Fraud, Bribery and Corruption.
What is management's communication, if any, to those charged with governance regarding their	The Health Board is committed to ethical corporate governance and the corporate governance framework

## Enquiries of management – in relation to financial reporting

Question	2022-23 Response
<p>processes for identifying and responding to risks of fraud?</p>	<p>communicates expectations to staff and board members. The governance framework includes standing orders, standards of business conduct, standing financial instructions, a values and behaviour framework and a variety of corporate policies that outline processes to be followed, for example dress code policy, bribery policy etc. These documents are reviewed regularly, with updates to the Standards of Business Conduct being approved by the Board in September 2022.</p> <p>The Health Board is a values-based organisation. Working with patients and staff, it has established a values and behaviour framework based upon three core values: 'Caring for each other'; 'Working together' and 'Always improving'. These values will increasingly drive the work of the board, including values-based recruitment and values-based appraisal of staff.</p> <p>Board members are required to live up to the highest ethical standards of integrity and probity and comply fully with the standing orders and the code of conduct.</p>

## Enquiries of management – in relation to financial reporting

Question	2022-23 Response
What is management's communication, if any, to employees regarding their views on business practices and ethical behaviour?	<p>The Health Board has a Standards of Business Conduct Policy which incorporates declaration of gifts, hospitality and honoria and declaration of interests. The Policy sets out the Health Board's commitment to ensuring that its employees and independent members practice the highest standards of conduct and behaviour.</p> <p>The Health Board has a programme of fraud awareness undertaken in line with requirements of NHS Requirements of Government Functional Standard 013 Counter Fraud - Requirement 11. Included in fraud awareness training is reference to the Health Board's Standards of Business Conduct Policy. This was supplemented in year by issuance of awareness article via the Health Board's Intranet site around Declaration of Interests requirements contained in the Policy.</p>
For service organisations, have you reported any fraud to the user entity?	No fraud reported. Advice and guidance was provided to a hosted organisation around potential fraud concerns in the last year.

## Enquiries of management – in relation to financial reporting

### Question

### 2022-23 Response

## Enquiries of those charged with governance – in relation to fraud

### Question

### 2022-23 Response

Do you have any knowledge of actual, suspected or alleged fraud affecting the audited body?

Via regular reporting to the Audit Committee, the Health Board is made aware of allegations of fraud received. The Health Board had 24 active investigations into allegations of fraud at 1<sup>st</sup> April 2022. 38 allegations have been received and logged on the NHS Counter Fraud Authority Case Management System since April 2022 with 39 investigations closed. Investigations have resulted in the application of 4 criminal sanctions, 5 disciplinary sanctions and 15 civil financial recoveries with a value of £151,840. The progress and subsequent outcome of all investigations undertaken is also reported to the Director of Finance and Audit Committee.



## Enquiries of management – in relation to financial reporting

Question	2022-23 Response
What is your assessment of the risk of fraud within the audited body, including those risks that are specific to the audited body's business sector?	<p>The NHS Counter Fraud Authority set out 129 Fraud Risk Descriptors affecting the NHS. Local risk assessments centre on 29 core risk areas derived from these Fraud Risk Descriptors.</p> <p>Overall the risks can be described as low risk of individual high loss but an increased risk of high volume, low loss frauds.</p>
How do you exercise oversight of: <ul style="list-style-type: none"><li>• management's processes for identifying and responding to the risk of fraud in the audited body, and</li><li>• the controls that management has established to mitigate these risks?</li></ul>	<p>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>

