

Audit Plan – Education through Regional Working Joint Committee

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This document was produced by Anthony Veale and Jeremy Saunders.

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Audit Plan 2019-20

Our Duties

- 1 We complete work each year to meet the following duties.

Audit of financial statements

- 2 Each year we audit the Joint Committee's financial statements to make sure that public money is being properly accounted for.

Value for money

- 3 The Joint Committee has to put in place arrangements to get value for money for the resources it uses, and we have to be satisfied that it has done this.

Impact of COVID-19

- 4 The COVID-19 national emergency has had an unprecedented impact on the UK and will significantly impact on local authorities' preparation of the 2019-20 accounts and our audit work, both financial audit and performance audit.
- 5 Due to the UK Government's restrictions on movement and anticipated sickness absence levels, we understand that many local authorities will not be able to prepare accounts in line with the timetable set out in the Accounts and Audit (Wales) Regulations 2014. As well as the delivery of the Auditor General's statutory responsibilities, our priority is to ensure the health, safety and well-being of Audit Wales staff, their families and those of our partners elsewhere in the public service at this incredibly challenging time.
- 6 In response to the government advice and subsequent restrictions, we have ceased on all on-site work at audited bodies and our own offices. Audit Wales staff are working from home and we will continue to make whatever progress we can whilst working and engaging with you remotely.
- 7 Consequently, this audit plan does not include any details in relation to completion of our audit work. We will discuss a timetable with the Joint Committee once the current national emergency situation is over and the Joint Committee is in a position to prepare its accounts.
- 8 We commit to ensuring that our audit work will not have a detrimental impact on you at a time when public bodies are stretched and focused on more important matters.

Audit of financial statements

My responsibilities

- 9 It is my responsibility to issue a certificate and report on the financial statements which includes an opinion on their 'truth and fairness':
- we plan to give an opinion on the Joint Committee's financial statements in accordance with a timetable to be agreed.
 - assess whether the Joint Committee's Annual Governance Statement and Narrative Report were prepared in line with the CIPFA Code and relevant guidance. We also review whether they are consistent with the financial statements prepared by the Joint Committee's and with our knowledge of the Joint Committee.
- 10 In addition to our responsibilities for auditing the Joint Committee's financial statements, we also have responsibility for responding to questions and objections about the accounts from local electors (additional fees will be charged for this work, if necessary).
- 11 There have been no limitations imposed on me in planning the scope of this audit.
- 12 Further information about our work is provided in our Statement of Responsibilities, which is available on our website (www.audit.wales).

Financial statement audit risks

- 13 The following table sets out the significant risks I have identified for the audit of the Joint Committee.

Exhibit 1: Financial statement audit risks

This table summarises the key financial statement audit risks identified at the planning stage of the audit

Audit risk	Proposed audit response
Significant risks	
<p>Management Override The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • test the appropriateness of journal entries and other adjustments made in preparing the financial statements; • review accounting estimates for biases; and • evaluate the rationale for any significant transactions outside the normal course of business.
<p>Future direction of the Joint Committee. Neath Port Talbot County Borough Council has withdrawn from the Joint Committee as at 31 March 2020 with further bodies potentially withdrawing during 2020-21. We would expect appropriate disclosures to be made in the financial statements bringing these matters to the attention of the reader.</p>	<p>My audit team will ensure that appropriate disclosures are included in the financial statements which reference the future challenges of the joint committee.</p>
Other areas of audit attention	
<p>Impact of COVID-19 – general risks The COVID-19 national emergency is likely to have a significant impact on the Joint Committee and its accounts production process. Potential risks include:</p> <ul style="list-style-type: none"> • Subsequent events. The Joint Committee is, at present, unlikely to prepare its accounts in 	<p>My audit team will undertake the following steps to ensure the risks arising from COVID-19 are adequately addressed:</p> <ul style="list-style-type: none"> • we will extend the period of review of subsequent events in order to identify any material subsequent events related to COVID-19, and whether these have been

