

Meeting of:	Shared Regulatory Services Joint Committee
Date of Meeting:	Tuesday, 28 September 2021
Relevant Scrutiny Committee:	No Relevant Scrutiny Committee
Report Title:	Audit Wales 2021 Audit Plan
Purpose of Report:	To present to Members the Audit Wales Audit Plan 2021
Report Owner:	Report of the Head of Finance
Responsible Officer:	Carys Lord, Section 151 Officer
Elected Member and Officer Consultation:	No specific ward member consultation has been undertaken
Policy Framework:	This report is in accordance with the policy framework and budget
<p>Executive Summary:</p> <p>Audit Wales (AW), as the nominated auditor for the Shared Regulated Services is required to undertake work in relation to the following:</p> <ul style="list-style-type: none"> • Audit of the Financial Statements • Value for money • Continuous Improvement • Sustainable Development principle <p>The report provides details regarding how AW will complete the work in 2021.</p> <p>The Committee is requested to consider and agree the proposed audit plan for 2021.</p>	

Recommendation

1. That Members review and note the content of this report.

Reason for Recommendation

1. To facilitate monitoring of the audit function.

1. Background

1.1 As the external auditor, the objective of AW is to carry out an audit which discharges the statutory duties of Auditor General, which include:

- Audit of Financial Statements
- Value for Money
- Continuous Improvement
- Sustainable Development Principle

2. Key Issues for Consideration

2.1 The report at Appendix 1 details the work planned by Audit Wales in the current year to meet the duties outlined above.

2.2 With regard to the financial statements, the key additions for the current year will be:

- Work on the Welsh Government funding received in relation to Covid 19; and
- The audit of the financial statements for Shared Regulatory Services.

3. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?

3.1 The management and reporting of the financial activity of Shared Regulatory Services reflects the requirements of the Well-being of Future Generations (Wales) Act 2015. By aligning our financial framework with the Well-being Goals of the Act, enables Shared Regulatory Services to Better evidence out contribution to the Goals.

3.2 External Regulation is an important vehicle for driving continuous improvement across our services. Progressing the improvement areas identified by our regulators not only enables us to demonstrate our commitment to continuous service improvement, but also contributes to further strengthening our impact on the national well-being goals through the achievement of our well-being objectives.

4. Resources and Legal Considerations

Financial

- 4.1 The estimated fee for the Audit work in 2021 is £11,844. Any proposed changes to this will be discussed with the Section 151 Officer prior to implementation. The details of these fees are shown in Exhibit 1.

Employment

- 4.2 There are no direct employment issues relating to this report.

Legal (Including Equalities)

- 4.3 The statutory duties of the Auditor General are contained within the Public Audit (Wales) Act 2004, the Local Government (Wales) Measure 2009 (the Measure), Well-being of Future Generations (Wales) Act 2015, the Local Government Act 1999 and the Code of Audit Practice, and these are namely to;
- examine and certify whether the financial statements are "true and fair"; and
 - assess whether the proper arrangements have been made for securing economy, efficiency and effectiveness in the use of resources.
 - under Paragraph 20 of Schedule 8 to the Government of Wales Act 2006 the Auditor General shall, if required by a local government or other grant receiving body, make arrangements for certifying claims and returns.

5. Background Papers

None.

2021 Audit Plan – Shared Regulatory Service Joint Committee

Audit year: 2020-21

Date issued: May 2021

Document reference: 2402A2021-22

This document has been prepared as part of work performed in accordance with statutory functions.

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2021 Audit Plan

About this document

- 1 This document sets out the work I plan to undertake during 2021 in auditing the Joint Committee's financial statements to discharge my statutory responsibilities as your external auditor and to fulfil my obligations under the Code of Audit Practice.

Impact of COVID-19

- 2 The COVID-19 pandemic continues to have a significant impact across the United Kingdom and on the work of public sector organisations. As in 2020, it is likely to significantly impact on the preparation of the 2020-21 accounts and my financial audit and performance audit work.
- 3 Recent developments in relation to a vaccine programme indicate that the Welsh Government's restrictions on movement and anticipated sickness absence levels are expected to ease through 2021. However, I recognise that there remains significant uncertainty and I understand that many local authorities may 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 my statutory responsibilities as the Auditor General, my 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.
- 4 Audit Wales staff will continue to work flexibly to deliver the audit work set out in this plan. In response to the government advice and subsequent restrictions, we will continue to work remotely, building on the arrangements made in 2020, until such time that it is safe to resume on-site activities. I remain committed to ensuring that the work of Audit Wales staff will not impede the vital activities that public bodies need to do to respond to ongoing challenges presented by the COVID-19 pandemic.
- 5 Consequently, while this audit plan sets out an initial timetable for the completion of my audit work, the ongoing uncertainties around the impact of COVID-19 on the sector mean that some timings may need to be revisited. My audit team will discuss any amendments required to the proposed timetable with the joint committee as the 2021 position becomes clearer.

