

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 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. 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	2020-21 response
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>The fundamental financial systems are robustly reviewed by Audit & Assurance on a regular basis to test that they are being used appropriately and that adequate controls are in place. During 2020, this has included a review of additional financial governance systems and processes put in place to capture and report costs incurred as a result of the COVID-19 pandemic.</p> <p>In addition, the Interim Director of Finance and Audit Committee receive Audit & Assurance reports relating to NWSSP (NHS Wales Shared Services Partnership) processing functions including employment services (payroll and recruitment) and procurement and accounts payable. These provide assurance regarding financial controls operated within services performed on the Health Board's behalf under the NWSSP service level agreement (SLA).</p> <p>As well as approving the internal and external audit plans for the year, the Audit Committee approves the annual work programme for the local counter fraud specialist team and the post payment verification programme for General Medical Services (GMS) enhanced services, General Pharmaceutical Services (GPS) enhanced services and General Ophthalmic Services (GOS). Annual reports and audit opinions are also produced, and reviewed by the Committee.</p> <p>The draft annual accounts are reviewed separately by senior key finance staff including the Interim Director of Finance and Head of Accounting & Governance. Analytical reviews are completed and key variances between financial years investigated and explained before they are submitted to Audit Wales for audit review. Presentations of the draft and final accounts are also prepared, which include these key variances, for the Audit Committee's review prior to their approval and recommendation for adoption by the board.</p> <p>Consequently, the health board views the risk of material misstatement within the financial statements as minimal.</p>

Enquiries of management - in relation to fraud

Question	2020-21 response
2. What processes are employed to identify and respond to the risks of fraud more generally and specific risks of misstatement in the financial statements?	<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">• 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• Measures required to address any recommendations made following quality assessment reviews undertaken by the NHS Counter Fraud Authority• An assessment of the main risks facing the health board at that time <p>Progress against the plan is monitored during the year by the Interim Director of Finance and Audit Committee.</p> <p>The Health Board is also required to demonstrate compliance with NHS Requirements of Government Functional Standard 013 Counter Fraud. Component 3 of the Standard requires that the organisation has carried out comprehensive local risk assessments to identify fraud, bribery and corruption risks. Risk Assessments are undertaken in line with internal Risk Management Procedures in relation to identified fraud risks.</p> <p>An Audit Wales report produced in June 2020 identified that the Health Board demonstrates a commitment to counter-fraud, has suitable arrangements to support the prevention and detection of fraud, and is able to respond appropriately where fraud occurs.</p>

Enquiries of management - in relation to fraud

Question	2020-21 response
3. What arrangements are in place to report fraud issues and risks to the Audit Committee?	<p>The health board counter fraud policy and response plan contains details of the mechanisms in place for anyone who has a concern to report it, anonymously if they so desire, via one of the following routes:</p> <ul style="list-style-type: none">• To the local counter fraud specialist (all contact details included)• Director of Finance• National fraud and corruption report line• Online at https://cfa.nhs.uk/reportfraud <p>In addition, the health board has a raising concerns procedure which aims to:</p> <ul style="list-style-type: none">• Encourage staff to discuss concerns (and safety issues) as soon as possible, in the knowledge that their concerns will be taken seriously and acted upon as appropriate,• Encourage staff to report more serious concerns and suspected wrongdoing as soon as possible, in the knowledge that their concerns will be taken seriously and investigated as appropriate, and where requested that their confidentiality will be respected.• Provide staff with guidance as to how to raise those concerns.• Assure staff that they should be able to raise genuine concerns without fear of reprisals, even if they turn out to be mistaken. <p>The procedure outlines a three stage process for raising concerns and under stage one, it states that any concerns regarding potential fraud or corruption should be raised initially with the local counter fraud specialist team. Alternatively, reports can be made via the national fraud and corruption reporting line or website. Full contact details are available via the counter fraud pages of the health board intranet site.</p> <p>Also in place is the Guardian Service which enables staff to raise concerns with an external provider in the knowledge that they will be treated as anonymous when raised with the health board for a response.</p>

Enquiries of management - in relation to fraud

Question	2020-21 response
	<p>The Audit Committee provides an independent and objective view of internal control and receives regular detailed reports on counter fraud activity, which are written by the Head of Local Counter Fraud Services and sponsored by the Director of Finance. Recoveries made via counter fraud work are detailed within these reports, and included in the Health Board's financial statements as appropriate.</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>The health board is committed to ethical corporate governance and the corporate governance framework 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 November 2020.</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. Board members should demonstrate through their behaviour that they are focusing on their responsibilities to citizens, the organisations and its stakeholders.</p> <p>The board and the Audit Committee receive routine updates on governance matters.</p>

Enquiries of management - in relation to fraud

Question	2020-21 response
5. Are you aware of any instances of actual, suspected or alleged fraud within the audited body since 1 April 2020?	Via regular reporting to the Audit Committee, the health board is made aware of allegations of fraud received. Allegations have been received since April 2020. The outcome of all investigations undertaken is also reported to the Interim Director of Finance and Audit Committee.
6. Are you aware of any instances of actual, suspected or alleged fraud within the audited body since 1 April 2020?	Via regular reporting to the Audit Committee, the health board is made aware of allegations of fraud received. Allegations have been received since April 2020. The outcome of all investigations undertaken is also reported to the Interim Director of Finance and Audit Committee.