Audit risk	Proposed audit response
<p>accordance with the timetable laid down by the Accounts and Audit (Wales) Regulations 2014. The shifting reporting deadlines increases the period (and therefore the related risks) for events occurring between the date of the financial statements and the date of the auditor's report. The consequences of the virus post 31 March 2020 will generally be non-adjusting post balance sheet events, but some form of disclosure may be needed.</p> <ul style="list-style-type: none"> • Use of estimates. The uncertainties and delays caused by the UK-wide lockdown may result in actual data being unavailable and greater use of estimates in preparing the accounts. 	<p>appropriately addressed or disclosed in the financial statements in accordance with the financial reporting framework;</p> <ul style="list-style-type: none"> • we will consider if there are areas that may require management to provide further evidence due to the fast-changing nature of this issue; • we will discuss with you the key assumptions and evidence bases underlying estimates and will do this at an early stage; and • we will adopt a greater focus on the following areas: <ul style="list-style-type: none"> – the financial statement closing process (in particular journal entries and other adjustments made); and – the auditor's evaluation of the overall presentation of the financial statements, including consideration of whether adequate disclosures have been made.
<p>Senior officer disclosures. There have been changes to senior staff during 2019-20 which may impact on disclosures in the accounts.</p>	<p>My audit team will review senior officer disclosures within the financial statements to ensure they are accurate and complete with regard to the materiality level set for such disclosures.</p>
<p>Related party disclosures. My audit of the 2018-19 financial statements found that a number of Joint Committee members had not completed and submitted their annual related party returns, as they were required to do. There is a risk that related party returns are not received from all members for 2019-20, which could lead to material misstatement of the related party</p>	<p>My audit team will review the actions taken to ensure full compliance with the Joint Committees related-party return process. My team will also review all of the returns submitted, and the audit implications of any that are outstanding.</p>

Audit risk	Proposed audit response
disclosures in the financial statements (particularly around their completeness).	

- 14 You will be aware that the CIPFA/LASAAC Code Board recently considered a proposed Code Update 2019-20 that would have disapplied large parts of the 2019-20 Code. After discussion, the CIPFA/LASAAC Code Board decided not to adopt the proposed Code Update. Therefore, the 2019-20 Code (the Code) will apply in full for this year.

Fee, audit team and timetable

- 15 My fees and planned timescales for completion of the audit are based on the following assumptions:
- the financial statements are provided in accordance with a timescale to be agreed following the end of the COVID-19 national emergency, to the quality expected and have been subject to a robust quality assurance review;
 - information provided to support the financial statements is in accordance with the agreed audit deliverables document;
 - appropriate accommodation and facilities are provided to enable my audit team to deliver the audit in an efficient manner;
 - all appropriate officers will be available during the audit;
 - you have all the necessary controls and checks in place to enable the Responsible Financial Officer to provide all the assurances that I require in the Letter of Representation addressed to me;
 - Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements; and
 - set out the extent to which you intend to rely on Internal Audit's work and where reliance is to be placed on the work of other auditors, specialists, etc.
- 16 If I do receive questions or objections, I will discuss potential audit fees at the time.

Fee

- 17 Your estimated fee for 2020 is set out in £13,000. This is consistent with your 2019 audit fee.
- 18 Planning will be ongoing, and changes to my programme of audit work and therefore my fee, may be required if any key new risks emerge. I shall make no changes without first discussing them with the Joint Committee.

19 Further information on my fee scales and fee setting can be found on our website.

Audit team

20 The main members of my team, together with their contact details, are summarised in **Exhibit 2**.

Exhibit 2: my audit team

This table lists the members of the local audit team and their contact details

Name	Role	Contact number	Email address
Anthony Veale	Engagement Lead	07896 271873	anthony.veale@audit.wales
Jeremy Saunders	Audit Manager	029 20829329	jeremy.saunders@audit.wales
Julie Owens	Senior Auditor	07581 499092	julie.owens@audit.wales

Timetable

- 21 We will continue to undertake as much remote work as is possible during the COVID-19 national emergency. However, as set out above, we will not be in a position to agree a timetable with you until the COVID-19 national emergency has passed.
- 22 We will need to discuss any amendments to the timetables for the production and audit of accounts with you but will continue to work as flexibly as we can and are supportive of 'extending' the accounts window where required. It will be vital that this close engagement continues over the next few months, against what will doubtless be a fast-changing backdrop.
- 23 Therefore, we will report on a timetable for our audit work in due course.
- 24 I can confirm that my team members are all independent of the Joint Committee and your officers. In addition, I am not aware of any potential conflicts of interest that I need to bring to your attention.

