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26 March 2024

Dear Stacey,

### **Audit enquiries to management and those charged with governance**

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 and the enclosed tables formally seek the documented consideration and understanding on a number of governance areas, which impact on our audit of the financial statements.

There is a section for management; a section for 'those charged with governance' (the Committee); and a section with background information.

The responses will inform our understanding of the Committee and its business processes; and support our work in providing an audit opinion on your 2023-24 financial statements.

The completed tables should be formally considered and communicated to us, on behalf of both management and those charged with governance, by 26 May 2024.

Yours sincerely,



**Mark Jones**  
**Audit Manager**

## Enquiries of management

General enquiries (including financial reporting) of management	
Question	Response
1. Are there significant matters and/or events that have occurred since April 2023 that could influence our audit approach or WHSSC's financial statements?	<p>The risk of material misstatement due to fraud is considered very low for WHSSC given the commissioning nature of the organisation's activities. The vast majority of WHSSC's expenditure is via contracts for services commissioned within the NHS and therefore subject to common NHS systems of internal control. WHSSC has a set of Standing Financial Instructions, Scheme of Delegation and financial control procedures, which are known to and understood by the relevant employees and Officers.</p> <p>There were no significant matters and/or events that have occurred since April 2022 that have impacted on WHSSC's financial statements.</p>
2. What are your general views on WHSSC's risk assessment process relating to financial reporting?	<p>WHSSC has a strong risk assessment process with a good track record of producing high quality and accurate financial</p>

## General enquiries (including financial reporting) of management

Question	Response
	reports which are in full compliance with the reporting requirements of Welsh Government and Health Boards.
3. Are you aware of significant transactions that are outside the normal trading activities of WHSSC's business?	None to our knowledge
4. Are you aware of any transactions, events or changes in circumstances that would cause impairments of WHSSC's non-current assets (ie. its fixed assets, such as land and buildings)?	None
5. Are you aware of any transactions, events and conditions (or changes in these) that may or have given rise to recognition or disclosure of new significant accounting estimates in respect of 2023-24 that require significant judgement? If so, how have the accounting estimates been made, what is the nature of the data used and what degree	The reporting deadlines for English providers and non-contract activities mean that estimates are required at the yearend. The activity profiles post pandemic continue to be inconsistent which makes projections subject to judgement. In addition this financial year has seen strike action over an extended period which has impacted elective activity and

## General enquiries (including financial reporting) of management

Question	Response
of estimate uncertainty is inherent in the estimate?	consequent cost profiles creating added uncertainty for the closing months of the financial year.
6. Have there been any issues that may impact the preparation of the 2023-24 financial statements?	The absence of the Assistant Director of Finance for the months of March and April presented a challenge for the team but the accounts were produced on time and the team were prepared for such an eventuality.
7. Do you have knowledge of events or conditions beyond the period of the going concern assessment that may cast significant doubt on WHSSC's ability to continue as a going concern?	<p>There are no known going concern issues for WHSSC. Following a Ministerial review the functions of WHSSC, EASC and the NCCU will transition to a new NHS Wales Joint Commissioning Committee (JCC) from 1 April 2024. A transition plan has been agreed and a new financial governance framework (SFi's) were agreed by the 7 x HBs in March 2024. WHSSC already provided the financial accounting function and financial statements for EASC and NCCU hence no material changes in this area.</p> <p>WHSSC already has an agreed signed ICP for the 2024/25 financial year hence there are no issues for 2024/25 to report. The indications are positive for the role of WHSSC</p>

## General enquiries (including financial reporting) of management

Question	Response
	which has recently been asked by Welsh Government to expand its commissioning role to take on the commissioning of low secure from Health Boards. In addition health boards have asked WHSSC to expand its commissioning role for a number of supra-regional services.
8. 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 known issues related to either WHSSC's host or the NHS Wales Shared Services Partnership (NWSSP) – both of which continue to support WHSSC's activities.
9. Have there been any new contingencies arising in respect of 2023-24 that require disclosure? Please provide information about these new contingencies and the status of any disclosed contingencies from the prior year.	No

