

# Audit of Accounts Report - Education through Regional Working Joint Committee

Audit year: 2019-20

Date issued: October 2020

Document reference: 2040A2020-21

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We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

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We intend to issue an unqualified audit report on your Accounts. There are some issues to report to you prior to their approval.

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# Audit of accounts report

## Introduction

- 1 We summarise the main findings from our audit of your 2019-20 statement of accounts in this report.
- 2 We have already discussed these issues with the Director of Resources and his team.
- 3 Auditors can never give complete assurance that accounts are correctly stated. Instead, we work to a level of 'materiality'. This level of materiality is set to try to identify and correct misstatements that might otherwise cause a user of the accounts into being misled.
- 4 We set this level at £1.3 million for this year's audit.
- 5 There are some areas of the accounts that may be of more importance to the reader and we have set a lower materiality level for these, as follows:
  - Senior officers' remuneration - £1,000
  - Related party transactions and balances - £10,000.
- 6 We have now substantially completed this year's audit.
- 7 In our professional view, we have complied with the ethical standards that apply to our work; remain independent of yourselves; and, our objectivity has not been compromised in any way. There are no relationships between ourselves and yourselves that we believe could undermine our objectivity and independence.

## Impact of COVID-19 on this year's audit

- 8 The COVID-19 pandemic has had a significant impact on all aspects of our society and continues to do so. You are required by law to prepare accounts and it is of considerable testament to the commitment of your accounts team that you have succeeded in doing so this year in the face of the challenges posed by this pandemic. We are extremely grateful to the professionalism of the team in supporting us to complete our audit in such difficult circumstances.
- 9 The pandemic has unsurprisingly affected our audit and we summarise in **Exhibit 1** the main impacts. Other than where we specifically make recommendations, the detail in **Exhibit 1** is provided for information purposes only to help you understand the impact of the COVID-19 pandemic on this year's audit process.

**Exhibit 1 – impact of COVID-19 on this year’s audit**

<p><b>Timetable</b></p>	<p>The deadline for councils and this joint committee to complete their draft statement of accounts remained at 15 June 2020. Your S151 officer took a decision early on that this deadline would not be achievable because of other more pressing priorities.</p> <p>We agreed a local timetable for a draft statement of accounts to be provided by 24 July and we received the draft accounts shortly afterwards on 27 July.</p> <p>The Joint Committee is due to consider and approve the audited statement of accounts at this meeting on 13 November 2020.</p> <p>We expect your audit report to be signed on 17 November 2020.</p>
<p><b>Electronic signatures</b></p>	<p>If still necessary at the time of approval and signing, we will accept electronic signatures and electronic transfer of files. We anticipate that your audit report will be signed electronically.</p>
<p><b>Audit evidence</b></p>	<p>As in previous years, we received most of the audit evidence in electronic format. We have used various techniques to ensure its validity. Where we have been unable to obtain access to paper documents because of COVID-19 restrictions, we have devised alternative audit methodologies to obtain sufficient audit evidence. Specifically:</p> <ul style="list-style-type: none"> <li>• ERW officers provided electronic working papers in accordance with our agreed Audit Deliverables Report;</li> <li>• ERW officers provided audit evidence to the audit team through remote access to Pembrokeshire Council’s shared server; and</li> <li>• Audit Wales also secured remote read-only access to Pembrokeshire Council’s ledger which enabled the audit team to query the ledger and hence reduce the burden on officers to provide this information.</li> </ul> <p>Because of the practical implications of lockdown and the additional workload pressures on your staff in responding to the pandemic, we did encounter some minor delays in receiving audit evidence and timely responses to audit queries, although this has not resulted in a significant delay in concluding the audit.</p>
<p><b>Other</b></p>	<p>Officers were available by video conferencing for discussions which enabled the audit team to correspond effectively with officers throughout the audit.</p>

- 10 We will be reviewing what we have learnt for our audit processes from the COVID-19 pandemic and whether there are innovative practices that we might adopt in the future to enhance those processes.

## Proposed audit opinion

- 11 We require you to provide us with a Letter of Representation based on that set out in **Appendix 1**. The letter contains certain confirmations we are required to obtain from you under auditing standards along with confirmation of other specific information you have provided to us during our audit.
- 12 Once you have provided us with your Letter of Representation, we intend to issue an unqualified audit opinion on the 2019-20 statement of accounts. Our proposed audit report is set out in **Appendix 2**. We issue a 'qualified' audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.

## Significant issues arising from the audit

### Uncorrected misstatements

- 13 There is one misstatement identified with the accounts, which remains uncorrected. We set out below details of this misstatement which has been discussed with management. We request that this is corrected. If you decide not to correct this misstatement, we ask that you provide us with the reason in writing for not correcting it.
- Understatement of £124,000 on pension fund liability in the Balance Sheet and Note 15.4 for incorrect remeasurement adjustment in 2018-19 which means the pension fund liability is understated at 31 March 2019 and 31 March 2020 by the same amount.