Accounts and Audit (Wales) Regulations 2014

- 25 In respect of our accounts work, we are aware that there may be difficulties in meeting the accounts preparation and publication dates set by the Accounts and Audit (Wales) Regulations 2014. Welsh Government have indicated that the Regulations will not be amended as they already provide sufficient flexibility to deal with any delays resulting from COVID-19.
- 26 The Regulations require the publication of a notice where the Joint Committee does not expect to achieve the dates specified by the Regulations. I have included further detail in **Appendix A** and example notices in **Appendix B** that the Joint Committee may wish to consider using.
- 27 The requirements for the exercise of electors' rights under the Public Audit (Wales) Act 2004 continue to apply. This presents some practical difficulties while lockdown restrictions still apply, eg public access to the Joint Committee's accounting records.
- 28 Therefore, my audit team will discuss with you an appropriate timetable for public inspection when we have a clear idea of the date on which the accounts will be available and when lockdown restrictions have been sufficiently relaxed.
- 29 The audit team will issue an audit notice in due course setting out the appointed date.
- 30 This may mean that there is a delay before we can issue our audit opinion.

Appendix A: Requirements of the Accounts and Audit (Wales) Regulations 2014

You may be aware that in England, the Local Government Secretary Robert Jenrick MP announced that the deadline for preparation of local government accounts will be extended to 31 August 2020 and publication of audited accounts to 30 November.

Audit Wales discussed this development with Welsh Government officials to establish if a similar announcement will be made for Wales. The Welsh Government position (as communicated to local government bodies) is currently as set out below.

Statutory requirements

The statutory position for local government bodies in Wales is set out in the Accounts and Audit (Wales) Regulations 2014 (as amended).

Welsh Government interpretation

Regulation 10 sets out the expected timetable for the preparation, approval and audit of the annual accounts. Due to the impact of COVID-19, Welsh Government recognises that it may not be possible for all local government bodies to meet this timetable. Regulation 10(4) provides local government bodies with sufficient flexibility to deal with delays caused by COVID-19. Its guidance on the Regulations, notes that:

“Where, extraordinarily, certification cannot happen before [31 May/15 June], action needs to be taken to publish a statement that clearly sets out the reasons why this has not happened before that date and agree a course of action to ensure this is done as soon as is practicable after [31 May/15 June].”

The guidance also notes that the accounts should be published by 31 July/15 September even if the accounts have not been approved.

On the basis that sufficient flexibility is built into the current Regulations, Welsh Government does not consider it necessary to amend the Regulations.

Audit Wales view and impact on the audit process

Audit Wales concurs with the Welsh Government assessment that sufficient flexibility already exists in the Regulations.

In the event that the accounts are not prepared by the statutory timetable, audited bodies should notify their audit team and publish a notice setting out there is a delay and the reason for the delay. Example wording is provided in **Appendix B**.

Appendix B: Accounts and Audit (Wales) Regulations 2014 – suggested notice

Audit notice where RFO unable to certify the accounts either due to illness or because the accounts have not been prepared

Regulation 10(1) of the Accounts and Audit (Wales) Regulations 2014 (as amended) requires that Responsible Financial Officer of Education through Regional Working Joint Committee sign and date the statement of accounts, and certify that it presents a true and fair view of the financial position of the body at the end of the year to which it relates and of that body's income and expenditure for that year. The Regulations required that this be completed by 15 June 2020.

The Responsible Financial Officer has not signed and certified the accounts for the year ended 31 March 2020. Due to the COVID-19 outbreak, the Joint Committee has diverted resources to other services and the statement of accounts has not yet been prepared. The statement of accounts will be prepared and the Responsible Financial Officer will sign and certify the statement of accounts when the immediate pressures of the COVID-19 outbreak have subsided.

Audit notice where RFO has certified the accounts but the audited body is not meeting and therefore unable to approve the accounts

Regulation 10(1) of the Accounts and Audit (Wales) Regulations 2014 (as amended) requires that Responsible Financial Officer of Education through Regional Working Joint Committee sign and date the statement of accounts, and certify that it presents a true and fair view of the financial position of the body at the end of the year to which it relates and of that body's income and expenditure for that year. The Regulations required that this be completed by 15 June 2020.

The Responsible Financial Officer signed and certified the accounts on [date].

Regulation 10(2) of the Accounts and Audit (Wales) Regulations 2014 (as amended) requires that following the certification by the Responsible Financial Officer referred to above, Education through Regional Working Joint Committee approve and publish the audited statement of accounts. The Regulations required that this be completed by 15 September 2020

Due to the COVID-19 outbreak, the statement of accounts has not yet been prepared.

OR

Due to the COVID-19 outbreak, Education through Regional Working Joint Committee has not met to approve the statement of accounts.

OR

Due to the COVID-19 outbreak, the audit of the 2019-20 statement of accounts has not yet been completed and no audit opinion has been provided. The statement of accounts that is published is the unaudited statement of accounts.



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