## Enquiries of management - in relation to fraud

Question	Response
10. 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>The risk of material misstatement due to fraud is considered very low for WHSSC given the commissioning nature of the organisation's activities. The vast majority of WHSSC's expenditure is via contracts for services commissioned within the NHS and therefore subject to common NHS systems of internal control. WHSSC has a set of Standing Financial Instructions, Scheme of Delegation and financial control procedures, which are known to and understood by the relevant employees and Officers.</p> <p>WHSSC staff are aware of their obligations to report any suspected fraud to the LCFS. No evidence of any fraud has been found.</p>
11. Do you have knowledge of any actual, suspected or alleged fraud affecting WHSSC?	<p>WHSSC staff are aware of their obligations to report any suspected fraud to the LCFS. No evidence of any fraud has been found.</p>
12. What is management's process for identifying and responding to the risks of fraud in WHSSC, including any specific risks	<p>WHSSC complies with the reporting procedures of the host body, Cwm Taf Morgannwg UHB. This includes reporting any incidents of fraud to LCFS for investigation and via LCFS to the Cwm Taf Morgannwg UHB Audit Committee,</p>

## Enquiries of management - in relation to fraud

Question	Response
of fraud that management has identified or that have been brought to its attention?	the chair of which would escalate any serious incidents of fraud to the WHSSC Joint Committee and to the Audit & Risk Committee as required.
13. What classes of transactions, account balances and disclosures, within the financial statements, have you identified as most at risk of fraud?	The vast majority of WHSSC's financial activity is directly with NHS providers which inherently has a low risk of fraudulent transactions. The area technically most at risk of fraud are the transactions directly with the independent sector for patient placements and homecare packages. Both these areas have been previously been assessed by counterfraud and no concerns identified. The processes around patient placement are naturally very robust requiring prior approval and placement with approved providers which limits the technical fraud risk.
14. Are you aware of any whistleblowing or complaints by potential whistleblowers? If so, what has been WHSSC's response?	As a hosted organisation under CTMUHB WHSSC adhere to the CTMUHB whistleblowing policy. There were no incidents of whistleblowing reported or complaints by potential whistleblowers made during the reporting period.

## Enquiries of management - in relation to fraud

Question	Response
15. What is management's communication to those charged with governance (the Committee) regarding their processes for identifying and responding to risks of fraud?	WHSSC complies with the reporting procedures of the host body, Cwm Taf Morgannwg UHB. This includes reporting any incidents of fraud to LCFS for investigation and via LCFS to the Cwm Taf Morgannwg UHB Audit & Risk Committee, the chair of which would escalate any serious incidents of fraud to the WHSSC Joint Committee and to the Audit & Risk Committee as required.
16. What is management's communication to employees regarding their views on business practices and ethical behaviour?	All staff are required to adhere to the WHSSC Standards of Behaviour Policy (incorporating Declarations of Interest (DoI), Gifts, Hospitality and Sponsorship) which is accessible on the intranet and shared drive. In accordance with the Standing Orders (SO's) the Committee Secretary maintains a system for the declaration, recording and handling of WHSST officers' interests in accordance with the Values and Standards of Behaviour Framework. The DOI register is reviewed annually and Joint Committee members and WHSSC officers Band 7 (and above) are required to confirm the accuracy and completeness of the register relating to their own interests.



## Enquiries of management - in relation to fraud

Question	Response
17. For WHSSC's service organisations, have you reported any fraud or potential fraud to any affected parties?	<p>The risk of material misstatement due to fraud is considered very low for WHSSC given the commissioning nature of the organisation's activities. The vast majority of WHSSC's expenditure is via contracts for services commissioned within the NHS and therefore subject to common NHS systems of internal control. WHSSC has a set of Standing Financial Instructions, Scheme of Delegation and financial control procedures, which are known to and understood by the relevant employees and Officers.</p> <p>No incidents of fraud or potential fraud were identified during the reporting period.</p>