Enquiries of those charged with governance – in relation to fraud

Question	2020-21 Response
<p>1. How does the Board, 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 board and the Audit Committee provide an independent and objective view of internal control and receive regular reports on corporate governance matters, including methods of internal control established to mitigate any risks.</p> <p>The Audit Committee is responsible for ensuring the health board has adequate arrangements to counter fraud that meet the NHS Requirements of Government Functional Standard 013 Counter Fraud, and for reviewing outcomes of work in this area. It is also responsible for reviewing the adequacy/effectiveness of policies and procedures for work related to counter fraud. This includes the counter fraud policy and response plan.</p> <p>The Audit Committee receives and approves the annual counter fraud work plan, and monitors it's delivery via update reports culminating in an annual report at the end of each financial year. This annual report includes a copy of the Health Board's annual self-assessment of performance in the delivery of the fraud bribery and corruption standards for NHS Wales, produced by the NHSCFA. Outcome reports following all NHSCFA quality assurance assessment visits are also provided to the Audit Committee.</p>
<p>2. Are you aware of any instances of actual, suspected or alleged fraud with the audited body since 1 April 2020?</p>	<p>Via regular reporting to the Audit Committee, board members are made aware of allegations of fraud received. Allegations have been received since April 2020. The outcome of all investigations undertaken is also reported to the Interim Director of Finance and Audit Committee.</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 Board, 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 Board 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	2020-21 Response
<p>1. How have you gained assurance that all relevant laws and regulations have been complied with?</p>	<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, for example infection control standards.</p> <p>The board and its committees received regular reports on key areas of legislative and regulatory compliance as part of its annual cycle of business. The follows committees oversee compliance:</p> <ul style="list-style-type: none">• Quality and Safety Committee• Health and Safety Committee• Audit Committee• Workforce and OD Committee• Mental Health Legislation Committee• Performance and Finance Committee <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 & 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>It has systems of internal control including policies and standards operating procedures which clarify processes and procedure to ensure compliance with key laws and regulations. For example infection control standards.</p>

Enquiries of management – in relation to laws and regulations

Question	2020-21 Response
2. Have there been any instances of non-compliance or suspected non-compliance with relevant laws and regulations since 1 April 2020, or earlier with an ongoing impact on the 2020-21 financial statements?	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.

Enquiries of management – in relation to laws and regulations

Question	2020-21 Response
3. Are there any potential litigations or claims that would affect the financial statements?	<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 claims managers (who form part of the patient feedback team) taking advice from 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>

4. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?

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.

The health board has received a draft report from HM Revenue and Customs which confirms that based on the assurance work carried out across Employer Duties (ED) and VAT tax heads the Board have met the following indicators for Low Risk.

- Systems and processes are in place to be able to deliver the right tax at the right time
- AP/AR processes are fit for purpose and are not under-funded or allowed to degrade
- Finance staff involved in VAT have adequate skills and knowledge with suitable training and development. The Board engage with VAT advisors to provide support/training and review general tax compliance on returns on a monthly/quarterly and annual basis.
- The Finance Team involved in VAT are sufficiently staffed and are not regularly short-staffed/over-stretched
- no returns and/or payments have been submitted/paid late
- HMRC interventions have not yielded any significant amounts of incorrectly declared or claimed tax
- HMRC interventions have not identified any evidence that tax-related decisions are significantly incorrect or a cause for concern

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

Question	2020-21 Response
<p>1. How does the Board, in its role as those charged with governance, obtain assurance that all relevant laws and regulations have been complied with?</p>	<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, for example infection control standards.</p> <p>The board and its committees received regular reports on key areas of legislative and regulatory compliance as part of its annual cycle of business. The follows committees oversee compliance:</p> <ul style="list-style-type: none">• Quality and Safety Committee• Health and Safety Committee• Audit Committee• Workforce and OD Committee• Mental Health Legislation Committee• Performance and Finance Committee <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 & 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>It has systems of internal control including policies and standards operating procedures which clarify processes and procedure to ensure compliance with key laws and regulations. For example infection control standards.</p>

2. Are you aware of any instances of non-compliance with relevant laws and regulations?

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.

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	2020-21 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; and– details of any transactions with these related parties entered into during the period, including the type and purpose of the transactions.	<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 September 2020.</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>2. What controls are in place to identify, authorise, approve, account for and disclose related party transactions and relationships?</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 non-pecuniary 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>

A register of gifts, hospitality and sponsorship whether, accepted or declined, is maintained.

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.

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.

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

Question	2020-21 Response
<p>1. 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 September 2020.</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>