

2020 Audit Plan – Central South Consortium Joint Education Service Joint Committee

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2020 Audit Plan

Our duties

- 1 We complete work each year to meet the following duties.

Audit of financial statements

- 2 Each year we audit the Central South Consortium Joint Education Service Joint Committee (Central South Consortium)'s financial statements to make sure that public money is being properly accounted for.

Impact of COVID-19

- 3 The COVID-19 national emergency has had an unprecedented impact on the UK and will significantly impact on audited bodies' preparation of the 2019-20 accounts and our audit work.
- 4 Due to the UK Government's restrictions on movement and anticipated sickness absence levels, we understand that many bodies will not be able to prepare accounts in line with statutory timetables.
- 5 Alongside the delivery of the Auditor General's statutory responsibilities, our 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.
- 6 In response to the government advice and subsequent restrictions, we have ceased on all on site work at audited bodies and our own offices. Audit Wales staff are working from home and we will continue to make whatever progress we can whilst working and engaging with you remotely.
- 7 We commit to ensuring that our audit work will not have a detrimental impact on you at a time when public bodies are stretched and focused on more important matters.

Audit of financial statements

- 8 It is my responsibility to issue a certificate and report on the financial statements which includes an opinion on their 'truth and fairness':
 - we plan to give an opinion on the Central South Consortium's financial statements.
 - assess whether the Central South Consortium's Annual Governance Statement and Narrative Report were prepared in line with the CIPFA Code and relevant guidance. We also review whether they were consistent with the financial statements prepared by the Central South Consortium and with our knowledge of the Central South Consortium.

- 9 In addition to our responsibilities for auditing the Consortium’s financial statements, we also have responsibility for responding to questions and objections about the accounts from local electors (additional fees will be charged for this work, if necessary).
- 10 There have been no limitations imposed on me in planning the scope of this audit.
- 11 Further information about our work is provided in our Statement of Responsibilities, which is available on our website (www.audit.wales).

Financial Statement Audit Risks

- 12 The following table sets out the significant risks I have identified for the audit of the Central South Consortium.

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>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.
<p>There have been a number of changes in senior leadership at Central South Consortium during 2019-20. Given the sensitive nature of the senior officer remuneration disclosures, there is an increased risk that the disclosures will not be in line with the CIPFA Code of Practice.</p>	<p>My audit team will review that the disclosures are complete and accurate, in line with the relevant guidance.</p>

Audit risk	Proposed audit response
Significant risks	
<p>The impact of COVID-19 on the Consortium The COVID-19 national emergency is likely to have a significant impact on the Consortium and its accounts preparation process.</p>	<p>We will adopt a greater focus on the financial statements closing process (including journals and other adjustments) and the overall presentation of the financial statements (including whether adequate disclosures have been made).</p>
<p>Potential risks include:</p> <p>Increased Use of Estimates Due to the UK lockdown, bodies may be required to use more estimations in their accounts than in previous years.</p> <p>Pensions Valuations Due to significant movements in investments markets, there are concerns over whether valuations provided by actuaries will be acceptable.</p> <p>Subsequent Events As the reporting deadlines may be later than in previous years, this increases the period for events occurring between the date of the financial statements and the date of the auditor's report.</p>	<p>Addressing the potential risks identified:</p> <p>Increased Use of Estimates We will ensure that appropriate changes have been made to recognise any enhanced uncertainty in the calculation of accounting estimates. We will discuss with you the key assumptions and evidence bases underlying any significant estimates, we will consider whether those assumptions are appropriate and will do this at an early stage.</p> <p>Pensions Valuations We will review the IAS 19 reports provided by the actuary and will use our consulting actuary's assessment of the methodology and assumptions used by the actuary to provide data for IAS 19 disclosures and discuss any concerns with you at an early stage.</p> <p>Subsequent Events We will extend the period of review of subsequent events to identify any material subsequent events related to COVID-19. Although we expect the consequences of COVID-19 to be non-adjusting post-balance sheet events, we will consider whether any events have been appropriately addressed and disclosed in the financial statements in accordance with the financial reporting framework.</p>

