
Appendix 1

Matters in relation to fraud

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

The primary responsibility to prevent and detect fraud rests with both management and 'those charged with governance', which for the Health Board is the Board itself. Management, with the 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 the Board exercises oversight of management's processes. We are also required to make enquiries of both management and the Board as to their knowledge of any actual, suspected or alleged fraud, 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	2019-20 Response	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 risk remains small. We are not aware of any fraud that would impact materially on our financial statements.</p> <p>Counter fraud and internal audit coverage has been maintained</p>	<p>The risk remains small. We are not aware of any fraud that would impact materially on our financial statements.</p> <p>Counter fraud and internal audit coverage has been maintained</p>
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 position remains as reported in the 2018-19 return.</p> <p>A written counter fraud work plan is produced each year, which is agreed by the Director of Finance and approved by the Audit & Risk Committee. Progress against the plan is monitored by both the Director of Finance and Audit & Risk Committee.</p> <p>The Health Board has a Counter Fraud, Bribery and Corruption Policy and Response Plan in place which provides direction and supports anyone who might identify and/or find themselves having to deal with suspected cases of economic crime. It provides a framework for a response, and advice and information on various aspects and implications of an investigation.</p> <p>CTM has actively participated in the National Fraud Initiative during 2019/20 and will continue to do so going forward.</p>	<p>The position remains as reported in 2019-2020.</p> <p>A written counter fraud work plan is produced each year, which is agreed by the Executive Director of Finance and approved by the Audit & Risk Committee. Progress against the plan is monitored by both the Director of Finance and Audit & Risk Committee.</p> <p>The Health Board has a Counter Fraud, Bribery and Corruption Policy and Response Plan in place which provides direction and supports anyone who might identify and/or find themselves having to deal with suspected cases of economic crime. It provides a framework for a response, and advice and information on various aspects and implications of an investigation.</p> <p>CTM has actively participated in the National Fraud Initiative during 2020/2021 and will continue to do so going forward.</p>

Enquiries of management - in relation to fraud

Question	2019-20 Response	2020-21 Response
	<p>There is also a dedicated Counter Fraud page on the Staff SharePoint which outlines the process for reporting fraud, who the Local Counter Fraud Specialist is for the Health Board. It also States the Health Board Policy on Fraud:</p> <p>"In administering its responsibilities in relation to fraud and corruption the Health Board is committed to maintaining an honest, open and well-intentioned atmosphere within the Health Board. It is therefore, also committed to the rigorous investigation of any fraud allegations and to taking appropriate action against wrong doers. The Health Board has therefore developed a policy which sets out the Health Board's approach to dealing with suspected fraud or corruption and outlines the arrangements for addressing the concerns raised by employees or members of the public.</p> <p>Fraud and corruption in the NHS will not be tolerated. Offenders may be subject to criminal prosecution, civil proceedings, and disciplinary action. Outcomes of successful Counter Fraud investigations/prosecutions will be publicised within the Health Board."</p> <p>Newsletters are also captured on this central page although the production of these have been impacted by Covid-19. Examples from</p>	<p>There is also a dedicated "Countering Fraud in the NHS" page on the Health Board's SharePoint site for staff.</p> <p>This site captures the following information:</p> <ul style="list-style-type: none"> • What is Fraud • National Fraud Initiative – CTMUHB • Directions to NHS Bodies on Counter Fraud Measures. • Local Counter Fraud Specialist details • The Health Boards Policy on Fraud and Corruption. • What you should do. • Bribery Act 2010 • Gifts & Hospitality <p>The site also includes "Case Examples", previous newsletters, useful links and other useful documents.</p>