Audit of financial statements

- 6 It is my responsibility to issue a certificate and report on the financial statements. This includes:
 - an opinion on the on the 'truth and fairness' of the financial statements for the financial year ended 31 March 2021; and
 - an assessment as to whether the Narrative Report and Annual Governance Statement is prepared in line with the CIPFA Code and relevant guidance

and is consistent with the financial statements and with my knowledge of the Joint Committee.

- 7 I do not seek to obtain absolute assurance on the truth and fairness of the financial statements and related notes but adopt a concept of materiality. My aim is to identify material misstatements, that is, those that might result in a reader of the accounts being misled. The levels at which I judge such misstatements to be material will be reported to the Joint Committee prior to completion of the audit.
- 8 Any misstatements below a trivial level (set at 5% of materiality I judge as not requiring consideration by those charged with governance and therefore will not report them.
- 9 I will also report by exception on a number of matters which are set out in more detail in our [Statement of Responsibilities](#), along with further information about my work.

Audit of financial statements risks

- 10 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</p> <p>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.

Audit risk	Proposed audit response
Other areas of audit attention	
<p>Impact of COVID-19 The COVID-19 national emergency continues and the pressures on staff resource and of remote working may impact on the preparation, audit and publication of accounts. There is a risk that the quality of the accounts and supporting working papers, eg around estimates and valuations, may be compromised leading to an increased incidence of errors. Quality monitoring arrangements may be compromised due to timing issues and/or resource availability.</p>	<p>We will discuss your closedown process and quality monitoring arrangements with the accounts preparation team and make arrangements to monitor the accounts preparation process. We will help to identify areas where there may be gaps in arrangements.</p>
<p>COVID-19 funding The COVID-19 pandemic will have a significant impact on the risks of material misstatement and the shape and approach to my audit. The Welsh Government has made available various funding streams to the Joint Committee. In some cases, these monies provide financial support to the joint committee itself. In other cases, the funds have been administered by the joint committee, making payments to third parties on behalf of the Welsh Government. The amounts involved are material to the accounts.</p>	<p>We will review the funding streams received from the Welsh Government and confirm the appropriate accounting treatment with the Joint Committee.</p>
<p>IAS19 – accounting for pensions Our 2019-20 audit identified that the data submitted to the actuary to inform the IAS19 accounting entries did not separate SRS staff from Vale of Glamorgan Council staff. This resulted in the actuary needing to estimate the IAS19 accounting entries based on historical data. The actuary also reported</p>	<p>We shall review the exercise to separate SRS and Vale of Glamorgan Council staff to ensure it is reasonable and provided to the actuary as discrete SRS data.</p>

Audit risk	Proposed audit response
<p>that the reliability of this estimation basis was reducing over time.</p> <p>In response, the Council is undertaking an exercise to separately identify and record SRS staff so that the administrators of the Cardiff and Vale Pension Fund can update their records and provide more accurate information to the actuary as part of the 2020-21 IAS19 process.</p>	

Statutory audit functions

- 11 In addition to the audit of the accounts, I have statutory responsibilities to receive questions and objections to the accounts from local electors. These responsibilities are set out in the Public Audit (Wales) Act 2004:
- Section 30 Inspection of documents and questions at audit; and
 - Section 31 Right to make objections at audit.
- 12 As this work is reactive, I have made no allowance in the fee table below. If I do receive questions or objections, I will discuss potential audit fees at the time.

Fee, audit team and timetable

- 13 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 taking into account the impact of COVID-19, 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 officials 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; and
 - Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements.

Fee

- 14 Your estimated fee for 2021 is £11,844 and is consistent with your actual 2020 fee.
- 15 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.
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- 17 Further information on my [fee scales and fee setting](#) can be found on our website.

Audit team

- 18 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	E-mail address
Anthony Veale	Engagement Director	07896 271873	anthony.veale@audit.wales
Steve Wyndham	Audit Manager (Financial Audit)	02920 320664	steve.wyndham@audit.wales
Anthony Ford	Audit Lead (Financial Audit)	02920 829348	anthony.ford@audit.wales

- 19 I can confirm that my team members are all independent of the Joint Committee and its officers. In addition, I am not aware of any potential conflicts of interest that I need to bring to your attention.

Timetable

20 The key milestones for the work set out in this plan are shown in **Exhibit 3**. As highlighted earlier, there may be a need to revise the timetable in light of developments with COVID-19.

Exhibit 3: Audit timetable

Planned output	Work undertaken	Report finalised
2021 Audit Plan	December 2020 to March 2021	April 2021
Audit of Financial statements work: <ul style="list-style-type: none">• Audit of Financial Statements Report• Opinion on Financial Statements	July to September 2021	September 2021



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