Audit risk	Proposed audit response
Significant risks	
<p>Provision of Evidence We must continue to undertake our audit work in accordance with auditing standards.</p>	<p>Provision of Evidence We will continue to seek to obtain sufficient audit evidence, as required to form an unqualified audit opinion of the financial statements. We will seek to be pragmatic about the timely provision of information and evidence and sympathetic in our verbal and written communication and reporting on issues brought about by current events.</p>

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 consideration the COVID-19 national emergency, 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;
 - Internal Audit’s planned programme of work is complete, and management has responded to issues that may have affected the financial statements; and
 - set out the extent to which you intend to rely on Internal Audit’s work and where reliance is to be placed on the work of other auditors, specialists, etc.
- 14 If I do receive questions or objections, I will discuss potential audit fees at the time.

Fee

- 15 Your estimated fee for 2020 is set out in **Exhibit 2**. There have been some small changes to my fees rates for 2019, however my audit teams will continue to drive efficiency in their audits to ensure any resulting increases will not be passed to you. There is no change in comparison to your actual 2019 fee.

Exhibit 2: audit fee

This table sets out the proposed audit fee for 2020, by area of audit work, alongside the actual audit fee for last year

Audit area	Proposed fee (£) ¹	Actual fee last year (£)
Audit of accounts ²	17,570	17,570

- 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 Central South Consortium.
- 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 3**.
- 19 I can confirm that my team members are all independent of Central South Consortium and your officers. In addition, I am not aware of any potential conflicts of interest that I need to bring to your attention.

¹ Notes: The fees shown in this document are exclusive of VAT, which is not charged to you

² Payable November 2019 to October 2020

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
Richard Harries	Engagement Lead	02920 320636	richard.harries@audit.wales
Mike Jones	Audit Manager	02920 320649	mike.jones@audit.wales
Anwen Worthy	Audit Lead	02920 320629	anwen.worthy@audit.wales

Timetable

- 20 We are aware that there may be difficulties in meeting the accounts preparation and publication dates set by the Accounts and Audit (Wales) Regulations 2014. Welsh Government have indicated that the Regulations will not be amended as they already provide sufficient flexibility to deal with any delays resulting from COVID-19.
- 21 The Regulations require the publication of a notice where a body does not expect to meet the dates specified by the Regulations. **Annexes A and B** provide further detail of the regulations, and example notices that the Consortium may wish to consider using.
- 22 The requirements for the exercise of electors' rights under the Public Audit (Wales) Act 2004 continue to apply. This presents practical difficulties while lockdown restrictions still apply, for example in relation to public access to the body's accounting records.
- 23 The audit team will discuss with you an appropriate timetable for public inspection when we have a clear idea of when the accounts will be available and when lockdown restrictions have been sufficiently relaxed. The audit team will then issue an audit notice setting out the appointed date. This may mean that there is a delay before we can issue our audit opinion.
- 24 We will continue to discuss any amendments to the timetable for the production and audit of accounts with you, and we will continue to work as flexibly as we can. It will be vital to continue this engagement over the next few months, against what will doubtless be a fast-changing backdrop.

- 25 Our ability to meet revised audit completion dates will mainly depend on:
- the extent to which remote working and auditing are possible whilst the current lockdown restrictions are in place;
 - the quality of the draft accounts and supporting working papers provided to us;
 - the continued availability of consortium and host body officers to respond promptly to audit queries (in light of the potential pressures such as sickness absences and caring responsibilities);
 - the continued availability of Audit Wales staff to conduct the audit work; and
 - the ability of those charged with governance to convene (ie on a virtual basis) to approve accounts.
- 26 We will continue to monitor these factors in the coming weeks and will explore options to overcome any potential barriers to the timely completion of the audit. We will keep your team fully updated with any developments.

