

APPENDIX 2

Date/Dyddiad:

7th November 2023

Please ask for/Gofynnwch am:

Barrie Davies

(01443) 424026

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

Dear Adrian

Representations regarding the 2022/23 Central South Consortium – Joint Education Service Joint Committee 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 31st 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 Code of Practice on Local Authority Accounting in the United Kingdom 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 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.

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.

Audit enquiries to those charges with governance and management. Please contact us in Welsh or English / cysylltwch â ni'n Gymraeg neu'n Saesneg.

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 7th November 2023.

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.

Audit enquiries to those charges with governance and management. Please contact us in Welsh or English / cysylltwch â ni'n Gymraeg neu'n Saesneg.

Signed by:

Signed by:

Section 151 Officer

Date:

Joint Committee Chair

Date:

Audit enquiries to those charges with governance and management. Please contact us in Welsh or English / cysylltwch â ni'n Gymraeg neu'n Saesneg.

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Central South Joint Education Service
Valleys Innovation Centre,
Navigation Park,
Mountain Ash, Abercynon
CF45 4SN

Date issued: 22 September 2023

Dear Sir/Madam,

Central South Joint Education Service 2022-23 financial statements: Audit enquiries to management and those charged with governance.

The Auditor General's Statement of Responsibilities sets out that he is responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. It also sets out the respective responsibilities of auditors, management and those charged with governance.

This letter formally seeks documented consideration and understanding on a number of governance areas that impact on our audit of your financial statements. These considerations are relevant to both the management of Central South Joint Education Service and 'those charged with governance' (the Body / Committee).

I have set out below the areas of governance on which I am seeking your views:

- Matters in relation to fraud
- Matters in relation to laws and regulations
- Matters in relation to related parties

Audit enquiries to those charges with governance and management. Please contact us in Welsh or English / cysylltwch â ni'n Gymraeg neu'n Saesneg.

The information you provide will inform our understanding of the Body and its business processes and support our work in providing an audit opinion on your 2022-23 financial statements.

I would be grateful if you could update the attached table in [Appendix 1 to Appendix 3](#) for 2022-23.

The completed [Appendix 1 to Appendix 3](#) should be formally considered and communicated to us on behalf of both management and those charged with governance by **20 October 2023**. In the meantime, if you have queries, please let me know.

Yours sincerely,

Tracy Veale

Audit Manager

Audit enquiries to those charges with governance and management. Please contact us in Welsh or English / cysylltwch â ni'n Gymraeg neu'n Saesneg.

Appendix 1 – Enquiries of management

Enquiries of management- in relation to financial reporting	
Question	2022-23 Response
<p>1. Are there any accounting framework changes affecting the current year financial statements of the body? Where there are changes, what actions have been taken in response to these changes?</p>	<p>The Statement of Accounts are produced in line with the requirements of:</p> <ul style="list-style-type: none"> • Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 based on International Financial Reporting Standards (IFRS). • Accounts and Audit (Wales) Regulations 2014 (as amended). <p>There are no changes to the Code of Practice requiring changes to the Statement of Accounts of Central South Consortium Joint Committee.</p> <p>There are no changes to the Accounts and Audit Regulations.</p>
<p>2. What are your general views on the risk assessment process relating to financial reporting for the Body?</p>	<p>The Statement of Accounts are produced by a team with the relevant skills and knowledge. Host authority officers with oversight of the Statement of Accounts process also attend training sessions facilitated by CIPFA to ensure knowledge is up to date.</p> <p>The accounts are also subject to review by senior officers within the consortium and within the host authority as part of Quality Assurance arrangements minimising the risk of material misstatement.</p> <p>Governance and Audit committee also considered and commented on the joint committee's certified draft financial statements, reviewing the extent the statements take cognisance of audit reports during the year, and changes in</p>

	<p>accounting policy and internal control mechanisms.</p> <p>The host authority's core financial systems are reviewed by Internal Audit as part of the annual risk based audit plan (with substantial assurances in place overall).</p> <p>Therefore the risk of material misstatement within the Statement of Accounts is low.</p>
<ul style="list-style-type: none"> • Have you considered the appropriateness of the accounting policies adopted by the organisation in preparation of the Body's financial statements? Have there been any events or transactions that may cause you to change or adopt new accounting policies? 	<p>No accounting policies have required change for the 2022/23 Statement of Accounts.</p> <p>Accounting policies were reviewed by Governance and Audit committee at its meeting of 4th September 2023.</p>
<ol style="list-style-type: none"> 1. Are you aware of significant transactions that are outside the normal trading activities of the business of the Body? 	<p>No significant transactions took place during 2022/23 outside of normal activities.</p>
<ol style="list-style-type: none"> 2. Are you aware of any transactions, events or changes in circumstances that would cause impairments of non-current assets held by the Body? 	<p>Other than the Defined Benefit Pension Scheme Asset (supported by external valuation), there are no non-current assets held by Central South Consortium Joint Committee.</p>
<ol style="list-style-type: none"> 3. Are you aware of any transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement? 	<p>Other than those disclosed in note 3 to the Statement of Accounts "Critical Judgements in Applying Accounting Policies", there are no transactions, events and conditions giving rise to recognition or disclosure of significant accounting estimates that require significant judgement.</p>

