

Meeting of:	<b>Shared Regulatory Services Joint Committee</b>
Date of Meeting:	<b>Tuesday, 28 June 2022</b>
Relevant Scrutiny Committee:	No Relevant Scrutiny Committee
Report Title:	Audit Wales 2022 Audit Plan
Purpose of Report:	To present to Members the Audit Wales Audit Plan 2022
Report Owner:	Report of the Head of Finance
Responsible Officer:	Matt Bowmer, 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"> <li>• Audit of the Financial Statements</li> <li>• Value for money</li> <li>• Continuous Improvement</li> <li>• Sustainable Development principle.</li> </ul> <p>The report provides details regarding how AW will complete the work in 2022.</p> <p>The Committee is requested to consider and agree the proposed audit plan for 2022.</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 2021/22 is £12,285. Any proposed changes to this will be discussed with the Section 151 Officer prior to implementation. The details of these fees are shown at Exhibit 2 of Appendix 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

## 2022 Audit Plan – Shared Regulatory Services Joint Committee

Audit year: 2021-22

Date issued: April 2022

Document reference:

**This document is a draft version pending further discussions with the audited and inspected body. Information may not yet have been fully verified and should not be widely distributed.**

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# 2022 Audit Plan

## About this document

- 1 This document sets out the work I plan to undertake during 2022 to discharge my statutory responsibilities as the external auditor of the Shared Regulatory Services Joint Committee (the Joint Committee) and to fulfil my obligations under the Code of Audit Practice.

## My duties

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

## Impact of COVID-19

- 3 The COVID-19 pandemic has had an unprecedented impact on the United Kingdom and the work of public sector organisations.
- 4 While Wales is currently at Coronavirus Alert Level 0, Audit Wales will continue to monitor the position and will discuss the implications of any changes in the position with your officers.

## Audit of financial statements

- 5 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 Joint Committee's financial statements for the financial year ended 31 March 2022; and
  - an assessment as to whether the Joint Committee's 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's.
- 6 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.
- 7 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.
- 8 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

9 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
<b>Significant risks</b>	
<p><b>Management Override</b></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>We will:</p> <ul style="list-style-type: none"> <li>• test the appropriateness of journal entries and other adjustments made in preparing the financial statements;</li> <li>• review accounting estimates for biases; and</li> <li>• evaluate the rationale for any significant transactions outside the normal course of business.</li> </ul>
<b>Other audit risks</b>	
<p><b>Impact of COVID-19 – qualitative issues</b></p> <p>Although COVID-19 restrictions have now been removed, there are continued ongoing pressures on staff resource and of remote working that may impact on the preparation, audit and publication of accounts. Added to this there have also been significant changes within the host Council's senior finance team. There is a risk that the quality of the accounts and supporting working papers e.g. around estimates and valuations, may be compromised leading to an increased incidence of errors. Quality monitoring</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>



Audit risk	Proposed audit response
arrangements may be compromised due to timing issues and/or resource availability.	

## Statutory audit functions

- 10 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.
- 11 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

- 12 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.
- 13 If I do receive questions or objections, I will discuss potential audit fees at the time.

## Fee

- 14 As set out in our Fee Scheme 2022-23 our fee rates for 2022-23 have increased by 3.7% as a result of the need to continually invest in audit quality and in response to increasing cost pressures.
- 15 The estimated fee for 2022 is set out in **Exhibit 2**. This represents a 3.7% increase compared to your actual 2021 fee.

### Exhibit 2: audit fee

This table sets out the proposed audit fee for 2022, by area of audit work, alongside the actual audit fee for last year.

Audit area	Proposed fee (£)	Actual fee last year (£)
Audit of accounts	12,285	11,844

- 16 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.
- 17 Further information can be found in my [Fee Scheme 2022-23](#).

## Audit team

- 18 The main members of my team, together with their contact details, are summarised in **Exhibit 3**.

### Exhibit 3: my audit team

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

Name	Role	Contact number	E-mail address
Clare James	Engagement Director	02920 829330	clare.james@audit.wales
Steve Wyndham	Audit Manager (Financial Audit)	02920 320664	steve.wyndham@audit.wales
Anthony Ford	Audit Lead (Financial Audit)	02920829348	anthony.ford@audit.wales

19 We can confirm that team members are all independent of you and your officers.

## Timetable

20 The key milestones for the work set out in this plan are shown in **Exhibit 4**.

21 The Public Audit (Wales) Act 2004 provides electors with the right to ask questions and to make objections to the Authority's accounts to the Auditor General. The rights to ask questions and make objections at audit are linked to electors' rights to inspect the accounts that are also set out in the 2004 Act.

### Exhibit 4: Audit timetable

Planned output	Work undertaken	Report finalised
2022 Audit Plan	January – March 2022	April 2022
<b>Audit of Financial statements work:</b> <ul style="list-style-type: none"><li>• Audit of Financial Statements Report</li><li>• Opinion on Financial Statements</li></ul>	July – September	October 2022

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We welcome correspondence and telephone calls in Welsh and English.  
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