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Huw George, Deputy Chief Executive and Executive Director
of Operations and Finance

Jan Williams, Chair

Via email

Date issued: 26 April 2022

Dear Huw and Jan,

Public Health Wales NHS Trust 2021-22 - Audit enquiries to those charged with governance and management

In my 2022 Audit Plan I note that I am responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. I set out the respective responsibilities of auditors, management and those charged with governance.

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

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

1. Management processes in relation to:
 - undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud;
 - identifying and responding to risks of fraud in the organisation;
 - communication to employees of views on business practice and ethical behaviour; and
 - communication to those charged with governance the processes for identifying and responding to fraud.
2. Management's awareness of any actual or alleged instances of fraud.
3. How management gain assurance that all relevant laws and regulations have been complied with.
4. Whether there is any potential litigation or claims that would affect the financial statements.
5. Management processes to identify, authorise, approve, account for and disclose related party transactions and relationships.

The information you provide will inform our understanding of the Trust and its business processes and support our work in providing an audit opinion on your 2021-22 financial statements.

I would be grateful if you could complete the attached tables in the [Appendices](#). For information purposes this table also includes the responses provided in 2020-21.

Your responses should be formally considered and communicated to us on behalf of both management and those charged with governance by 20 May 2022. In the meantime, if you have queries, please contact Mike Jones on 07879 848673 / 02920 320649 or by e-mail at mike.jones@audit.wales

Yours sincerely

Mike Jones
Audit Manager

Cc

Dyfed Edwards, Chair of Audit and Corporate Governance Committee;
Angela Fisher, Deputy Director of Finance; and
Jane Matthews, Head of Financial Reporting and Control

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 Public Health Wales NHS Trust (the Trust) 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	2021-22 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?	The risk of the financial statements being misstated due to fraud is considered to be low. The Trust is not aware of any occurrences of fraud that would impact on our financial statements.	The risk of the financial statements being misstated due to fraud is considered to be low. The Trust is not aware of any occurrences of fraud that would impact on our financial statements.
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 Audit and Corporate Governance Committee ensures that the Trust operates in accordance with its Counter Fraud Policy. This policy is designed to promote an anti-fraud and corruption culture and to ensure that there are appropriate measures in place to deter, detect, prevent and investigate fraud. It provides a framework for responding to suspicions of fraud, together with advice and information on fraud, and the implications and outcomes of counter fraud investigations.</p> <p>The Counter Fraud policy and procedure were updated and approved by the Audit and Corporate Governance Committee on 14 March 2019. The gaps identified in 2018 of staff awareness of fraud were addressed in 2019-20 with several fraud awareness sessions carried out by NHS Counter Fraud Wales. This included sessions at our WEND events (Welcome, Engage, Network and Develop), which is an induction day for new starters to the organisation, as well as sessions for the Senior Leadership Team, Operations and Finance Directorate and People and Organisational Development Directorate. These events have been moved online during 2020/21 in response to the COVID-19 pandemic. We have</p>	<p>The Audit and Corporate Governance Committee ensures that the Trust operates in accordance with its Counter Fraud Policy. This policy is designed to promote an anti-fraud and corruption culture and to ensure that there are appropriate measures in place to deter, detect, prevent and investigate fraud. It provides a framework for responding to suspicions of fraud, together with advice and information on fraud, and the implications and outcomes of counter fraud investigations.</p> <p>The Counter Fraud policy and procedure were updated and approved by the Audit and Corporate Governance Committee on 14 March 2019. This policy is currently undergoing a routine periodic review. Counter Fraud Awareness training has been delivered during 2021-22. We also continue to offer cyber security as an online training session as part of the Statutory and Mandatory Training which all employees are required to undertake.</p> <p>All instances of fraud must be reported to the Local Counter Fraud Specialist or the Director of Finance in the first instance. Internal and external</p>

Enquiries of management – in relation to fraud

Question	2020-21 Response	2021-22 Response
	<p>recently launched a series of presentation slots for 2021/22 for colleagues to attend and we continue to offer cyber security as an online training session as part of the Statutory and Mandatory Training.</p> <p>All instances of fraud must be reported to the Local Counter Fraud Specialist or the Director of Finance in the first instance. Internal and external audit reviews are undertaken each year on key financial systems and statements. An accounts review is undertaken by the Director of Finance and other senior financial managers to ensure significant changes from previous years accounts can be explained. There are internal and external audit and counter fraud plans in place. Regular reports are provided to the Audit and Corporate Governance Committee on all of the above. The risk of the financial records being misstated due to fraud is considered to be low.</p>	<p>audit reviews are undertaken each year on key financial systems and statements. An accounts review is undertaken by the Director of Finance and other senior financial managers to ensure significant changes from previous years accounts can be explained. There are internal and external audit and counter fraud plans in place. Regular reports are provided to the Audit and Corporate Governance Committee on all of the above. The risk of the financial records being misstated due to fraud is considered to be low.</p>

