

# **Audit of Accounts Report** **Shared Regulatory Services**

Audit year: 2022-23

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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.

# Contents

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

## **Audit of Accounts Report**

Introduction	4
Proposed audit opinion	5
Significant issues arising from the audit	5
Recommendations	5

## **Appendices**

Appendix 1 – Final Letter of Representation	6
Appendix 2 – Proposed Audit Report	9
Appendix 3 – Summary of Corrections Made	14
Appendix 4 – Recommendations	16

# Audit of Accounts Report

## Introduction

- 1 We summarise the main findings from our audit of Shared Regulatory Services (SRS) 2022-23 accounts in this report.
- 2 We have already discussed these issues with the Head of Finance.
- 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 This year we have set this level at £232,000.
- 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:
  - Related Party Transactions for members and senior officers: £10,000; and
  - Senior officer remuneration: £1,000
- 6 Other than the completion of our internal file review arrangements, we have substantially completed our 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.
- 8 The timeline of the audit is set out in **Exhibit 1** below:

### Exhibit 1 – audit timetable.

<b>Timetable</b>	<ul style="list-style-type: none"><li>• The draft accounts were received on 30 June 2023</li><li>• We commenced our audit of the accounts on 1 November 2023</li><li>• The audit report will be signed by the Auditor General on 9 February subject to Joint Committee approval of the accounts on 31 January 2024</li></ul>
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## Proposed audit opinion

- 9 We intend to issue an unqualified audit opinion on this year's accounts once you have provided us with a Letter of Representation based on that set out in **Appendix 1**.
- 10 We issue a 'qualified' audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.

- 11 The Letter of Representation contains certain confirmations we are required to obtain from you under auditing standards.
- 12 Our proposed audit report is set out in **Appendix 2**.

## Significant issues arising from the audit.

### Uncorrected misstatements

- 13 There are no misstatements identified in the accounts, which remain uncorrected.

### Corrected misstatements

- 14 As a result of our audit there have been a small number of adjustments to the financial statements, none of which are material. These adjustments are summarised, for information, 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, such as any significant qualitative issues or internal control weaknesses. There are no issues of this nature that require reporting to you.

## Recommendations

- 16 There are two recommendations arising from our audit and these are set out in **Appendix 4**. Management has responded and we will follow up progress 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.

# Appendix 1

## Final Letter of Representation

*Audited body's letterhead*

Auditor General for Wales  
1 Capital Quarter  
Tyndal Street  
Cardiff  
CF10 4BZ

31 January 2024

### Representations regarding the 2022-23 financial statements

This letter is provided in connection with your audit of the financial statements of the Shared Regulatory Service Joint Committee for the year ended 31 March 2023 for the purpose of expressing an opinion on their truth and fairness.

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 United Kingdom UK 2022-23; in particular the financial statements give a true and fair view in accordance therewith.
- 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 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.
- The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.
- 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. There are no uncorrected misstatements.

## Representations by the Shared Regulatory Services 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 31 January 2024.

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:

Officer who signs on behalf of management

Chair of the Joint Committee on behalf of those charged with governance.

Date: 31 January 2024

Date: 31 January 2024



# Appendix 2

## Proposed Audit Report

### The report of the Auditor General for Wales to the members of the Shared Regulatory Service Joint Committee

#### Opinion on financial statements

I have audited the financial statements of Shared Regulatory Services Joint Committee for the year ended 31 March 2023 under the Public Audit (Wales) Act 2004.

The Shared Regulatory Services Joint Committee's financial statements for the year ended 31 March comprise the Expenditure and Funding Analysis, 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 UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2023.

In my opinion, in all material respects, the financial statements:

- give a true and fair view of the financial position of the Shared Regulatory Services Joint Committee as at 31 March 2023 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2023.

#### Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report.

My staff and I are independent of the Shared Regulatory Services 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

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Shared Regulatory Services Joint Committee's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the responsible financial officer with respect to going concern are described in the relevant sections of this report.

## Other Information

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

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

## 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 is in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023;
- 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 is in accordance with guidance.

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

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

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

- I have not received all the information and explanations I require for my audit;
- adequate accounting records have not been kept, or returns adequate for my audit have not been received from branches not visited by my team; or
- the financial statements are not in agreement with the accounting records and returns.

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the responsible financial officer is responsible for:

- the preparation of the statement of accounts which give a true and fair view and comply with proper practices;
- maintaining proper accounting records;
- internal controls 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; and
- assessing the Shared Regulatory Services 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 the responsible financial officer anticipates that the services provided by the Shared Regulatory Services Joint Committee will not continue to be provided in the future.

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

My responsibility is to audit the financial statements in accordance with the Public Audit (Wales) Act 2004.