<p>4. Where the Body's financial statements include amounts based on significant estimates, how have the accounting estimates been made, what is the nature of the data used, and the degree of estimation uncertainty inherent in the estimate?</p>	<p>Please refer to note 4 in the Statement of Accounts "Assumptions made about the Future and Other Major Sources of Estimation Uncertainty". Disclosures are made with regards to accounting for pensions. External experts are engaged to value pensions assets and liabilities (AON).</p>
<p>5. Have there been any changes in accounting policies adopted by the Body in relation to significant estimates?</p>	<p>No.</p>
<p>1. Have you used any experts in the preparation of the accounts for the Body?</p>	<p>External experts are engaged to value pensions assets and liabilities (AON).</p>
<p>2. Has the management team carried out an assessment of the going concern basis for preparing the financial statements of the Body? What was the outcome of that assessment?</p>	<p>The Statement of Accounts are prepared on the assumption of the joint committee continuing to operate as a going concern.</p> <p>In terms of financial sustainability, the consortium has robust financial management processes with a Medium Term Financial Plan (MTFP) in place to inform the annual budget setting process (with MTFP updates being reported to and agreed by Joint Committee each year). The MTFP makes assumptions on local authority contribution levels, the latest reflecting the challenging financial environment with contributions modelled to reduce by 2% in 2024/25 and 2025/26.</p> <p>The consortium also maintains specific earmarked reserves to support the setting and delivery of balanced budgets over the medium term.</p> <p>On 12th July, the Minister for Education and Welsh Language, Jeremy Miles, announced a review in a Written Statement. The purpose of which is to</p>

	<p>review the future direction of roles and responsibilities of education partners in Wales and delivery of school improvement arrangements. The outcomes of the independently led review are expected to be reported to the Minister in March 2024.</p> <p>Given the challenging financial position, there are uncertainties associated with ongoing levels of grant funding received by the Consortium.</p> <p>Notwithstanding the uncertainties detailed above, the accounts are prepared upon a going concern basis.</p>
<p>1. Do you have knowledge of events or conditions beyond the period of the going concern assessment that may cast significant doubt on the Body's ability to continue as a going concern?</p>	<p>Although there continues to be uncertainty as detailed above, there is currently no reason to assume the going concern status no longer applies.</p>
<ul style="list-style-type: none"> How do you ensure the compliance and completeness of narrative on critical accounting policies and judgements? 	<p>Accounting policies and judgements are drafted in line with the Code of Practice, reviewed by the Deputy Chief Executive / Group Director - Finance, Digital and Frontline Services as detailed in the Statement of Responsibilities.</p> <p>Governance and Audit committee in its meeting of 4th September 2023, reviewed accounting policies and critical judgements as required by its terms of reference.</p>
<p>2. Are there any issues around the use of service organisations or common functions, including uncorrected misstatements from service organisations?</p>	<p>Services such as payroll, accounting systems, ICT are commissioned from the host authority.</p> <p>There are no issues around the use of service organisations or common functions, including uncorrected</p>

	misstatements from service organisations, that would impact upon the consortium's Statement of Accounts.
1. Please provide information on the use of financial instruments, including derivatives.	Please refer to the Treasury Management Strategy approved by full Council of the host authority Report.pdf (modern.gov.co.uk) detailing approved strategies for borrowing and investments. Rhondda Cynon Taf does not use derivatives.
<ul style="list-style-type: none"> Please provide information on the status of contingencies from the prior year. 	Please refer to Note 19 in the Statement of Accounts which provides an update on the Cost Management Process in the Local Government Pension Scheme.
16. Are you aware of any guarantee contracts?	No.
17. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements of the Body?	No.

Enquiries of management- in relation to fraud

Question	2022-23 response
1. What is management's assessment of the risk that the financial statements of the Body may be materially misstated due to fraud? What is the nature, extent and frequency of management's assessment?	Good governance flows from a shared ethos and culture, as well as from systems and structures. The Central South Consortium Joint Education Service Joint Committee expects all representatives (i.e. Members and Officers) to conduct

their duties with the highest levels of honesty and integrity.

Policies underpin the culture in place and the Regional Internal Audit Shared Service test compliance with relevant Policies linked to the core financial systems (in line with the approved Annual Audit Plan).

To ensure a consistent approach to working practices and processes, all officers are subject to the Council's terms and conditions of employment. A comprehensive suite of information such as policies and procedures are available for officers on "The Source" such as:

- Financial Procedure Rules
- Contract Procedure Rules
- Human Resources policies
- Anti-Fraud, Bribery & Corruption Strategy
- Whistleblowing Policy
- Gifts and Hospitality Policy.

All CSC employees, new and existing, attend annual induction training during the first two weeks of the Autumn term which is a mixture of online and face to face meetings to inform new starters and provide updates for existing staff on all CSC policies and procedures.