# 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, 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 enquiries of management and those charged with governance 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	2022-23 Response
<p>What are the policies and procedures in place to identify applicable legal and regulatory requirements to ensure compliance?</p>	<p>Where relevant, key policies/procedures identify and reference applicable legal and regulatory requirements. Examples include, but are not limited to:</p> <ul style="list-style-type: none"> <li>• Access to Health Records</li> <li>• Disciplinary Policy</li> <li>• Bribery Policy</li> <li>• Claims Management Policy</li> <li>• Counter Fraud Policy</li> <li>• Disclosure &amp; Barring Policy</li> <li>• Health &amp; Safety Policy</li> <li>• Intellectual Property Policy</li> <li>• Standing Financial Instructions</li> <li>• Standards of Business Conduct</li> </ul>
<p>Are you aware of any instances of non-compliance with laws or regulations? Has the Health Board received any notice of any such known of possible instances of non-compliance?</p>	<p>The board's committees would initially be made aware of any non-compliance with relevant laws and regulations (depending on the severity of the non-compliance) and individual committees would inform the board as required.</p>

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

Question	2022-23 Response
	<p>We are not aware of any instances of non-compliance or suspected non-compliance with relevant laws and regulations that have a direct effect on determining material amounts and disclosures in the financial statements, or where compliance may be fundamental to the continuance of operations, or to avoid material penalties.</p>
<p>Have there been any examinations or inquiries performed by licensing, tax or other authorities/regulators?</p>	<p>The NHS Counter Fraud Authority conducted a Quality and Compliance Assurance inspection with the Health Board in 2022/23. The inspection focussed on testing fraud risk assessment and local proactive exercises.</p>
<p>Are there any potential litigations or claims that would affect the financial statements?</p>	<p>All known clinical negligence, personal injury and GP indemnity cases have been assessed by legal and risk services who form part of NWSSP and the financial impact included within the financial statements, either as provisions or contingent liabilities as appropriate.</p> <p>All known redress claims raised under the Putting Things Right Scheme have been assessed by the health board's claim managers, taking advice from</p>

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

Question	2022-23 Response
	<p>legal and risk services. The financial impact of these claims is included within the financial statements, either as provisions or contingent liabilities as appropriate.</p> <p>All known continuing healthcare retrospective cases have been assessed by the local nursing teams responsible for the review of all such claims and the financial impact included as provisions or contingent liabilities as appropriate, as agreed with Audit Wales.</p> <p>All losses, including the above, are reported to the Audit Committee and in financial statements appropriately.</p>
<p>Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?</p>	<p>No</p>
<p>For the Health Board's service organisations, have you reported any non-compliance with laws and regulations?</p>	<p>No non-compliance with laws and regulations has been reported for the Health Board's service organisations.</p>

### Enquiries of management – in relation to control environment and IT systems

Question	2022-23 Response
Have there been any changes to significant IT systems or applications in the period?	No

### Enquiries of management – in relation to risk and governance

Question	2022-23 Response
How do you communicate to those charged with governance regarding business risks including fraud?	<p>Detailed reports on the content of, and movements within, the Health Board Risk Register and Board Assurance Framework, are received on a regular basis by the Board and its Committees.</p> <p>The Health Board has a Risk Management Policy in place, which is reviewed/updated on a regular basis, and approved by the Board. The Board also sets/approves the organisation's risk appetite.</p>

## Enquiries of management – in relation to risk and governance

Question	2022-23 Response
	<p>The Health Board has a programme of fraud awareness undertaken in line with requirements of NHS Requirements of Government Functional Standard 013 Counter Fraud - Requirement 11. Targeted risk based fraud awareness training is delivered under this programme.</p> <p>Alerts and intelligence of emerging fraud risks are shared with the business areas affected by those risks by the Counter Fraud Team.</p>
What is the allocation of responsibilities between those charged with governance and management?	<p>All staff have a responsibility for promoting risk management, adhering to SBUHB policies and have a personal responsibility for patients' safety. The Health Board encourages staff to take ownership of their responsibilities through a two-way communication process, with appropriate training and support, to identify and manage risk.</p> <p>In terms of specific roles and responsibilities, these are clearly set out in the Risk Management Policy, which is regularly reviewed/updated, and approved by the Board.</p>