Enquiries of management - in relation to fraud

Question	2019-20 Response	2020-21 Response
	November 2020 and March 2020 are included as a screenshot appendix.	
3. What arrangements are in place to report fraud issues and risks to the Audit Committee?	The Audit Committee routinely receives a report at each scheduled meeting, on all reported fraud issues and related Fraud investigations	The Local Counter Fraud Specialist through attends all regular meetings of the Audit & Risk Committee and through their attendance presents regular reports on counter fraud activity and any material changes to the annual work plan.
4. How has management communicated expectations of ethical governance and standards of conduct and behaviour to all relevant parties, and when?	<p>The CTMUHB Standing Orders articulate the Standards of Behaviour expected by Board Members, Health Board Officers and others as appropriate within the organisation.</p> <p>The CTMUHB Standards of Behaviour Policy sets out the Health Board's commitment to ensuring that its Employees and Independent Board Members practice the highest standards of conduct and behaviour. The policy sets out those expectations and provides supporting guidance so that all employees and Independent Board Members are supported in delivering that requirement.</p> <p>Awareness of this key document is actively promoted by the Local Counter Fraud Services function, for example during face-to-face presentations.</p>	<p>As reported in the 2019/2020 return, The CTMUHB Standing Orders articulate the Standards of Behaviour expected by Board Members, Health Board Officers and others as appropriate within the organisation.</p> <p>The CTMUHB Standards of Behaviour Policy sets out the Health Board's commitment to ensuring that its Employees and Independent Board Members practice the highest standards of conduct and behaviour. The policy sets out those expectations and provides supporting guidance so that all employees and Independent Board Members are supported in delivering that requirement.</p> <p>Awareness of this key document is actively promoted by the Local Counter Fraud Services</p>

Enquiries of management - in relation to fraud

Question	2019-20 Response	2020-21 Response
	<p>There is a counter fraud leaflet produced for all staff to advise them of the strategy for managing fraud.</p> <p>The newsletters developed by the Counter Fraud team (see appendix) help provide awareness to staff on the incidences of fraud and what to look out for as well as the awareness raised through the dedicated support page. (see Appendix)</p>	<p>function, for example during face-to-face presentations.</p> <p>In October 2020, the Health Board launched its new values and behaviours:</p> <ul style="list-style-type: none"> • We Listen, Learn and Improve • We Treat Everyone with Respect • We All Work Together as One Team
<p>5. Are you aware of any instances of actual, suspected or alleged fraud within the audited body since 1 April 2020?</p>	<p>32 referrals received by Local Counter Fraud Team relating to actual, suspected or alleged fraud during 2019/20 with an additional seven cases being investigated by Counter Fraud (Wales) as of January 2020 (as reported to the Audit & Risk Committee by the Head of Local Counter Fraud in April 2020).</p> <p>There has been no appreciable increase in reports of suspected economic crime at CTMUHB during the Covid-19 response. Guidance, advice and alerts in respect of areas of identified increased risk, which has been produced by the NHS Counter Fraud Authority, has been shared internally and with key stakeholders.</p>	<p>27 referrals of suspected/alleged fraud offences have been actively investigated by the Local Counter Fraud Team during 2020/21 up to end of Quarter 3. This includes 9 referrals received in year. These investigations have resulted in the application of 1 criminal sanction and 2 instances of financial recovery totalling £12,274 (as reported to the Audit & Risk Committee by the Head of Local Counter Fraud)</p>

Enquiries of management - in relation to fraud

Question	2019-20 Response	2020-21 Response
6. Are you aware of any fraud within the Health Board's service organisations (the NHS Wales Shared Services Partnership and the NHS Business Services Authority) since 1 April 2020?	To the best of our knowledge no incidences in relation to fraud in this regard have been brought to the Health Board's attention.	To the best of our knowledge no incidences in relation to fraud in this regard have been brought to the Health Board's attention.

Enquiries of those charged with governance – in relation to fraud

Question	2019-20 Response	2020-21 Response
<p>7. 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 Audit & Risk Committee continues to receive both internal and external audit review reports at each meeting.</p> <p>The Audit & Risk Committee is responsible for ensuring the Health Board has adequate arrangements to counter fraud that meet NHSCFA (NHS Counter Fraud Authority) standards, 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 & Risk Committee receives and approves the annual counter fraud work plan, and monitors 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 NHS Counter Fraud Authority. Outcome reports following all NHS Counter Fraud Authority quality assurance assessment visits are also provided to the Audit & Risk Committee.</p>	<p>The Audit & Risk Committee continues to receive both internal and external audit review reports at each meeting.</p> <p>The Audit & Risk Committee is responsible for ensuring the Health Board has adequate arrangements to counter fraud that meet NHSCFA (NHS Counter Fraud Authority) standards, 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 & Risk Committee approves the annual counter fraud work plan, and monitors delivery via regular update reports at each meeting 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 NHS Counter Fraud Authority. Outcome reports following all NHS Counter Fraud Authority quality assurance assessment visits are also provided to the Audit & Risk Committee.</p>

