



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Audit of Financial Statements Report – Education through Regional Working Joint Committee

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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.

The team who delivered the work comprised of Anthony Veale, Jeremy Saunders, Julie Owens, Jonathan Mather and Ellis Williams.

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The Auditor General intends to issue an unqualified audit report on your financial statements. There are some issues to report to you prior to their approval.

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Summary report

Introduction

- 1 The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of the Education through Regional Working Joint Committee (the Joint Committee) at 31 March 2019 and its income and expenditure for the year then ended.
- 2 We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.
- 3 The quantitative level at which we judge such misstatements to be material for the Joint Committee is £1.4 million. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.
- 4 International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
- 5 This report sets out for consideration the matters arising from the audit of the financial statements of the Committee, for 2018-19, that require reporting under ISA 260.

Status of the audit

- 6 We received the draft financial statements for the year ended 31 March 2019 on 31 May 2019, one week after the target deadline of 24 May 2019. That said, the production of the draft financial statements was still well in advance of the current statutory deadline of 15 June.
- 7 We have now substantially completed the audit work subject to the following:
 - the completion of our final review.
 - receipt and review of the final Annual Governance Statement. We understand that the final Annual Governance Statement is due to be presented to the Joint Committee at its meeting scheduled for 15 July 2019. We will review the final Annual Governance Statement as soon as this is received.
 - receipt and review of the declarations of interests and subsequent review of any related party disclosures.
 - receipt and review of the recently prepared Internal Audit Report in respect of the 'Leaders of Learning' programme.
- 8 We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with the Joint Committee's Section 151 officer and his team.

Proposed audit report

- 9 It is the Auditor General's intention to issue an unqualified audit report on the financial statements once you have provided us with a Letter of Representation based on that set out in [Appendix 1](#).
- 10 The proposed audit report is set out in [Appendix 2](#).

Significant issues arising from the audit

Uncorrected misstatements

- 11 There are no misstatements identified in the financial statements, which remain uncorrected.

Corrected misstatements

- 12 There are no significant corrected misstatements identified in the financial statements. A small number of narrative changes were made to the notes to the accounts.

Other significant issues arising from the audit

- 13 In the course of the audit we consider a number of matters, both qualitative and quantitative, relating to the accounts and report any significant issues arising to you.
- **We have no significant concerns about the qualitative aspects of your accounting practices and financial reporting.**
 - **We did not encounter any significant difficulties during the audit. We were not restricted in our work and received the information that we required to complete our audit.**
 - **There were no significant matters discussed and corresponded upon with management which we need to report to you.**
 - **There are four other matters significant to the oversight of the financial reporting process that we need to report to you.** These are outlined below with recommendations made in [Appendix 3](#):
 - a. The costs of the central team (salaries and running costs such as translation) are funded via a combination of member authority contributions, reserves and increasingly grant funding. It is imperative that the Joint Committee reviews this position to ensure that its forward financial planning considerations are sustainable and appropriate.
 - b. We identified that up to date declarations of interest were not available for all members of the Joint Committee and Executive Board at the

time of audit. These were due to be collated in Autumn 2018 but two thirds of declarations were not available at the time of audit.

- c. On receipt of the draft financial statements, the Annual Governance Statement was not available. This is a key document and needs to be produced (and agreed by the Joint Committee alongside the preparation of the draft financial statements).
- d. We understand that Neath Port Talbot County Borough Council has provided notice to withdraw from the Consortium with effect from 31 March 2020. The Joint Committee needs to assess the financial and operational implications of any withdrawal including whether this position would impact on any future funding through Welsh Government of the Regional School Consortium Improvement Grant (RSCIG).

- **We did not identify any material weaknesses in your internal controls.**
- **There are no other matters specifically required by auditing standards to be communicated to those charged with governance.**

Recommendations arising from our 2018-19 financial audit work

- 14 The recommendations arising from our financial audit work are set out in [Appendix 3](#). Management has responded to them and we will follow up progress on them during next year's audit. Where any actions are outstanding, we will continue to monitor progress and report it to you in next year's report.

Independence and objectivity

- 15 As part of the finalisation process, we are required to provide you with representations concerning our independence.
- 16 We have complied with ethical standards and in our professional judgment, we are independent and our objectivity is not compromised. There are no relationships between the Wales Audit Office and the Joint Committee that we consider to bear on our objectivity and independence.

