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Mr Jon Haswell
Via email

Reference: Partneriaeth 22-23

Date issued: 10 January 2024

Dear Jon,

Audit enquiries to those charged with governance and management

- 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 formally seeks documented consideration and understanding on a number of governance areas that impact on our audit of your financial statements. These considerations are relevant to both the management of the Joint Committee and 'those charged with governance'.

I have set out below the areas of governance on which I am seeking your views:

- Matters in relation to fraud
- Matters in relation to laws and regulations
- Matters in relation to related parties

The information you provide will inform our understanding of the Joint Committee and its business processes and support our work in providing an audit opinion on your 2022-23 financial statements.

I would be grateful if you could update the attached table in **Appendix 1** to **Appendix 3** for 2022-23.

The completed **Appendix 1** to **Appendix 3** should be formally considered and communicated to us on behalf of both management and those charged with governance by 31 January 2024. In the meantime, if you have queries, please contact me on 07810 832434 or Jeremy.Saunders@audit.wales.

Yours sincerely



Jeremy Saunders

Audit Manager

Appendix 1

Matters in relation to fraud

International Standard for Auditing (UK) 240 covers auditors' responsibilities relating to fraud in an audit of financial statements. This standard has been revised for 2022-23 audits.

The primary responsibility to prevent and detect fraud rests with both management and 'those charged with governance', which for the Joint Committee is the Governance & Audit Committee. Management, with the oversight of those charged with governance, 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 those charged with governance exercises oversight of management's processes. We are also required to make enquiries of both management and those charged with governance as to their knowledge of any actual, suspected or alleged fraud, management's process for identifying and responding to the risks, and the internal controls established to mitigate them.

Enquiries of management – general

Question	2022-23 Response
<p>Has the management team carried out an assessment of the going concern basis for preparing the financial statements? What was the outcome of that assessment?</p>	<p>As part of the annual budget planning exercise, the Partneriaeth Education Directors and Lead Officer also consider the Medium-Term Financial Plan (MTFP) for the next four-year period, in order to assess the longer-term financial sustainability of Partneriaeth. Consideration of the budget for 2023-24 and the MTFP 2023-24 to 2026-27, prior to the preparation of the 2022-23 Statement of Accounts, did not identify any issues of going concern.</p> <p>Whilst reliance on grant funding will always be a risk for Partneriaeth, any variance will be met by an adjustment in the business plan activity. Whilst grant funding is generally paid direct to Partneriaeth for passporting to Local Authorities, this may change in the future.</p> <p>Reserve balances are adequate.</p>
<p>Do you have knowledge of events or conditions beyond the period of the going concern assessment that may cast significant doubt on the entity's ability to continue as a going concern?</p>	<p>Refer to answer above.</p>
<p>What are your views on the entity's control environment? How would you assess the process for reviewing the effectiveness of internal control?</p>	<p>The Head of Internal Audit Annual Assurance Statement provides an independent opinion on the Partneriaeth control environment.</p>

Enquiries of management – general	
Question	2022-23 Response
	This is outlined in the Annual Governance Statement which is considered and approved by the Partneriaeth Joint Committee, being signed by the Lead Chief Executive and Chair of Partneriaeth.
If internal control deficiencies were reported in the prior year, please comment on the status of these.	Significant governance issues and priorities for improvement are included in the Annual Governance Statement. Monitoring of their implementation is undertaken by the Partneriaeth Education Directors and Lead Officer and the Partneriaeth Joint Committee. A summary position on their implementation is included in the next Annual Governance Statement, considered and approved by the Partneriaeth Joint Committee.
What procedures are in place to ensure the compliance and completeness of Governance reports?	Governance related reports, e.g. Annual Governance Statement are considered by the Partneriaeth Statutory Officers and/or Head of Internal Audit before being considered and approved by the Partneriaeth Joint Committee.

Enquiries of management – in relation to financial reporting

Question	2022-23 Response
How does the entity communicate to employees regarding their views on business practices and ethical behaviour?	<p>Partneriaeth Code of Corporate Governance in place.</p> <p>Pembrokeshire County Council Financial Procedure Rules and Contract Procedure Rules adopted by Partneriaeth.</p> <p>PCC Officer Code of Conduct and other relevant policies and procedures in place for all Partneriaeth staff, which would be referenced in induction training.</p> <p>Members Code of Conduct in place for each Partneriaeth partner.</p> <p>Register of interests held by the Partneriaeth Central Team, with periodic reminder issued to declare any interests.</p>
What are your general views on the entity's risk assessment process relating to financial reporting?	<p>Any risks relating to financial reporting would be identified by the Pembrokeshire County Council Finance Team or the Partneriaeth S151 Officer, Deputy S151 Officer or Head of Internal Audit and included in the Partneriaeth Risk Register.</p>
Are you aware of significant transactions that are outside the normal trading activities of the business?	<p>None.</p>
Have there been any issues that may impact the preparation of the accounts identified so far?	<p>None.</p>