Enquiries of management – in relation to fraud

Question	2020-21 Response	2021-22 Response
<p>3. What arrangements are in place to report about fraud to those charged with governance?</p>	<p>The Director of Finance, in conjunction with the Chief Executive, monitors and ensures compliance with Welsh Government directions regarding fraud and corruption. In accordance with the Counter-Fraud Policy, all instances of Fraud are to be reported to the Local Counter-Fraud Specialist or the Director of Finance in the first instance. The outcomes of any investigations are reported to the Audit and Corporate Governance Committee. Counter Fraud is considered a standing item on the Audit and Corporate Governance Committee agenda and update reports are prepared and presented by Local Counter Fraud Specialist where required. An Annual Work Plan and an annual report are also presented to the Audit and Corporate Governance Committee.</p>	<p>The Director of Finance, in conjunction with the Chief Executive, monitors and ensures compliance with Welsh Government directions regarding fraud and corruption. In accordance with the Counter-Fraud Policy, all instances of Fraud are to be reported to the Local Counter-Fraud Specialist or the Director of Finance in the first instance. The outcomes of any investigations are reported to the Audit and Corporate Governance Committee. Counter Fraud is considered a standing item on the Audit and Corporate Governance Committee agenda and update reports are prepared and presented by Local Counter Fraud Specialist where required. An Annual Work Plan and an annual report are also presented to the Audit and Corporate Governance Committee.</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 organisation has Standing Orders, recognised policies and related procedures with regards to good governance and standards of conduct and behaviour. Board members are regularly appraised of development opportunities to develop their understanding of good governance practice. A comprehensive Board induction resource has also been developed in 2020/21. A Board Development Plan is ordinarily in place but suspended to some extent during 2020/21 in response to the pandemic and the need for more formal Board meeting replacing for a period of time the bi-monthly board development sessions.</p>	<p>The organisation has Standing Orders, recognised policies and related procedures with regards to good governance and standards of conduct and behaviour. Board members are regularly appraised of development opportunities to develop their understanding of good governance practice. A comprehensive Board induction resource was developed in 2020/21 and has been updated this year. Board development sessions recommenced from April 2021, and a Board Development Programme is being developed.</p>

Enquiries of management – in relation to fraud

Question	2020-21 Response	2021-22 Response
5. Are you aware of any instances of actual, suspected or alleged fraud since 1 April 2021?	Counter fraud update reports are provided at meetings as appropriate highlighting any referrals made and actions taken, including progress on any investigations taking place. There have been no alleged frauds reported during the year.	Counter fraud update reports are provided at meetings as appropriate highlighting any referrals made and actions taken, including progress on any investigations taking place. There was one case of suspected fraud. Following investigation this case was closed during the year with no fraud identified. There was one case of attempted fraud but no financial loss to the organisation was suffered and this case was also closed during the year.