Enquiries of those charged with governance – in relation to fraud

Question	2019-20 Response	2020-21 Response
	<p>Reports from the Local Counter Fraud Specialist were being received at each meeting of the Committee until January 2020 as part of the in-committee meeting. From March 2020 reports have been included in the main part of the agenda.</p> <p>The Committee produces a highlight summary report following each meeting which is then submitted to the next meeting of the Health Board. This includes any issues which need to be escalated for Board attention.</p> <p>An Audit Tracker document was introduced in 2014/15 to log each audit recommendation and track management actions to implementation.</p> <p>In September 2019 the Audit Committee called a meeting dedicated to the Audit Tracker to consider outstanding high risk recommendations. Executive leads attended this meeting to provide a progress update.</p> <p>The Audit Tracker is currently being revised in taking into account best practice across NHS Wales in response to advice from Head of Internal Audit. This will continue to be further refined over time, but aims to provide a more thorough tracker and audit tool.</p>	<p>To ensure that the Audit & Risk Committee effectively monitors the implementation of management actions arising from Counter fraud reports, actions are currently being aligned and captured in the Audit Tracker which is routinely received and monitored at Committee meetings.</p> <p>If there were significant fraud risks rated 15 above they would be escalated to the Organisational Risk Register that is received at all Committee meetings.</p> <p>The Local Counter Fraud Specialist attends all Committee meetings and would bring any material risks / concerns to the attention of the Committee. They also have direct access to the Committee Chair.</p>

Enquiries of those charged with governance – in relation to fraud

Question	2019-20 Response	2020-21 Response
	<p>In light of the current position in relation to COVID-19, responses have been sought against outstanding areas to determine revised implementation dates. An update on the position is planned for the July Audit & Risk Committee.</p> <p>The Scheme of Delegation continues to reviewed and updated following consideration at the Committee. An interim Scheme of Delegation needed to be established during COVID-19 to provide a means of financial decision-making which provided contingencies for staff absence.</p>	

Enquiries of those charged with governance – in relation to fraud

Question	2019-20 Response	2020-21 Response
<p>Are you aware of any instances of actual, suspected or alleged fraud with the audited body since 1 April 2020?</p>	<p>Reports from the Local Counter Fraud Specialist were being received at each meeting of the Committee until January 2020 as part of the 'in-committee' meeting. From March 2020 reports have been included in the main part of the agenda.</p> <p>During 2019-2020 32 referrals were made to the Local Counter Fraud Specialist team with seven being managed via Counter Fraud (Wales) as of January 2020 (as reported to the Audit & Risk Committee by the Head of Local Counter Fraud in in April 2020).</p>	<p>Regular counter fraud reports are received at every Committee meeting.</p> <p>During 2020/2021 9 referrals were made to the Local Counter Fraud team and actively investigated. The total number of active investigations undertaken by the Local Counter Fraud Team in 2020/2021 as of the end of Quarter 3 was 27. Counter Fraud (Wales) undertook 9 investigations in year with 3 new referrals made in 2020/2021 (as reported to the Audit & Risk Committee by the Head of Local Counter Fraud).</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	2019-20 Response	2020-21 Response
1. How have you gained assurance that all relevant laws and regulations have been complied with?	Legal implications are considered as necessary in all papers to the Board or Board Committees. Processes are in place to consider and address any reported regulatory / statutory breaches e.g. Data Protection, Health & Safety at Work; Fire Safety etc. and where appropriate these are referenced within the Annual Governance Statement, this includes the Sub Ordinate legislation approved by the National Assembly for Wales.	<p>As reported in 2019/2020 legal implications are considered as necessary in all papers to the Board or Board Committees. Processes are in place to consider and address any reported regulatory / statutory breaches e.g. Data Protection, Health & Safety at Work; Fire Safety etc. and where appropriate these are referenced within the Annual Governance Statement, this includes the Sub Ordinate legislation approved by the National Assembly for Wales.</p> <p>During 2021, the Health Board is looking to implement a Legislative Assurance Framework which will monitor the Health Board's compliance with existing legislative requirements and support the Health Board to be in a position to proactively respond to new legislation.</p>
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?	There are no known 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.	There are no known 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 2020/2021 financial statements.
3. Are there any potential litigations or claims that would affect the financial statements?	All known litigation or claims are either provided for within the financial statements or disclosed as a contingent liability or contingent asset as appropriate.	All known litigation or claims are either provided for within the financial statements or disclosed as a contingent liability or contingent asset as appropriate.
4. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	Not to the best of our knowledge.	Not to the best of our knowledge.

5. Are you aware of any non-compliance with laws and regulations within the Health Board's service organisations (the NHS Wales Shared Services Partnership and the NHS Business Services Authority) since 1 April 2020?