Annex A: Requirements of the Accounts and Audit (Wales) Regulations 2014

You may be aware that in England, the Local Government Secretary, Robert Jenrick MP, announced that the deadline for preparation of local government accounts will be extended to 31 August 2020 and publication of audited accounts to 30 November.

Audit Wales discussed this development with Welsh Government officials to establish if a similar announcement will be made for Wales. The Welsh Government position (as communicated to local government bodies) is currently as set out below.

Statutory requirements

The statutory position for local government bodies in Wales is set out in the Accounts and Audit (Wales) Regulations 2014 (as amended).

Welsh Government interpretation

Regulation 10 sets out the expected timetable for the preparation, approval and audit of the annual accounts. Due to the impact of COVID-19, Welsh Government recognises that it may not be possible for all local government bodies to meet this timetable. Regulation 10(4) provides local government bodies with sufficient flexibility to deal with delays caused by COVID-19. Its guidance on the Regulations, notes that:

‘Where, extraordinarily, certification cannot happen before [31 May/15 June], action needs to be taken to publish a statement that clearly sets out the reasons why this has not happened before that date and agree a course of action to ensure this is done as soon as is practicable after [31 May/15 June].’

The guidance also notes that the accounts should be published by 31 July/15 September even if the accounts have not been approved.

On the basis that sufficient flexibility is built into the current Regulations, Welsh Government does not consider it necessary to amend the Regulations.

Audit Wales view and impact on the audit process

Audit Wales concurs with the Welsh Government assessment that sufficient flexibility already exists in the Regulations.

In the event that the accounts are not prepared by the statutory timetable, audited bodies should notify their audit team and publish a notice setting out there is a delay and the reason for the delay. Example wording is provided in **Annex B**.

Annex B: Accounts and Audit (Wales) Regulations 2014 – suggested notice

Audit notice where RFO unable to certify the accounts either due to illness or because the accounts have not been prepared

Regulation 10(1) of the Accounts and Audit (Wales) Regulations 2014 (as amended) requires that Responsible Financial Officer of the Central South Consortium Joint Education Service Joint Committee sign and date the statement of accounts, and certify that it presents a true and fair view of the financial position of the body at the end of the year to which it relates and of that body's income and expenditure for that year. The Regulations required that this be completed by 15 June 2020.

The Responsible Financial Officer has not signed and certified the accounts for the year ended 31 March 2020. Due to the COVID-19 outbreak, the body has diverted resources to support key frontline services and the statement of accounts has not yet been prepared. The statement of accounts will be prepared, and the Responsible Financial Officer will sign and certify the statement of accounts when the immediate pressures of the COVID-19 outbreak have subsided.

Audit notice where RFO has certified the accounts but the audited body is not meeting and therefore unable to approve the accounts

Regulation 10(1) of the Accounts and Audit (Wales) Regulations 2014 (as amended) requires that Responsible Financial Officer of Central South Consortium Joint Education Service Joint Committee sign and date the statement of accounts, and certify that it presents a true and fair view of the financial position of the body at the end of the year to which it relates and of that body's income and expenditure for that year. The Regulations required that this be completed by 15 June 2020.

[The Responsible Financial Officer signed and certified the accounts on [date].

Regulation 10(2) of the Accounts and Audit (Wales) Regulations 2014 (as amended) requires that following the certification by the Responsible Financial Officer referred to above, Central South Consortium Joint Education Service Joint Committee approve and publish the audited statement of accounts. The Regulations required that this be completed by 15 September 2020.

[Due to the COVID-19 outbreak, the statement of accounts has not yet been prepared.]

OR

[Due to the COVID-19 outbreak, Central South Consortium Joint Education Service Joint Committee has not met to approve the statement of accounts.]

OR

[Due to the COVID-19 outbreak, the audit of the 2019-20 statement of accounts has not yet been completed and no audit opinion has been provided. The statement of accounts that is published is the unaudited statement of accounts.]



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