### Corrected misstatements

- 14 There were initially misstatements and disclosure errors in the draft statement of accounts. These have now been corrected by management and have no impact on the Joint Committee's reported net expenditure. However, we believe that these should be drawn to your attention and they are set out with explanations in **Appendix 3**.

## Other significant Issues arising from the audit

15 In the course of the audit, we consider a number of matters relating to the accounts and report any significant issues arising to you. There was one issue arising in these areas this year as shown in **Exhibit 2**:

### Exhibit 2 – significant issue arising from the audit

Significant issue arising from the audit		
<b>Manual adjustments not posted to the ledger</b>	During the closedown process, manual adjustments were made to prepare the Statement of Accounts. These changes were not processed in the ledger or a clear working paper provided reconciling the accounts to the ledger at the start of the audit. This caused complications in audit sample selection and ensuring the integrity of the statement of accounts.	Any manual amendments relating to classification or other issues identified during the closedown process should be processed into the ledger.  A clear working paper showing how the trial balance has been mapped to prepare the primary statements should be available prior to the commencement of the audit work.

## Recommendations

16 Following the audit certification by the Auditor General, we will continue to work with the Committee's finance team to improve the accounts production process for 2020-21.

# Appendix 1

## Final Letter of Representation

### Education through Regional Working Joint Committee letterhead

Auditor General for Wales

Audit Wales

24 Cathedral Road

Cardiff

CF11 9LJ

13 November 2020

### Representations regarding the 2019-20 financial statements

This letter is provided in connection with your audit of the financial statements of the ERW Joint Committee for the year ended 31 March 2020 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

### Management representations

#### Responsibilities

We have fulfilled our responsibility for:

- the preparation of the financial statements in accordance with legislative requirements and the CIPFA Code of Practice on Local Authority Accounting in the UK 2019-20; in particular the financial statements give a true and fair view in accordance therewith; and
- the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

#### Information provided

We have provided you with:

- Full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
  - additional information that you have requested from us for the purpose of the audit; and

- unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects the ERW Joint Committee and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.

## Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A description of these items is set out below:

Understatement of £124,000 on pension fund liability in the Balance Sheet and Note 15.4 for incorrect remeasurement adjustment in 2018-19 which means the pension fund liability is understated at 31 March 2019 and 31 March 2020 by the same amount.

## Representations by the Joint Committee

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Joint Committee on 13 November 2020.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

Lead Chief Executive:

Date: 13 November 2020

Signed by:

Chair of the Joint Committee

Date: 13 November 2020

# Appendix 2

## Proposed audit report

### The independent auditor's report of the Auditor General for Wales to the members of the Education through Regional Working Joint Committee

#### Report on the audit of the financial statements

##### Opinion

I have audited the financial statements of the Education through Regional Working Joint Committee (ERW) for the year ended 31 March 2020 under the Public Audit (Wales) Act 2004.

ERW's financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and the related notes, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of ERW as at 31 March 2020 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20.

##### Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the Joint Committee in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Joint Committee's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

## Other information

The responsible financial officer is responsible for the other information in the annual report and accounts. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated later in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

## Report on other requirements

### Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Governance Statement has been prepared in accordance with guidance.

## **Matters on which I report by exception**

In the light of the knowledge and understanding of the Joint Committee and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Governance Statement.

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

## **Certificate of completion of audit**

I certify that I have completed the audit of the accounts of the Education through Regional Working Joint Committee in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

## **Responsibilities**

### **Responsibilities of the responsible financial officer for the financial statements**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 14, the responsible financial officer is responsible for the preparation of the statement of accounts, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing the Joint Committee's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

## **Auditor's responsibilities for the audit of the financial statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

**Adrian Crompton**  
**Auditor General for Wales**  
**17 November 2020**

**24 Cathedral Road**  
**Cardiff**  
**CF11 9LJ**

# Appendix 3

## Summary of corrections made

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

### Exhibit 3: summary of corrections made

Value of correction	Nature of correction	Reason for correction
£134,000	One employee was excluded from the remuneration banding disclosure in <b>note 13.4.1</b> as a termination benefit had not been included, so one employee was added to the banding £130,000 to £135,000.	Correct disclosure of remuneration bandings
£2,521	The remuneration disclosed for both interim managing directors were misstated by £1,023 and £1,498 respectively.	Senior officer remuneration is material by nature and needs to be disclosed accurately.
£30,000	The disclosure of termination benefits in <b>note 13.4.2</b> was overstated by £30,000 and should read £115,000.	Correct disclosure of termination benefits
£480,000	<b>Note 15.3 Contingent liabilities</b> included reference to future local authority contributions of £480,000. This is not a contingent liability and the note should be disclosed in the narrative report.	To correctly state contingent liabilities
Various	A number of other minor amendments were required to statements, narrative notes and comparative figures.	To comply with disclosure requirements



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