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

Question	Response
18. What are the policies and procedures in place to identify applicable legal and regulatory requirements to ensure compliance?	WHSSC complies with the policies and procedures of the host body, Cwm Taf Morgannwg UHB, to identify applicable legal and regulatory requirements to ensure compliance. With the exception of some WHSSC specific corporate policies which are monitored through the Integrated Governance Committee (IGC) and clinical policies for specialised services which are monitored through the WHSSC policy group which provides assurance to the Joint Committee.
19. Have there been any new applicable legal and regulatory requirements introduced since April 2023?	The National Health Service Joint Commissioning Committee (Wales) Directions 2024 came into force in February 2024. The directions allow for the functions and membership of the NHS Wales Joint Commissioning Committee to be established from 1 April 2024.  The Health Service Procurement (Wales) Bill.
20. Are you aware of any instances of non-compliance with laws or regulations? Has WHSSC received any notice of any such	WHSSC are not aware of any instances of non-compliance with laws or regulations during the reporting period.

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

Question	Response
known of possible instances of non-compliance?	
21. Have there been any examinations or inquiries performed by licensing, tax, or other authorities/regulators?	There were no examinations or inquiries performed by licensing, tax, or other authorities/regulators during the reporting period.
22. Has there been any significant communications with regulators?	There has not been any significant communications with regulators during the reporting period.
23. For WHSSC's service organisations, have you reported any non-compliance with laws and regulations?	There were no reports of any non-compliance with laws and regulations during the reporting period.

## Enquiries of management – in relation to regularity

Question	Response
24. What is your assessment of the risk of material irregularity, in respect of the 2023-24 financial statements?	Very low given the nature of WHSSC's core business and transactions
25. What is the process for responding to the risk of irregularity?	Any suspected issues would be escalated to the Directors of Finance and Committee Secretary for investigation and reported to WHSSC's host and Audit Committee appropriately.
26. What is your knowledge of actual, suspected, or alleged irregularity?	No instances of actual or suspected irregularity
27. Where service organisations are used by WHSSC, have any irregularities been reported to any affected parties?	No knowledge of irregularities in WHSSC's service organisations. WHSSC is aware of the findings of the BCUHB investigations but it is not a service organisation for WHSSC as WHSSC commissions on their behalf. BCUHB is a provider organisation delivering some specialised services to WHSSC but there are no suspected irregularities in these transactions that WHSSC is aware of.

## Enquiries of management in relation to related parties

Question	Response
28. 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?	The changes to the related parties are fully disclosed in the annual accounts.
29. What transactions have been entered into with related parties during the period? What is the purpose of these transactions?	Any transactions entered into with related parties are fully disclosed in the annual accounts.
30. What controls are in place to identify, account for and disclose related parties?	A fully comprehensive Declaration of Interest form is completed and returned by each Joint Committee member annually. This declaration is also returned if there are any changes in interests throughout the year and a leaver's form is issued for departing members. The completed forms for Joint Committee members are cross referenced with Health Board registers and companies house for assurance. In addition, any JC member may declare any change in their interests at the JC meetings. A central Register of Interests is maintained, copies of this central register together with the signed declarations are made available to Finance in order that all related party financial transactions are identified and

	<p>incorporated in the Annual Accounts. These financial transactions are then subject to Audit Wales and ARC scrutiny.</p> <p>WHSSC commissions a large proportion of its services on a recurrent basis, mainly from NHS providers. Any additional services are commissioned on an arm's length basis.</p> <p>All WHSST employees (band 7 and above) are required to declare any interests annually.</p>
<p>31. 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 CTMUHB Audit &amp; Risk Committee (ARC) on behalf of the Joint Committee considers related party disclosures as an integral element of its scrutiny of the Annual Governance Statement (AGS) and the annual accounts and underpinning processes and is assured through Standing Financial Instructions (SFIs) and underpinning Financial Procedures that there are effective internal controls.</p> <p>There are no known related party transactions outside of normal commissioner/provider business.</p>