Enquiries of the Board – in relation to fraud

Question	2020-21 Response	2021-22 Response
<p>1. How does the Board, exercise oversight of management's processes for identifying and responding to the risks of fraud within the Trust and the internal control that management has established to mitigate those risks?</p>	<p>The Audit and Corporate Governance Committee receives reports from Internal and External Audit at each meeting, including annual plans and risk assessments. It receives reports from counter fraud as required. The Committee also reviews and approves changes to financial procedures. The Chair of the Audit and Corporate Governance Committee is a Non Executive Member of the Board and reports to the full Board after each meeting. Executive leads attend Audit and Corporate Governance Committee to provide assurance and an audit log is maintained to ensure all internal and external audit recommendations are followed up and implemented.</p>	<p>The Audit and Corporate Governance Committee receives reports from Internal and External Audit at each meeting, including annual plans and risk assessments. It receives reports from counter fraud as required. The Committee also reviews and approves changes to financial procedures. The Chair of the Audit and Corporate Governance Committee is a Non Executive Member of the Board and reports to the full Board after each meeting. Executive leads attend Audit and Corporate Governance Committee to provide assurance and an audit log is maintained to ensure all internal and external audit recommendations are followed up and implemented.</p>
<p>2. Are you aware of any instances of actual, suspected or alleged fraud since 1 April 2021?</p>	<p>Counter fraud update reports are provided at meetings as appropriate highlighting any referrals made and actions taken, including progress on any investigations taking place. There have been no alleged frauds reported during the year.</p>	<p>Counter fraud update reports are provided at meetings as appropriate highlighting any referrals made and actions taken, including progress on any investigations taking place. There was one case of suspected fraud. Following investigation this case was closed during the year with no fraud identified. There was one case of attempted fraud but no financial loss to the organisation was suffered and this case was also closed during the year.</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 Trust'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 Trust 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	2021-22 Response
1. How have you gained assurance that all relevant laws and regulations have been complied with?	<p>External regulators and commissioners report on legal requirements and compliance. The Internal Audit programme includes legal and statutory compliance. Legal implications are considered as necessary in papers to the Board or Audit and Corporate Governance Committee.</p> <p>Additional work has commenced in late 202/21 to ensure corporate and statutory reporting is more centrally documented.</p>	<p>External regulators and commissioners report on legal requirements and compliance. The Internal Audit programme includes legal and statutory compliance. Legal implications are considered as necessary in papers to the Board or Audit and Corporate Governance Committee.</p>
2. Have there been any instances of non-compliance or suspected non-compliance with relevant laws and regulations since 1 April 2021, or earlier with an ongoing impact on the 2021-22 financial statements?	<p>Some amendments have been made to Standing orders in response to the COVID-19 pandemic. These are documented and approved by the Board in public session. They do not have any ongoing impact on the financial accounts. Copies of relevant Board papers can be provided.</p>	<p>Some amendments have been made to Standing Orders in response to the COVID-19 pandemic during 2021/22 relating to the requirement to meet in public.</p> <p>These are documented and approved by the Board in public session. They do not have any ongoing impact on the financial accounts. Copies of relevant Board papers can be provided.</p>
3. Are there any potential litigations or claims that would affect the financial statements?	<p>All known litigations/claims are either provided for within the financial statements or disclosed as a contingent liability. All claims under consideration and potential claims are reviewed by the Quality, Safety and Improvement Committee.</p>	<p>All known litigations/claims are either provided for within the financial statements or disclosed as a contingent liability. All claims under consideration and potential claims are reviewed by the Quality, Safety and Improvement Committee.</p>
4. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	<p>HMRC reviews are ongoing as routine but no formal reports received during the period.</p>	<p>An assessment of VAT was made by HMRC during 2021-22. This followed a review of VAT claimed under Contracted Out Services heading 14 'Computer services supplied to the specification of the recipient'. The VAT over claim was immaterial and related to the periods 2018-19 and 2019-20. Subsequent to this assessment,</p>

		training was delivered to key members of Finance and IT to improve understanding of the rules of recovery under this specific heading.
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Enquiries of the Board – in relation to laws and regulations

Question	2020-21 Response	2021-22 Response
1. How does the Board, in its role as those charged with governance, exercise oversight of management's processes to ensure that all relevant laws and regulations have been complied with?	The Board and the relevant Committee receives information regarding the management's processes to ensure that all relevant laws and regulations have been complied with.	The Board and the relevant Committee receives information regarding the management's processes to ensure that all relevant laws and regulations have been complied with.
2. Are you aware of any non-compliance with relevant laws and regulations?	None other than referred to in question 2 with regards to amendments to Standing Orders.	None other than referred to in question 2 with regards to amendments to Standing Orders.

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	2021-22 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>Confirmed</p> <p>Declarations have been received and are available for audit scrutiny.</p>	<p>Confirmed</p> <p>Declarations have been received and are available for audit scrutiny.</p>
<p>2. What controls are in place to identify, authorise, approve, account for and disclose related party transactions and relationships?</p>	<p>Declarations of interest are sought annually from all senior staff.</p> <p>The Declarations of Interests, Gifts, Hospitality and Sponsorship Policy and Procedure was revised during 2020/21 and approved by the Board in March 2021. The new policy is called 'Standards of Behaviour and Declarations of Interest Policy and its associated documents strengthened the governance arrangements in this area. A dedicated interactive section of the Public Health Wales webpages was put in place during 2018/19 to support this area where the new documents are also available.</p> <p>Details of related party transactions of Board Members are included within the Annual Accounts which are approved by Audit and Corporate Governance Committee and Board.</p>	<p>Declarations of interest are sought annually from all senior staff.</p> <p>Standards of Behaviour and Declarations of Interest Policy and associated procedures were approved in 2020/21 and are published on the website.</p> <p>A dedicated section of the Public Health Wales intranet has been developed with relevant information for staff and signposting to policies, procedures and forms relevant to declarations of interest.</p> <p>Details of related party transactions of Board Members are included within the Annual Accounts which are approved by Audit and Corporate Governance Committee and Board.</p>

Enquiries of the Board – in relation to related parties

Question	2020-21 Response	2021-22 Response
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>There is a central Declarations of Interest Register and central register of Gifts and Hospitality. In 2020/201 the Registers were received by the Audit and Corporate Governance Committee in March and October 2020.</p> <p>The Board were notified that the registers had been received by the Committee in the Committee Report at its meetings in April and November 2020.</p>	<p>There is a central Declarations of Interest Register and central register of Gifts and Hospitality. In 2021/2022 the Registers were received by the Audit and Corporate Governance Committee in September 2021 and March 2022.</p> <p>The Board were notified that the registers had been received by the Committee in the Committee Report at its meetings in September 2021 and March 2022.</p>