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 aggregate, they could

reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- Enquiring of management, the Shared Regulatory Services Joint Committee's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to Shared Regulatory Services Joint Committee policies and procedures concerned with:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- Considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: the posting of unusual journals;
- Obtaining an understanding of the Shared Regulatory Services Joint Committee's framework of authority as well as other legal and regulatory frameworks that the Joint Committee operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Shared Regulatory Services Joint Committee.
- Obtaining an understanding of related party relationships.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management and legal advisors about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of

any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the Shared Regulatory Services Joint Committee's controls, and the nature, timing and extent of the audit procedures performed.

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.

### **Other auditor's responsibilities**

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

### **Certificate of completion of audit**

I certify that I have completed the audit of the accounts of name of the Shared Regulatory Services Joint Committee in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

Adrian Crompton  
Auditor General for Wales  
9 February 2024

1 Capital Quarter  
Tyndall Street  
Cardiff, CF10 4BZ

# Appendix 3

## Summary of Corrections Made

Some adjustments have been made to the financial statements as a result of our audit. These have been corrected by management. A summary of the most significant corrections made are summarised below.

### Exhibit 2: summary of corrections made.

Value of correction	Nature of correction
£35,000	<b>Comprehensive Income and Expenditure Statement and Balance Sheet</b> An amendment was made to reduce trading standards expenditure for some £35,000 with a corresponding reduction in Creditors (and increase in reserves). This amendment was required as there was no liability at the balance sheet date and so the expenditure should not have been included within the 2022-23 financial statements.
£1.4m	<b>Note 8 – Note to the Comprehensive Income &amp; Expenditure Statement</b> The charges in respect of accounting for Pension costs of some £1.4m have been reclassified from “other expenses” to “employee expenses”.
Disclosure only	<b>Note 25 – Employee Emoluments</b> The remuneration table concerning staff earning over £60,000 and the disclosure of total remuneration for Senior Officers were amended to: <ul style="list-style-type: none"><li>• remove an individual who was included in the Senior officers table but was not one of the SRS senior management team; and</li><li>• include additional staff who were incorrectly excluded in the table of officers whose total remuneration exceeded £60,000.</li></ul>
Disclosure only	<b>Note 13 - Related Party Transactions</b> The income totals within the disclosure note have been amended as follows: <ul style="list-style-type: none"><li>• Cardiff City Council - increased to £5.33m from £5.28m; and</li><li>• Vale of Glamorgan Council – decreased to £1.78 from £1.81m</li></ul>

# Appendix 4

## Recommendations

There are two recommendations arising from our audit that we will follow up during next year's audit.

### Exhibit 3: Recommendations

<b>Matter arising 1 – improvements should be made to the SRS's arrangements to identify potential related party relationships</b>	
<b>Findings</b>	<p>We found that the arrangements in place to obtain Declaration of Interests from Senior Management and elected Members of each Council body does not fully cover the requirements of the Code to enable the identification, and disclosure, of personal relationships of individuals and close family members.</p> <p>In addition, upon identifying each relationship, there was not always a clear audit trail of how each disclosed relationship was assessed as to whether an element of control or significant influence exists and so disclosure within the accounts was warranted.</p>
<b>Priority</b>	Medium
<b>Recommendation</b>	<p>The SRS should:</p> <ul style="list-style-type: none"><li>• Enhance its existing process such that declarations of interests are received annually from senior management and members that fully meet the requirements of the Code. These arrangements should also include entities that are controlled by close family members.</li><li>• Ensure an audit trail exists so that the basis for disclosure and non-disclosure in the accounts of relationships is recorded.</li></ul>
<b>Accepted in full by management</b>	Yes

<b>Management response</b>	<p>Senior Leadership Team will be required to make an annual declaration as part of the Statement of Accounts process on a non-exceptions basis.</p> <p>A review of working papers will be undertaken for the 2023/24 accounts.</p>
<b>Implementation date</b>	31/03/2024

<b>Matter arising 2 – Reconciliation of the Expenditure and Funding Analysis (EFA) Statement to the end of year outturn report</b>	
<b>Findings</b>	<p>We found that the SRS produces the information reported in its outturn report in a different format within the Expenditure and Funding Analysis (EFA) disclosures in the accounts.</p> <p>The Code states that the EFA should report the outturn for a body. Any differences to the outturn statement should therefore:</p> <ul style="list-style-type: none"> <li>• be explained in the accounts or narrative report; and</li> <li>• supported by a reconciliation in the working papers.</li> </ul>
<b>Priority</b>	Medium
<b>Recommendation</b>	The SRS should, within future financial statements, provide a reconciliation between its outturn report and the Expenditure and Funding Analysis so that differences in presenting the same information are set out in the accounts or narrative report.
<b>Accepted in full by management</b>	Yes
<b>Management response</b>	A clear reconciliation between the EFA and Outturn report will be included in the Narrative Report in 2023/24 accounts.



**Implementation date**

31/03/2024







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