Not to the best of our knowledge.

Not to the best of our knowledge.

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

Question	2019-20 Response	2020-21 Response
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?	Legal implications are considered as necessary in all papers to Board and its Committees. Processes are in place to identify and report any regulatory or statutory breaches e.g. in the Data Protection Laws, Health and Safety at Work, Fire Safety etc and where appropriate are referenced in the work of the Board and a number of the mandatory disclosures are captured within the Annual Governance Statement (AGS).	<p>As indicated above legal implications are considered as necessary in all papers to the Board or Board Committees. Processes are in place to consider and address any reported regulatory / statutory breaches e.g. Data Protection, Health & Safety at Work; Fire Safety etc. and where appropriate these are referenced within the Annual Governance Statement, this includes the Sub Ordinate legislation approved by the National Assembly for Wales.</p> <p>During 2021, the Health Board is looking to implement a Legislative Assurance Framework which will monitor the Health Board's compliance with existing legislative requirements and support the Health Board to be in a position to proactively respond to new legislation.</p>
2. Are you aware of any instances of non-compliance with relevant laws and regulations?	Other than those referenced within the Annual Governance Statement, no.	Other than those referenced within the Annual Governance Statement, no.

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	2019-20 Response	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; details of any transactions with these related parties entered into during the period, including the type and purpose of the transactions. 	<p>Declarations of interest received and accounting periods available for audit scrutiny.</p> <p>The 2019-2020 returns were followed up with an email asking Board Members to confirm whether any further positions of interests for disclosure in relation to Close Family Members.</p> <p>A review of the Declaration of Interest process was undertaken in May 2020 and a revised approach is proposed to the Audit & Risk Committee and Health Board Meeting in June/July 2020. If approved the changes will be applied for the 2020-21 return.</p>	<p>Declarations of interest are reported to the Audit & Risk Committee on a quarterly basis and are available for audit scrutiny as required.</p> <p>The Declarations of Interest process and form was reviewed and strengthened in June 2020.</p> <p>All Board Members have returned a Declaration of Interest form for the period 2020-2021.</p>
<p>2. What controls are in place to identify, authorise, approve, account for and disclose related party transactions and relationships?</p>	<p>2019-2020 response remains the same as reported in the 2018-19 return, however, it is important to note that the process has been further strengthened which will be reflected in the 2020-21 return.</p>	<p>As noted above a new process and form approved by the Audit & Risk Committee in June 2020, changes are summarised below:</p> <p>Revised Declarations of Interest Form</p> <p>The revised form has been developed based on best practice in NHS Wales for immediate adoption by the Health Board. The new form strengthened the previous process by capturing the relationships required, including any financial transactions and/or benefits in kind aligned with the activity declared. The revised form also requires line manager consideration of any declarations to ensure any potential conflicts of interest are managed appropriately and in a timely manner, taking advice from the Corporate Governance Team as required.</p>

Process and System for Managing Declarations of Interest

- Revised timescales for prompting declaration of interest returns.
- Increased reporting to Management Board and Audit & Risk Committee
- Move to an automated approach using SharePoint to complete forms that automatically get sent to Managers and then Corporate Governance to review and approve.

During 2021, revised SharePoint pages supporting the Declarations of Interest and Gifts, Hospitality & Sponsorship will be formally launched to provide staff with links to the online reporting tools and all information required with FAQ's etc.

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

Question	2019-20 Response	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>The Health Board continues to operate systems that record declarations of interest and summaries of gifts and hospitality offered and received.</p> <p>During COVID-19 it was necessary to vary the reporting of gifts and donations as it was not possible to record the huge rise in such instances which included food & drinks for staff and patients to everyday items like nightwear, toiletries, puzzle books and with a view to helping with communication with loved ones, electronic devices such as tablets and mobile phones. The intention is reporting systems will resume from August 2020. This variation to policy was supported and approved by the Board.</p>	<p>As was the position in 2019/2020, the Health Board continues to operate systems that record declarations of interest and summaries of gifts and hospitality offered and received.</p> <p>In responding to the challenges and pressures presented by the COVID-19 pandemic it was necessary to vary the reporting of gifts and donations as it was not possible to record the huge rise in such instances which included food & drinks for staff and patients to everyday items like nightwear, toiletries, puzzle books and with a view to helping with communication with loved ones, electronic devices such as tablets and mobile phones. This variation to policy was supported and approved by the Audit & Risk Committee and the Board.</p>