Enquiries of those charged with governance – in relation to financial reports

Question	Response
What is the allocation of responsibilities between those charged with governance and management?	The allocation of responsibilities are defined in the Partneriaeth Joint Agreement.
Are there any matters which those charged with governance consider require particular attention during the audit?	None.
Are there any other matters which those charged with governance consider may influence the audit of the financial statements?	None.
Are those charged with governance aware of any significant communications with regulators?	None.
What arrangements are in place to oversee the effectiveness of internal control?	<p>Partneriaeth Code of Governance in place.</p> <p>The Head of Internal Audit Annual Assurance Statement provides the Partneriaeth Joint Committee with an independent opinion on the Partneriaeth control environment.</p>

Enquiries of those charged with governance – in relation to financial reports

Question	Response
	<p>This is outlined in the Annual Governance Statement which is considered and approved by the Partneriaeth Joint Committee, being signed by the Lead Chief Executive and Chair of Partneriaeth.</p>

Enquiries of management – in relation to fraud

Question	Response
<p>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>	<p>Low due to adequate and effective controls in place. All financial systems applicable to Partneriaeth were independently reviewed by PCC Internal Audit during 2022-23, with all systems receiving either a Substantial or Moderate assurance.</p> <p>Grant funding for 2022-23 was paid to Local Authorities upon receipt of grant claims, therefore the risk to the financial statements is considered low. PCC Internal Audit undertook a review of compliance for the relevant grant schemes to provide assurance to Partneriaeth.</p>

Enquiries of management – in relation to fraud	
Question	Response
Do you have knowledge of any actual, suspected or alleged fraud affecting the audited body?	None.
What is management's process for identifying and responding to the risks of fraud in the entity, including any specific risks of fraud that management has identified or that have been brought to its attention?	<p>PCC Internal Audit provide the Audit Service for Partneriaeth. PCC Counter Fraud, Corruption & Bribery Policy Statement and Strategy are in place.</p> <p>The annual internal audit plan for Partneriaeth, undertaken by PCC Internal Audit team continues to consider the risks of fraud, which are based on intelligence (e.g. Counter Fraud Tracker, CIPFA Counter Fraud Hub, Fraud alerts etc. Standard counter fraud work undertaken, e.g. NFI, Data Analytics. Membership of CIFAS for data matching purposes).</p> <p>Financial statements for Partneriaeth are reviewed by PCC/Partneriaeth S151 Officer and Deputy S151 Officer.</p>
What classes of transactions, account balances and disclosures have you identified as most at risk of fraud?	Income, Creditor Payments, Payroll transactions. Low risk.
Are you aware of any whistle-blowing or complaints by potential whistle blowers? If so, what has been the entity's response?	None.

Enquiries of management – in relation to fraud	
Question	Response
What is management's communication, if any, to those charged with governance regarding their processes for identifying and responding to risks of fraud?	Partneriaeth S151 Officer and Partneriaeth Head of Internal Audit liaison with the Partneriaeth Education Directors and Lead Officer and in reports to the Partneriaeth Joint Committee.
What is management's communication, if any, to employees regarding their views on business practices and ethical behaviour?	<p>Partneriaeth Code of Corporate Governance in place.</p> <p>PCC Officer Code of Conduct and other relevant policies and procedures in place for all Partneriaeth staff, which would be referenced in induction training.</p> <p>Members Code of Conduct in place for each Partneriaeth partner.</p> <p>Register of interests held by the Partneriaeth Central Team, with periodic reminder issued to declare any interests.</p>

Enquiries of those charged with governance – in relation to fraud

Question	Response
Do you have any knowledge of actual, suspected or alleged fraud affecting the audited body?	None.
What is your assessment of the risk of fraud within the entity, including those risks that are specific to the entity's business sector?	Low, due to the robust controls that are in place.
<p>How do you exercise oversight of:</p> <ul style="list-style-type: none"> • management's processes for identifying and responding to the risk of fraud in the audited body, and • the controls that management has established to mitigate these risks? 	<p>PCC Financial Procedure Rules and Contract Procedure Rules adopted by the Partneriaeth Joint Committee, which outline the reporting arrangements to the S151 Officer and the Head of Internal Audit.</p> <p>PCC Counter Fraud, Corruption & Bribery Policy Statement and Strategy in place, which is referenced in the Financial Procedure Rules.</p> <p>PCC Governance and Audit Committee approve and monitor the annual Counter Fraud Work Plan which covers financial systems applicable to Partneriaeth.</p> <p>The Partneriaeth Joint Committee receives the Head of Internal Audit Annual Assurance Opinion which feeds into the Annual Governance Statement. Any significant fraud or internal control weaknesses/risks are highlighted.</p>