## Enquiries of management – in relation to risk and governance

Question	2022-23 Response
What procedures are in place to ensure the compliance and completeness of Governance reports?	These are part of the Management Board and Audit Committee work programmes for regular assurance and scrutiny, with a corporate governance report also included on each board agenda to highlight critical issues.
What procedures are in place to ensure the compliance and completeness of Sustainability reports?	Executive and action leads nominated for key areas Senior Responsible Officer for Sustainability responsible for processes to collate reports Management Board approve reports for submission Board receive reports and inform future developments through Board Development Sessions



Enquiries of management – in relation to regularity	
Question	2022-23 Response
What is your assessment of the risk of material irregularity, in respect of the 2022-23 financial statements?	<p>Low Risk</p> <p>Expenditure and income in the financial statements complies with the NHS Act.</p> <p>Our assessment is that the financial transactions recorded in the ledger are free of misstatement and in line with the powers given to the Health Board.</p> <p>There have no changes to the processes to record transactions in the financial statements in 2022/23 and the health board believes that as in previous years that the transactions are free from material misstatement</p>
What is the process for responding to the risk of irregularity?	<p>The Board Assurance Framework (a comprehensive document) provides assurance to the Board on Health Board activity, including any risk of irregularity.</p> <p>The Board Assurance Framework is regularly reported upon to the Audit Committee and Board. It is intended to enable the Board to:</p> <ul style="list-style-type: none"> <li>• Establish the key controls in place which contribute to the Health Board achieving its strategic objectives.</li> </ul>

Enquiries of management – in relation to regularity	
Question	2022-23 Response
	<ul style="list-style-type: none"> <li>• Identify sources of assurance regarding the adequacy, suitability, completeness and operation of those controls.</li> <li>• Receive assurance that, where gaps in control or assurance are identified or the need for improvement has been highlighted, appropriate action is being taken.</li> <li>• Provide an overall assessment of assurance regarding the adequacy and operation of controls in place.</li> </ul> <p>Work is currently ongoing to further enhance the Board Assurance Framework following meetings with Audit Wales and NWSSP Audit &amp; Assurance colleagues, and to ensure its alignment with the Health Board Strategic Objectives contained within the Recovery &amp; Sustainability Plan.</p>
What is the communication, if any, to those charged with governance regarding management's processes for identifying and responding to risks of irregularity?	As above

Enquiries of management – in relation to regularity	
Question	2022-23 Response
What is your knowledge of actual, suspected or alleged irregularity?	<p>None.</p> <p>It must be noted, however, that the Auditor General for Wales has deemed as irregular expenditure the provision and offsetting debtor to Welsh Government included in the 2021/22 annual accounts in respect of the Ministerial Direction on senior clinicians' pensions regarding the 2019-20 Scheme Pays Reimbursement. As the provision, corresponding debtor with Welsh Government and actual payments made by Welsh Government will again be included in the 2022/23 accounts it is probable that the Auditor General will again deem this as irregular expenditure which may again result in a qualification of the "regularity" opinion.</p>
Where service organisations are used by the Health Board, have any irregularities been reported to the user Health Board?	No

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

Question	2022-23 Response
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 entity?	<p>The Board's committees would initially be made aware of any non-compliance with relevant laws and regulations (depending on the severity of the non-compliance) and individual committees would inform the Board as required.</p> <p>We are not 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>
How does the Board, in your role as those charged with governance, obtain assurance that all relevant laws and regulations have been complied with?	<p>The Health Board's reporting structure ensures that ward to Board reporting is in place, to know how all our services are performing against key national and local targets. The Board and its committees receive regular reports on key areas of legislative and regulatory compliance as part of their normal cycle of business. The following committees oversee compliance:</p> <ul style="list-style-type: none"><li>• Quality and Safety Committee</li><li>• Health and Safety Committee</li><li>• Audit Committee</li><li>• Workforce and OD Committee</li></ul>

