

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 South Wales Fire and Rescue Authority is the Fire and Rescue Authority Committee. Management, with the oversight of the Fire and Rescue Authority 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 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 Fire and Rescue Authority Committee exercises oversight of management's processes. We are also required to make enquiries of both management and the Fire and Rescue Authority Committee 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	2018-19 Response	2019-20 Response
<p>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>	<p>We consider the risk to be minimal and are not aware of any fraud that would impact materially on our financial statements. Robust internal controls, internal audit annual reviews including key financial controls and counter fraud policies exist to reduce risks in this area.</p>	<p>We consider the risk to be minimal and are not aware of any fraud that would impact materially on our financial statements. Robust internal controls, internal audit annual reviews including key financial controls and counter fraud policies exist to reduce risks in this area.</p>
<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>	<p>Robust systems of internal controls exist and are tested through a programme of planned internal audits each year. Financial regulations, Anti-Fraud Policy and procurement procedures provide an operating framework for all personnel. Personnel have previously completed a fraud awareness e-learning package. The controls in place have successfully identified previous cases of fraud and act as a deterrent.</p>	<p>Robust systems of internal controls exist and are tested through a programme of planned internal audits each year. Financial regulations, Anti-Fraud Policy and procurement procedures provide an operating framework for all personnel. Personnel have previously completed a fraud awareness e-learning package. The controls in place have successfully identified previous cases of fraud and act as a deterrent.</p>
<p>3. What arrangements are in place to report fraud issues and risks to the Audit Committee?</p>	<p>The Anti-Fraud and Corruption policy, Whistle-blowing policy, fraud response plan and associated organisational procedures exist and provide the necessary reporting guidelines.</p>	<p>The Anti-Fraud and Corruption policy, Whistle-blowing policy, fraud response plan and associated organisational procedures exist and provide the necessary reporting guidelines.</p>

Enquiries of management - in relation to fraud

Question	2018-19 Response	2019-20 Response
<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 senior management team through consultation with its middle managers has adopted a comprehensive set of values which have been disseminated to all staff with guidance on how these values should be exhibited. These values are supported by a comprehensive suite of policies and procedures which are constantly being reviewed through working groups and when finalised communicated to staff in various ways. A standards and expectations policy has been drafted through engagement with middle leaders which sets out the standards that all employees are expected to meet in a number of areas related to conduct and behaviour. This complements Appendix 5 of General Standing Orders which outlines Officers code of conduct, applicable to all staff.</p>	<p>The senior management team through consultation with its middle managers has adopted a comprehensive set of values which have been disseminated to all staff with guidance on how these values should be exhibited. These values are supported by a comprehensive suite of policies and procedures which are constantly being reviewed through working groups and when finalised communicated to staff in various ways. A standards and expectations policy has been drafted through engagement with middle leaders which sets out the standards that all employees are expected to meet in a number of areas related to conduct and behaviour. This complements Appendix 5 of General Standing Orders which outlines Officers code of conduct, applicable to all staff.</p>
<p>5. Are you aware of any instances of actual, suspected or alleged fraud within the audited body since 1 April 2019?</p>	<p>There have been no instances of actual or suspected fraud since 1st April 2018.</p>	<p>There have been no instances of actual or suspected fraud since 1st April 2019.</p>

Enquiries of management - in relation to fraud

Question	2018-19 Response	2019-20 Response
6. Are you aware of any fraud within the RCT Pension Fund (service organisation) since 1 April 2019? [RCT are considered as a service organisation as they administer the FireFighters' Pension Scheme on behalf of the Fire Authority.]	We are not aware of any fraud within the RCT pension fund since 1st April 2018	We are not aware of any fraud within the RCT pension fund since 1st April 2019.

Enquiries of those charged with governance – in relation to fraud

Question	2018-19 Response	2019-20 Response
1. How does the Fire and Rescue Authority 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?	The FAPM committee undertakes this role on behalf of the Fire and Rescue Authority. The FAPM committee scrutinise the corporate risk register and internal audit reports to ensure risks are managed and controls are robust.	The FAPM committee undertakes this role on behalf of the Fire and Rescue Authority. The FAPM committee scrutinise the corporate risk register and internal audit reports to ensure risks are managed and controls are robust.
2. Are you aware of any instances of actual, suspected or alleged fraud with the audited body since 1 April 2019?	There have been no instances of actual or suspected fraud since April 2018 .	There have been no instances of actual or suspected fraud since April 2019