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, is responsible for ensuring that the Joint Committee'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 enquiries of management and those charged with governance as to whether the Joint Committee 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	2022-23 Response
<p>Is the audited body in compliance with relevant laws and regulations?</p> <p>How have you gained assurance that all relevant laws and regulations have been complied with? Are there any policies or procedures in place?</p>	<p>Oversight by the Partneriaeth Education Directors and Lead Officer and Partneriaeth Joint Committee.</p> <p>Partneriaeth Joint Committee reports require identification of legal and financial issues from the Partneriaeth Monitoring Officer and Partneriaeth S151 Officer.</p> <p>Officers attend the Joint Committee meetings to provide professional advice.</p> <p>Membership of Professional Bodies, networking and horizon scanning used to identify upcoming issues.</p> <p>Regular correspondence with Welsh Government and WLGA.</p> <p>The Code of Practice on Local Authority Accounting in the UK is updated annually and complied with – Partneriaeth S151 Officer signs the Statement of Accounts.</p>
<p>Are you aware of any instances of non-compliance with laws or regulations? Is the entity on notice of any such possible instances of non-compliance?</p>	<p>None.</p>
<p>Has there been any significant communications with regulators?</p>	<p>None.</p>

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

Question	2022-23 Response
Are you aware of any non-compliance with laws and regulations that may be expected to have a fundamental effect on the operations of the entity?	None.
How do you obtain assurance that all relevant laws and regulations have been complied with?	<p>The Partneriaeth Joint Committee receive all financial and internal audit reports.</p> <p>Partneriaeth Joint Committee reports require the identification of legal and financial issues and are considered by the Partneriaeth Monitoring Officer and Partneriaeth S151 Officer. Statutory Officers attend the Partneriaeth Joint Committee meetings to provide professional advice.</p>

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

Question	2022-23 Response
	<p>Internal Audit reviews consider compliance with laws and regulations, either as a particular risk (e.g., Data Protection), or as part of the annual review. The final internal audit report is reported to the Partneriaeth Joint Committee.</p> <p>Head of Internal Audit Annual Opinion and Report is presented to the Partneriaeth Joint Committee.</p> <p>Annual Governance Statement identifies any areas of non-compliance or areas requiring improvement. This is reviewed and approved by the Partneriaeth Joint Committee.</p>

Enquiries of management – in relation to risk and governance

Question	2022-23 Response
How do you communicate to those charged with governance regarding business risks including fraud?	Head of Internal Audit Annual Opinion and Report is presented to the Partneriaeth Joint Committee.

Enquiries of management – in relation to risk and governance

Question	2022-23 Response
	<p>Annual Governance Statement identifies any areas of non-compliance or areas requiring improvement. This is reviewed and approved by the Partneriaeth Joint Committee.</p> <p>Partneriaeth has a risk register in place and is presented to the Partneriaeth Joint Committee at each meeting.</p>
What is the allocation of responsibilities between those charged with governance and management?	The allocation of responsibilities are defined in the Partneriaeth Joint Agreement.

Appendix 3

Matters in relation to related parties

International Standard for Auditing (UK) 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	2022-23 Response
<p>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? Confirm that the following have been disclosed to the auditor:</p> <ul style="list-style-type: none">a. the identity of any related parties, including changes from the prior period;b. the nature of the relationships with these related parties;	<p>No change to related party transactions process since previous year. Annual reminders are sent to inform individuals of the need to declare any related party interests.</p> <p>Register of Interest forms in place and held centrally.</p> <p>Internal Audit Reviews, where applicable.</p> <p>Any material related party transactions would be outlined in the Statement of Accounts, with working papers available for Audit Wales.</p>
<p>What transactions have been entered into with related parties during the period? What is the purpose of these transactions?</p>	<p>Refer to answer above.</p>
<p>What controls are in place to identify, account for and disclose related parties?</p>	<p>Refer to answer above.</p> <p>PCC Officer Code of Conduct and other relevant policies and procedures covering declaration of interest requirements.</p> <p>Members Code of Conduct in place for each Partneriaeth partner covering declaration of interest requirements.</p>

Enquiries of management – in relation to related parties

Question	2022-23 Response
	<p>Senior management safeguards to protect against conflict of interests.</p> <p>Review and challenge from Partneriaeth S151 Officer, Partneriaeth Deputy S151 Officers and Partneriaeth Head of Internal Audit.</p>
<p>What controls are in place to authorise and approve significant transactions and arrangements:</p> <ul style="list-style-type: none">• with related parties, and• outside the normal course of business?	<p>PCC Officer Code of Conduct and other relevant policies and procedures covering declaration of interest requirements.</p> <p>Members Code of Conduct in place for each Partneriaeth partner covering declaration of interest requirements.</p> <p>Senior management safeguards to protect against conflict of interests.</p> <p>Review and challenge from Partneriaeth S151 Officer, Partneriaeth Deputy S151 Officers and Partneriaeth Head of Internal Audit.</p>

Enquiries of Those Charged with Governance – in relation to related parties

Question	2022-23 Response
<p>How do you exercise oversight of management's processes to identify, authorise, approve, account for and disclose related party transactions and relationships?</p>	<p>Partneriaeth Code of Corporate Governance in place. PCC Officer Code of Conduct and other relevant policies and procedures covering declaration of interest requirements.</p> <p>Members Code of Conduct in place for each Partneriaeth partner covering declaration of interest requirements. Register of interests held by the Partneriaeth Central Team, with periodic reminder issued to declare any interests. Internal Audit Reviews, where applicable.</p> <p>Annual review and approval of the Financial Statements and Annual Governance Statement by the Partneriaeth Joint Committee.</p>