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

Question	2022-23 Response
	<ul style="list-style-type: none"><li>• Mental Health Legislation Committee</li><li>• Performance and Finance Committee</li></ul> <p>The Health Board is subject to regular internal and external audits, as well as reviews by regulatory bodies such as Healthcare Inspectorate Wales and the Health &amp; Safety Executive, which review compliance with legislative and regulatory frameworks. Reports issued following any such review will be considered by the relevant committee.</p> <p>The Health Board has systems of internal control including policies and standards operating procedures which clarify processes and procedure to ensure compliance with key laws and regulations.</p>

# Appendix 3

## Matters in relation to related parties

International Standard for Auditing (UK) 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	2022-23 Response
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? Confirm these have been disclosed to the auditor.	<p>Information on related parties was shared with Audit Wales during the interim audit in March 2023.</p> <p>Each Director has provided details of their interests outside of the health board which form the basis of the related parties disclosure</p> <p>All related party interests and associated transactions will be reported through the financial statements for 2022-23.</p> <p>To observe good governance, declarations of interest are reported to the Audit Committee on an annual basis. The declarations of interest register report was last submitted to the Audit Committee in May 2022.</p> <p>The NHS Wales manual for accounts sets out that all NHS bodies are required to publish information concerning board members within their annual accountability statement, which is presented to the Audit Committee and board as part of the end of year arrangements, along with the annual report.</p>

## Enquiries of management – in relation to related parties

Question	2022-23 Response
What transactions have been entered into with related parties during the period? What is the purpose of these transactions? Confirm these have been disclosed to the auditor.	<p>The Financial Statements disclose the identity of related parties and are compliant with the requirements of accounting legislation.</p> <p>All transactions entered into with related parties are in respect of services provided to or from the Health Board in its normal course of activities – the final value of the transactions and balances will be reported in the Financial Statements for the year ended 31 March 2023 and disclosed to the auditors.</p> <p>To observe good governance, declarations of interest are reported to the Audit Committee on an annual basis. The declarations of interest register report was last submitted to the Audit Committee in May 2022.</p> <p>The NHS Wales manual for accounts sets out that all NHS bodies are required to publish information concerning board members within their annual accountability statement, which is presented to the Audit Committee and board as part of the end of year arrangements, along with the annual report.</p>
What controls are in place to identify, account for and disclose related party transactions and relationships?	Each Director provides details of their interests outside of the Health Board and any relationships with family



## Enquiries of management – in relation to related parties

Question	2022-23 Response
	<p>members who have positions of influence in related parties, which form the basis of the related parties disclosures.</p> <p>If any potential conflicts of interest are highlighted or reported the person would be excluded from participating in any current or future decision making relating to the activity concerned. Details of directors interests are reported to Audit Committee</p> <p>A register of interests is established and maintained as a formal record of interests declared by staff and board members. The register includes details of directorships, pecuniary (financial) and nonpecuniary interests in organisations that may have dealings with the NHS and memberships of professional committees and third sector bodies. Where relevant it will also include details of interests of close family members or civil partners.</p> <p>Arrangements are in place to prompt specific groups of employees and independent members to complete a declaration of interest form on initial employment with the health board and at annual intervals thereafter.</p> <p>A register of gifts, hospitality and sponsorship whether, accepted or declined, is maintained.</p>

## Enquiries of management – in relation to related parties

Question	2022-23 Response
	<p>Appropriate information from the registers of declarations of interests and gifts, hospitality and sponsorship is published on the UHB Website in accordance with the requirements of the organisations freedom of information publication scheme.</p> <p>Reports detailing the content of the registers of declarations of interests and gifts, hospitality and sponsorship and the effectiveness of the arrangements in place are provided to the Audit Committee at agreed intervals.</p>
<p>What controls are in place to authorise and approve significant transactions and arrangements:</p> <ul style="list-style-type: none"><li>• with related parties, and</li><li>• outside the normal course of business?</li></ul>	<p>The Health Board's Standing Orders state that the Chair and all Board members must annually declare any personal, business or pecuniary interest, direct or in-direct, they have which may affect, or be perceived to affect the conduct of their role as a Board member.</p> <p>This should include, as a minimum, personal direct and indirect financial interests, and also include such interests in the case of close family members. Board members must notify the Board of any such interests at the time of their appointment, and any further</p>

