

# Audit of Accounts Report – Central South Consortium Joint Education Service Joint Committee

Audit year: 2019-20

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

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# Audit of Accounts Report

## Introduction

- 1 We summarise the main findings from our audit of your 2019-20 accounts in this report.
- 2 We have already discussed these issues with the relevant officers.
- 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 We set this level at £1.569 million for this year's audit.
- 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:
  - Transactions with parties related to officers or members: £1,000
  - Senior officer remuneration: £1,000
- 6 We have now substantially completed this year's 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.

## Impact of COVID-19 on this year's audit

- 8 The COVID-19 pandemic has had a significant impact on all aspects of our society and continues to do so. You are required by law to prepare accounts and it is of considerable testament to the commitment of your accounts team that you have succeeded in doing so this year in the face of the challenges posed by this pandemic. We are extremely grateful to the professionalism of the team in supporting us to complete our audit in such difficult circumstances.
- 9 The pandemic has unsurprisingly affected our audit and we summarise in **Exhibit 1** the main impacts. Other than where we specifically make recommendations, the detail in **Exhibit 1** is provided for information purposes only to help you understand the impact of the COVID-19 pandemic on this year's audit process.

## Exhibit 1 – impact of COVID-19 on this year’s audit

<b>Timetable</b>	<ul style="list-style-type: none"><li>• We received the draft accounts on 15 June 2020.</li><li>• Our deadline for completing our audit was changed from June 2020 to September 2020.</li><li>• We expect your audit report to be signed in September 2020.</li></ul>
<b>Electronic signatures</b>	We are anticipating that electronic signatures will be used on the Statement of Joint Committee’s Responsibilities, the Certificate of the Director of Finance and Digital Services as Treasurer of the Joint Committee and our Report on the Audit of the Financial Statements.
<b>Audit evidence</b>	All audit evidence was received electronically, and all discussions with officers at the Consortium and the Host Authority were held via video conferencing.

- 10 We will be reviewing what we have learned for our audit process from the COVID-19 pandemic and whether there are innovative practices that we might adopt in the future to enhance that process.

## Proposed audit opinion

- 11 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**.
- 12 We issue a ‘qualified’ audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.
- 13 The Letter of Representation contains certain confirmations we are required to obtain from you under auditing standards along with confirmation of other specific information you have provided to us during our audit.
- 14 Our proposed audit report is set out in **Appendix 2**.
- 15 This audit report includes an emphasis of matter paragraph. The aim of this paragraph is to draw the attention of the reader of the accounts to Note 4.1 in the financial statements. This note includes reference to the material uncertainty clause disclosed in pension fund managers’ reports on pooled property funds managed on behalf of the RCT Local Government Pension Scheme. The total value of these funds as at 31 March 2020 is £209 million, of which £1.5 million (0.74%) is attributable to Central South Consortium. **The audit opinion is not modified in respect of this matter.**

## Significant issues arising from the audit

### Uncorrected misstatements

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

### Corrected misstatements

17 There were initially misstatements in the accounts that have now been corrected by management. However, we believe that these should be drawn to your attention and they are set out with explanations in **Appendix 3**.

### Other significant issues arising from the audit

18 In the course of the audit, we consider a number of matters relating to the accounts and report any significant issues arising to you. There is one issue we wish to bring to your attention this year as shown in **Exhibit 2**:

#### Exhibit 2 – significant issues arising from the audit

<b>Declarations of Interests</b>	<p>As part of our audit, we requested declarations of interests for all Joint Committee members and senior officers.</p> <p>This is to enable us to confirm that the declarations made in relation to related party transactions are complete and accurate.</p> <p>Whilst we are content with the declarations provided for senior officers, some of the declarations provided for Joint Committee members were completed in previous financial years (for example, during 2017).</p> <p>Although we understand that these declarations have been completed in line with the procedures in place at the relevant member bodies, we feel that the Joint Committee has a responsibility to ensure, through positive confirmations or new declarations, that the disclosures made in the Joint Committee's financial statements for the current financial year are complete and accurate.</p>	See recommendation 1
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## Recommendations

- 19 The recommendations arising from our audit are set out in **Appendix 4**. Management has responded to them and we will follow up progress against them during next year's audit.

# Appendix 1

## Final Letter of Representation

Auditor General for Wales  
Audit Wales  
24 Cathedral Road  
Cardiff  
CF11 9LJ

14 September 2020

### Representations regarding the 2019-20 financial statements

This letter is provided in connection with your audit of the financial statements (including that part of the Remuneration Report that is subject to audit) of Central South Consortium Joint Education Service Joint Committee for the year ended 31 March 2020 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

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 Code of Practice on Local Authority Accounts in the United Kingdom 2019-20; in particular the financial statements give a true and fair view in accordance therewith; and
- 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 Central South Consortium Joint Education Service 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.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

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. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

## **Representations by Central South Consortium Joint Education Service Joint Committee**

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for ensuring that the Joint Committee maintains adequate accounting records.

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 Central South Consortium Joint Education Service Joint Committee on 14 September 2020.

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.

We have disclosed the identity of all related parties and all the related party relationships and transactions of which we are aware.

Signed by:

Signed by:

Section 151 Officer

Joint Committee Chair

Date:

Date:

# Appendix 2

## Proposed audit report

### **The independent auditor's report of the Auditor General for Wales to the members of Central South Consortium Joint Education Service Joint Committee**

#### **Report on the audit of the financial statements**

##### **Opinion**

I have audited the financial statements of Central South Consortium Joint Education Service Joint Committee for the year ended 31 March 2020 under the Public Audit (Wales) Act 2004.