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 Fire and Rescue Authority, is responsible for ensuring that the South Wales Fire and Rescue Authority'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 Fire and Rescue Authority as to whether the South Wales Fire and Rescue Authority 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	2018-19 Response	2019-20 Response
1. How have you gained assurance that all relevant laws and regulations have been complied with?	The Deputy Chief Officer in her role as Director of Corporate Services and Monitoring Officer has a general advisory role to the Fire and Rescue Authority. As a	The Deputy Chief Officer in her role as Director of Corporate Services and Monitoring Officer has a general advisory role to the Fire and Rescue Authority. As a

	<p>qualified Solicitor she and the Head of Business Support are supported by a legal services officer and specialist external legal advice. In his role as responsible financial officer (S112) the treasurer to the authority also ensures compliance with up to date regulations and guidance relating to the financial reporting. The treasurer is supported by three qualified accountants within the Finance Department.</p>	<p>qualified Solicitor she and the Head of Business Support are supported by a legal services officer and specialist external legal advisors. In his role as responsible financial officer (S112) the treasurer to the authority also ensures compliance with up to date regulations and guidance relating to the financial reporting. The treasurer is supported by three qualified accountants within the Finance Department.</p>
<p>2. Have there been any instances of non-compliance or suspected non-compliance with relevant laws and regulations since 1 April 2019, or earlier with an ongoing impact on the 2019-20 financial statements?</p>	<p>Management are not aware of any non-compliance with relevant laws or regulations in 2018/19.</p>	<p>Management are not aware of any non-compliance with relevant laws or regulations in 2019/20.</p>
<p>3. Are there any potential litigations or claims that would affect the financial statements?</p>	<p>All litigations or claims are explicitly disclosed or recorded as contingent liabilities in the financial statements.</p>	<p>All litigations or claims are explicitly disclosed or recorded as contingent liabilities in the financial statements.</p>
<p>4. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?</p>	<p>Management are not aware of any such non-compliance.</p>	<p>Management are not aware of any such non-compliance.</p>
<p>5. Are you aware of any non-compliance with laws and regulations within RCT Pension Fund (service organisation) since 1 April 2019? [RCT are</p>	<p>Management are not aware of any such non-compliance.</p>	<p>Management are not aware of any such non-compliance.</p>

considered as a service organisation as they administer the FireFighters' Pension Scheme on behalf of the Fire Authority.]

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

Question	2018-19 Response	2019-20 Response
1. How does the Fire and Rescue Authority, in its role as those charged with governance, obtain assurance that all relevant laws and regulations have been complied with?	The Fire and Rescue Authority adopts a system of sub committees and working groups together with designated lead members for specific areas of work, through this framework members are able to effectively scrutinize the processes and actions taken to ensure compliance has taken place.	The Fire and Rescue Authority adopts a system of sub committees and working groups together with designated lead members for specific areas of work, through this framework members are able to effectively scrutinize the processes and actions taken to ensure compliance has taken place.
2. Are you aware of any instances of non-compliance with relevant laws and regulations?	The Fire and Rescue Authority are not aware of any instances of non-compliance with laws or regulation in 2018.19.	The Fire and Rescue Authority are not aware of any instances of non-compliance with laws or regulation in 2019.20.

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	2018-19 Response	2019-20 Response
1. Confirm that you have disclosed to the auditor: <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	All appropriate accounting and disclosures in respect of related parties will be disclosed to the auditor and recorded within the relevant section of the annual statement of accounts.	All appropriate accounting and disclosures in respect of related parties will be disclosed to the auditor and recorded within the relevant section of the annual statement of accounts.

<p>period, including the type and purpose of the transactions.</p>		
<p>2. What controls are in place to identify, authorise, approve, account for and disclose related party transactions and relationships?</p>	<p>An annual disclosure for the Statement of Accounts is required for all senior officers and any officer with budget responsibility to declare any related party transactions in accordance with IAS 24. Each year at the AGM members sign a declaration of interests which is also held on file.</p>	<p>An annual disclosure for the Statement of Accounts is required for all senior officers and any officer with budget responsibility to declare any related party transactions in accordance with IAS 24. Each year at the AGM members sign a declaration of interests which is also held on file.</p>

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

Question	2018-19 Response	2019-20 Response
<p>1. How does the Fire and Rescue Authority, 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>Through FAPM scrutiny, forward work programmes and Fire and Rescue Authority approval of the annual statement of accounts.</p>	<p>Through FAPM scrutiny, forward work programmes and Fire and Rescue Authority approval of the annual statement of accounts.</p>