## Enquiries of management – in relation to related parties

Question	2022-23 Response
	<p>interests as they arise throughout their tenure as Board members</p> <p>The Health Board's Standing Orders also state that all members of staff should declare, to the best of their knowledge, if they, or a close relative, or associate, have a controlling or financial interest in a business, which could impact on the activities of the Health Board. All staff must declare all private interests which could potentially result in personal gain as a consequence of their position within the Health Board.</p> <p>All declared Interests have been entered onto the Register which is held corporately and reported to the Audit Committee during the course of the year.</p> <p>Details of related party transactions of Board Members are included within the Annual Accounts which are reviewed and approved by Audit Committee and then the Board.</p> <p>It is a requirement that at the beginning of every board, committee or decision making/formal meeting members and those in attendance will be invited to declare their interests in relation to any items on the agenda. Where a potential conflict is material or the member has a financial/pecuniary interest in the matter</p>

## Enquiries of management – in relation to related parties

Question	2022-23 Response
	<p>under discussion, that person shall withdraw from discussions pertaining to that agenda item and shall not vote upon it. The potential conflict and the action will be recorded in the minutes of the meeting and the register of interests will be updated if required. Where it becomes evident part way through a meeting that there may be a potential conflict the individual must declare their interest immediately. Under certain circumstances the chair may choose to waive the need for the individual to leave the meeting. The advice of the Director of Corporate Governance should always be sought prior to such a decision being made.</p> <p>Interests' declaration forms must be issued for contracts above £5k where competitive quotations or tenders are undertaken at relevant stages within the procurement process as defined in the procurement procedures.</p> <p>Where the procurement lead has concerns about a declared interest, they should refer to the unit director whose options will include:</p> <ul style="list-style-type: none"><li>• To determine whether a conflict of interest exists;</li></ul>

## Enquiries of management – in relation to related parties

Question	2022-23 Response
	<ul style="list-style-type: none"><li>• Seek advice from Director of Corporate Governance or Director of Finance and confirm decision with the procurement lead.</li></ul> <p>Where a conflict has been identified of a significant or serious nature, the following process must be followed:</p> <ul style="list-style-type: none"><li>• Reference to procurement lead and unit director;</li><li>• Referral to Director of Corporate Governance or Director of Finance for immediate decision on appropriateness of inclusion of the “interested party” in the procurement process.</li></ul> <p>It is recognised that in some cases, the “interested party” will be vital to the procurement process/decision and in these circumstances a senior independent colleague should also be present during the process.</p> <p>The above is in addition to the controls exerted by the DOI processes identified elsewhere in this return.</p>

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

Question	2022-23 Response
<p>How does the Board, 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?</p>	<p>To observe good governance, declarations of interest are reported to the Audit Committee on an annual basis. The declarations of interest register report was last submitted to the Audit Committee in May 2022.</p> <p>The NHS Wales manual for accounts sets out that all NHS bodies are required to publish information concerning board members within their annual accountability statement, which is presented to the Audit Committee and board as part of the end of year arrangements, along with the annual report.</p> <p>To observe good governance, declarations of interest are reported to the Audit Committee on an annual basis. The declarations of interest register report was last submitted to the Audit Committee in May 2022.</p> <p>The NHS Wales manual for accounts sets out that all NHS bodies are required to publish information concerning board members within their annual accountability statement, which is presented to the Audit Committee and board as part of the end of year arrangements, along with the annual report.</p>