Appendix 1

Final Letter of Representation

[Joint Committee's letterhead]

Auditor General for Wales

Wales Audit Office

24 Cathedral Road

Cardiff

CF11 9LJ

15 July 2019

Representations regarding the 2018-19 financial statements

This letter is provided in connection with your audit of the financial statements of the Education through Regional Working Joint Committee for the year ended 31 March 2019 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 responsibilities 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 2018-19; 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 Education through Regional Working 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.
- Confirmation that there are no further liabilities that need to be recorded in the financial statements in respect of grant awarding bodies requesting clawback of grant monies received by ERW.

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.

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 **15 July 2019**.

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:

Signed by:

Jon Haswell
Section 151 Officer

Chair of Joint Committee

Date:

Date:

Appendix 2

Proposed audit report of the Auditor General to the Education through Regional Working Joint Committee

Auditor General for Wales' report 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 Education through Regional Working Joint Committee for the year ended 31 March 2019 under the Public Audit (Wales) Act 2004.

The Education through Regional Working Joint Committee'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 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Education through Regional Working Joint Committee as at 31 March 2019 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.

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 Education through Regional Working 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 twelve 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; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual 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 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 pages 17 to 18, 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. This description forms part of my auditor's report.

Anthony J Barrett
For and on behalf of the Auditor General for Wales
16 July 2019

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Appendix 3

Recommendations arising from our 2018-19 financial audit work

We set out all the recommendations arising from our audit with management's response to them. We will follow up these next year and include any outstanding issues in next year's audit report.

Recommendation 1

Matter arising 1 - use of grant funding, reserves and contributions from the authorities to fund central costs	
Findings	The costs of the central team (salaries and running costs such as translation) are funded via member authority contributions, reserves and, increasingly, grant funding.
Priority	High
Recommendation	We recommend that the Joint Committee reviews how central revenue costs are currently being funded to ensure that its forward financial planning considerations are appropriate and sustainable.
Accepted in full by management	Agreed
Management response	Following completion of the ERW Review and Reform Programme, a revised Business Plan and outline Funding Model were determined. The Funding Model for 2019-20 has been agreed and discussions are ongoing between the Joint Committee, Chief Executives and the ERW S151 Officer to agree the Funding Model for 2020-21 onwards.
Implementation date	April 2020 (Start of the 2020-21 Financial Year)

Recommendation 2

Matter arising 2 - the Annual Governance Statement was not fully completed on receipt of the draft financial statements	
Findings	On receipt of the draft financial statements, the Annual Governance Statement was not completed and approved.
Priority	High
Recommendation	In future years, the Annual Governance Statement needs to be completed alongside the production of the draft financial statements. With regards to the 2018-19 Annual Governance Statements, the action plan to address any governance issues needs to be fully completed and presented to the ERW Joint Committee at its meeting scheduled for 15 July 2019.

Accepted in full by management	Agreed
Management response	The Annual Governance Statement for 2019-20 will be completed alongside the Draft Financial Statements for 2019-20. The Annual Governance Statement for 2018-19 will be presented to the Joint Committee for approval on 15 July 2019.
Implementation date	May 2020 (For the 2019-20 Annual Governance Statement)

Recommendation 3

Related party/ declaration of interests	
Findings	We identified that up-to-date declarations of interest were not available for all members of the Joint Committee and Executive Board at the time of audit. These were due to be collated in Autumn 2018 but two thirds of declarations were not available at the time of audit.
Priority	High
Recommendation	Declarations of interest returns should be completed by all members of the Joint Committee and Executive Board in advance of preparing the annual statement of accounts. This should ensure that any relevant related party disclosures can be included within the accounts.
Accepted in full by management	Agreed
Management response	Declarations of interest will be obtained from all Members of the Joint Committee and Executive Board immediately and on an annual basis thereafter.
Implementation date	Immediately

Recommendation 4

Neath Port Talbot have provided ERW with notice to withdraw from the Consortium from 31 March 2020	
Findings	Neath Port Talbot County Borough Council has provided notice to withdraw from the Consortium with effect from 31 March 2020.
Priority	High
Recommendation	The Joint Committee need to assess the financial and operational implications of any withdrawal including whether this position would impact on any future funding

	through Welsh Government of the Regional School Consortium Improvement Grant (RSCIG).
Accepted in full by management	Agreed
Management response	The ERW Managing Director, with advice from the ERW S151 Officer and ERW Monitoring Officer, will assess the financial and operational implications of any withdrawal and whether this would impact on any future RSCIG funding. This will be reported to the Joint Committee for consideration.
Implementation date	November 2019

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