

# 2021 Audit Plan – Central South Consortium Joint Education Service Joint Committee

Audit year: 2020-21

Date issued: March 2021

Document reference: 2320A2020-21

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# 2021 Audit Plan

## About this document

- 1 This document sets out the work I plan to undertake during 2021 to discharge my statutory responsibilities as your external auditor 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 continues to have a significant impact across the United Kingdom and on the work of public sector organisations. As in 2019-20, it is likely to significantly impact on the preparation of the 2020-21 accounts and my financial audit and performance audit work.
- 4 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 government bodies 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.
- 5 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.
- 6 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

- 7 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 2021; 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.
- 8 In addition to my responsibilities for auditing the Council's financial statements, I 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).
- 9 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.
- 10 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.
- 11 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

- 12 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>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"> <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>McCloud Judgement</b></p> <p>In 2015 the Government introduced reforms to public sector pensions, meaning most public sector workers were moved into new pension schemes in 2015.</p> <p>In December 2018, the Court of Appeal ruled that the ‘transitional protection’ arrangements amounted to unlawful discrimination.</p> <p>Consultations on proposed remedies for the Local Government, Police and Fire pensions schemes closed in October 2020.</p> <p>The Government recently announced that for unfunded schemes the underpin will be the deferred choice model for the remedy. No announcement has yet been made on the Local Government Pension Scheme. Final details are expected to be published during 2021.</p>	<p>My audit team will review the provision previously made in relation to the McCloud judgement and monitor progress on the outcome of the consultation to be applied in the LG pension schemes.</p>

Audit risk	Proposed audit response
<p>The impact of the judgement is likely to have a significant impact on the IAS 19 disclosed liabilities.</p>	
<p><b>COVID-19 Pandemic</b>  The COVID-19 pandemic will have an impact on the risks of material misstatement and the shape and approach to my audit.  The Welsh Government has extended the deadline by which Central South Consortium must claim grant funding from 31 March 2021 to 31 August 2021. This means that some grant funding will not be spent until after the year-end. This therefore gives rise to an increased risk around the accounting treatment of the grant funding in the Consortium's financial statements.</p>	<p>We will review the grant funding received from the Welsh Government and will confirm the appropriate treatment with the Consortium.</p>
<p><b>Senior Leadership Team</b>  There have been some changes to the Senior Leadership Team at Central South Consortium during 2020/21.  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>

## Statutory audit functions

- 13 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.
- 14 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

- 15 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; and
  - 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.
- 16 If I do receive questions or objections, I will discuss potential audit fees at the time.

## Fee

- 17 Your estimated fee for 2021 is set out in **Exhibit 2**. There is no change in comparison to your actual 2020 fee.

### Exhibit 2: audit fee

This table sets out the proposed audit fee for 2021, alongside the actual audit fee for last year.

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

- 18 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.
- 19 Further information on my [fee scales and fee setting](#) can be found on our website.

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

<sup>2</sup> Payable November 2020 to October 2021.



## Audit team

20 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
Richard Harries	Engagement Lead	02920 320636	<a href="mailto:richard.harries@audit.wales">richard.harries@audit.wales</a>
Mike Jones	Audit Manager	02920 320649	<a href="mailto:mike.jones@audit.wales">mike.jones@audit.wales</a>
Anwen Worthy	Audit Lead	02920 320629	<a href="mailto:anwen.worthy@audit.wales">anwen.worthy@audit.wales</a>

## Timetable

- 21 The key milestones for the work set out in this plan are shown in **Exhibit 4**. As highlighted earlier, there may be a need to revise the timetable in light of developments with COVID-19.
- 22 The Public Audit (Wales) Act 2004 provides electors with the right to ask questions and to make objections to the Joint Committee'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. The current COVID restrictions may impose restrictions on the Joint Committee's ability to facilitate the inspection of accounts. Therefore, we have not yet set a date for the exercise of electors' rights and will continue to monitor the situation before confirming a date with you. We anticipate that we will be in a position to agree a date with you in late May 2021.

#### Exhibit 4: Audit timetable

Planned output	Work undertaken	Report finalised
2021 Audit Plan	February and March 2021	March 2021
<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>	May and June 2021	July 2021
2022 Audit Plan	February 2022	March 2022

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





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