Central South Consortium Joint Education Service Joint Committee's financial statements comprise the 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 the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Central South Consortium Joint Education Service Joint Committee as at 31 March 2020 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

##### **Basis for opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the 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.

## Emphasis of Matter

I draw attention to Note 4.1 of the financial statements, which describes the impact of material uncertainties disclosed in pension fund managers' year-end reports for pooled property funds managed on behalf of the RCT Local Government Pension Scheme. The Consortium has disclosed this material uncertainty and my audit opinion is not modified in respect of this matter.

## Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the joint committee's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

## Other information

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

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

## Report on other requirements

### 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 the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20; and

- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Governance Statement has been prepared in accordance with guidance.

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

In the light of the knowledge and understanding of the joint committee and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Governance Statement.

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

- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

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

I certify that I have completed the audit of the accounts of Central South Consortium Joint Education Service Joint Committee in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

### **Responsibilities**

#### **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 for such internal control 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.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing the 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 deemed inappropriate.

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

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

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.

Anthony J Barrett  
For and on behalf of the Auditor General for Wales  
[Date]

24 Cathedral Road  
Cardiff  
CF11 9LJ

# Appendix 3

## Summary of corrections made

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

### Exhibit 3: summary of corrections made

Value of correction	Nature of correction	Reason for correction
Narrative	Additional disclosure of material valuation uncertainty	Disclosure added to reflect the material valuation uncertainties given by pooled property fund managers due to COVID-19, which could impact on the valuation of CSC's net pensions liability.
£1,348,000	Adjustment of Total Reserves line in the Balance Sheet from £674,000 to (£674,000)	Total reserves on the Balance Sheet had been accidentally included as a positive entry rather than a negative entry in the draft accounts.
£33,000	Removal of transactions with Cardiff Metropolitan University from Note 8 Related Party Disclosures.	A declaration of interest was received after the draft accounts had been prepared for the individual who had previously declared an interest in Cardiff Metropolitan University. The declaration no longer included an interest in Cardiff Metropolitan University during 2019-20.
£22,000	Adjustments required to the disclosure of compensation for loss of office paid to the Temporary Senior Lead Teaching & Learning Experiences, including a Prior Period Adjustment.	The contract of the Temporary Senior Lead Teaching & Learning Experiences ended on 28 February 2019 by a mutual agreement with the Consortium. The agreement and related compensation for loss of office was

Value of correction	Nature of correction	Reason for correction
	<p>In the draft financial statements, the following disclosures were made for the Senior Lead:</p> <ul style="list-style-type: none"> <li>• 2018-19 Salary £92,000</li> <li>• 2019-20 Salary £16,000</li> </ul> <p>The amended disclosures will be as follows:</p> <ul style="list-style-type: none"> <li>• 2018-19 Salary £86,000</li> <li>• 2019-20 Compensation for Loss of Office £22,000</li> </ul>	<p>not finalised until after the completion and audit of the 2018-19 financial statements.</p> <p>In order to comply with the requirements of the Code of Practice on Local Authority Accounting, the disclosures for 2018-19 and 2019-20 have been amended so that the compensation for loss of office has been accounted for as an expense at the point it was accepted.</p>
Comparative figures	Addition of comparative figures to Note 10 Leases and Note 11 Long-Term Debtors	Under the Code of Practice on Local Authority Accounting bodies are required to present comparative figures for the previous year for all figures presented.
Narrative amendments	<p>Amendment of dates, cross-references, actuarial assumptions and narrative points.</p> <p>Addition of additional narrative to increase understandability.</p>	Various minor narrative corrections and additions to improve narrative accuracy and increase the understanding of users of the financial statements.



# Appendix 4

## Recommendations

We set out all the recommendations arising from our audit with management's response to them. We will follow up these next year and include any outstanding issues in next year's audit report.

### Exhibit 4: matter arising 1

<b>Matter arising 1 – Declarations of interest</b>	
<b>Findings</b>	<p>As part of our audit, we requested declarations of interests for all Joint Committee members and senior officers.</p> <p>This is to enable us to confirm that the declarations made in relation to related party transactions are complete and accurate.</p> <p>Whilst we are content with the declarations provided for senior officers, some of the declarations provided for Joint Committee members were completed in previous financial years (for example, during 2017). Although we understand that these declarations have been completed in line with the procedures in place at the relevant member bodies, we feel that the Joint Committee has a responsibility to ensure, through positive confirmations or new declarations, that the disclosures made in the Joint Committee's financial statements for the current financial year are complete and accurate.</p>
<b>Priority</b>	Medium
<b>Recommendation</b>	<p>We recommend that Central South Consortium reviews its process for obtaining declarations of interest to support related party disclosures. This review should ensure that the Consortium is able to clearly identify all parties potentially related to its operations.</p> <p>This could involve Joint Committee members completing a separate declaration in relation to any interests relating to the Central South Consortium.</p>

**Matter arising 1 – Declarations of interest**

<b>Benefits of implementing the recommendation</b>	An improved declaration process should lead to increased transparency in the related party transactions disclosed, as well as allowing for appropriate segregations of duty to be put in place if conflicts of interest are identified.
<b>Accepted in full by management</b>	Yes
<b>Management response</b>	We will work with member local authorities to ensure the declarations of interest upon which related party disclosures are based upon are up to date.
<b>Implementation date</b>	Annual accounts 2020-21





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