## Enquiries of those charged with governance

Enquiries of those charged with governance	
Question	Response
32. Do you have any knowledge of actual, suspected, or alleged fraud affecting the entity?	WHSSC has no knowledge of actual, suspected, or alleged fraud during the reporting period.
33. What is your assessment of the risk of fraud within the entity, including those risks that are specific to WHSSC's business sector?	The risk of material misstatement due to fraud is considered very low for WHSSC given the commissioning nature of the organisation's activities. The vast majority of WHSSC's expenditure is via contracts for services commissioned within the NHS and therefore subject to common NHS systems of internal control. WHSSC has a set of Standing Financial Instructions, Scheme of Delegation and financial control procedures, which are known to and understood by the relevant employees and Officers.
34. How do you exercise oversight of:	WHSSC complies with the reporting procedures of the host body, Cwm Taf Morgannwg UHB. This includes reporting any incidents of fraud to LCFS for investigation and via

## Enquiries of those charged with governance

Question	Response
<ul style="list-style-type: none"> <li>• Management's processes for identifying and responding to the risk of fraud in WHSSC; and</li> <li>• The controls to manage these risks?</li> </ul>	<p>LCFS to the Cwm Taf Morgannwg UHB Audit &amp; Risk Committee, the chair of which would escalate any serious incidents of fraud to the WHSSC Joint Committee.</p>
<p>35. What is the process for identifying and responding to the risks of fraud?</p>	<p>WHSSC complies with the reporting procedures of the host body, Cwm Taf Morgannwg UHB. This includes reporting any incidents of fraud to LCFS for investigation and via LCFS to the Cwm Taf Morgannwg UHB Audit &amp; Risk Committee, the chair of which would escalate any serious incidents of fraud to the WHSSC Joint Committee and to the Audit &amp; Risk Committee as required.</p>
<p>36. Are you aware of any non-compliance with laws and regulations that may be expected to have a fundamental effect on the operations of WHSSC?</p>	<p>WHSSC 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 organisation.</p>
<p>37. Are you aware of any actual, suspected or alleged irregularity affecting WHSSC?</p>	<p>No instances of actual or suspected irregularity</p>



Enquiries of those charged with governance	
Question	Response
38. Are there any matters which those charged with governance consider require particular attention during the audit?	There are no matters which those charged with governance consider require particular attention during the audit.
39. Are there any other matters which those charged with governance consider may influence the audit of the financial statements?	There are no matters which those charged with governance consider may influence the audit of the financial statements.
40. Are those charged with governance aware of any significant communications with regulators?	Those charged with governance are not aware of any significant communications with regulators.
41. What arrangements are in place to oversee the effectiveness of internal control?	<p>The Joint Committee supported by its sub-committees exercises oversight of management's processes and systems of internal control.</p> <p>As a hosted body under Cwm Taf Morgannwg UHB (CTMUHB), WHSSC does not have a statutory duty to produce an Annual Governance Statement (AGS) and an</p>

## Enquiries of those charged with governance

Question	Response
	<p data-bbox="1066 448 1926 628">Annual report but does so, as a matter of good governance in accordance with section 9.0.2 of the WHSSC Standing Order's (SO's), to provide assurance to the LHBs and, in particular, to CTMUHB, as its host organisation, in relation to its governance and accountability arrangements.</p> <p data-bbox="1066 671 1926 815">The AGS outline how WHSSC has monitored and evaluated the effectiveness of its governance arrangements and brings together in one place all disclosures relating to governance, risk and systems of internal control.</p>

## **Background information**

### **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 WHSSC is the Committee. Management, with the Committee, 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 the Committee.

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; or
- the intentional manipulation or misstatement of the financial statements.

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

## 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 Committee), is responsible for ensuring that the Fund'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; and
- 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 Committee as to whether the Fund 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.

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

## Regularity

Regularity is the concept that transactions that are reflected in the financial statements must be in accordance with WHSSC's framework of authorities.

Frameworks of authorities are external frameworks, specific to an audited entity, with which the audited entity's transactions must conform. These frameworks are set up by bodies able to issue and/or enforce the authorities for that entity and might include, for example:

- authorising legislation;
- regulations issued under governing legislation;
- parliamentary authorities; and
- government or related authorities (for example Managing Welsh Public Money, issued by the Welsh Government).

Further information is available in [Practice Note 10](#).

### **What are we required to do?**

The Practice Note includes an overview, from page 56 of the Practice Note, of what we are required to do.