Codes and Protocols

- Members' Code of Conduct
- Protocol Standard of Conduct to be followed by Members
- Officers' Code of Conduct
- Protocol for Member/Officer Relations

Where Members and/or Officers do not undertake their duties in accordance with the expected standards then governance arrangements are in place within the Council (with the CSC adopting the Council's arrangements) to manage this process in an equitable, fair and transparent manner.

Taking all of the above into account, our assessment of the risk of fraud arising and

	<p>having a material impact on the financial statements is considered to be low.</p>
<p>2. Do you have knowledge of any actual, suspected or alleged fraud affecting the Body?</p>	<p>No.</p>
<p>3. What is management's process for identifying and responding to the risks of fraud in the Body, including any specific risks of fraud that management has identified or that have been brought to its attention?</p>	<p>As host authority, Rhondda Cynon Taf CBC has a number of governance arrangements in place that help in the prevention and detection of fraudulent and/or improper activities. These include:</p> <ul style="list-style-type: none"> • Financial & Contract Procedure Rules • Systems of Internal Control • Recruitment Policies • Whistleblowing Policy • Local procedures within departments, for example, authorisation arrangements and quality assurance processes (a number of which continue to be undertaken remotely due to revised working arrangements) • An independent Internal Audit Service (the 'scopes' for audit assignments included in the 2022/23 Audit Plan took into account on-going remote working arrangements / potential risks as a result of the changes following the pandemic). <p>The Anti-Fraud, Bribery & Corruption Strategy provides a clear path for raising concerns and facilitating 'tip-offs', and the fraud response arrangements outlined enables such information or allegations to be properly dealt with and reported.</p> <p>The host authority's Whistleblowing Policy also gives advice on how to raise a concern, as well as providing information on the safeguards and support that are available to those who raise concerns.</p> <p>Given the governance arrangements in place, management can provide assurance that the risk of material misstatement is low.</p>

<p>4. What classes of transactions, account balances and disclosures have you identified as most at risk of fraud?</p>	<p>None identified</p>
<p>5. Are you aware of any whistle-blowing or complaints by potential whistle blowers? If so, what has been the Body's response?</p>	<p>None identified</p>
<p>6. What is management's communication, if any, to those charged with governance regarding their processes for identifying and responding to risks of fraud?</p>	<p>Potential fraud or wrong-doing is managed via the host authority's established anti-fraud, bribery and corruption arrangements and whistle-blowing processes. During the year there have been no known instances of actual, suspected or alleged fraud affecting the financial statements of Central South Consortium Joint Education Service Joint Committee.</p> <p>To support transparency and openness, the host authority's arrangements during 2022/23 included:</p> <p><u>Whistle-blowing arrangements</u> A new Regulation came into force during April 2017 which placed a requirement upon the Council to report annually on whistle-blowing disclosures. The Regulation required the Council to publish the annual report on its website or by other means appropriate for bringing the report to the attention of the public. This requirement was met for the 2022/23 financial year via an Annual Report to the Governance and Audit Committee on 15th March 2023 together with the approval of revised Whistleblowing Policy and Procedure.</p> <p><u>Anti-fraud arrangements</u> The Anti-Fraud Annual Report for 2022/23 was reported to the Governance and Audit Committee on 15th March 2023 (and an Anti-Fraud, Bribery and Corruption mid-</p>

	<p>year update was reported to the Governance and Audit Committee on 7th December 2022).</p>
<p>7. What is management's communication, if any, to employees regarding their views on business practices and ethical behaviour?</p>	<p>The Consortium has a number of recruitment and selection Policies in place that help to ensure that new recruits have the integrity and ethical values of the organisation and also the competencies to undertake the duties required of them.</p> <p>Employees have contracts of employment and competency based job descriptions which set out grade, roles and responsibilities. The Human Resources Service oversees terms and conditions of employment, and the Council, as Host Authority, have a suite of policies and procedures that are available for officers to access.</p> <p>Each new recruit is provided with the 'Basic Rules – A Guide for Employees' booklet, via The Source, that gives each employee information in relation to (amongst other things) expected behaviour, use of social media, appearance and attendance as well as the Consortium's Staff Handbook/HR Charter. The expectations of each employee are set out from the outset.</p> <p>The Host Authority describes what excellent behaviour looks like for each type of job, for example, 'always treat people with respect', and this information is used to test candidates suitability for jobs at interview and is used to inform discussions managers have with their staff as part of their development.</p>
<p>8. For service organisations, have you reported any fraud to the user entity?</p>	<p>There are no known issues to report.</p>

Enquiries of management- in relation to laws and regulations

Question	2022-23 response
<p>1. Are you aware of any laws, other statutory and regulatory requirements that could affect the financial statements of the body?</p>	<p>No. The Central South Consortium is not aware of any laws, other statutory and regulatory requirements that could require changes to the financial statements as currently drafted.</p>
<p>2. What are the policies and procedures in place to identify applicable legal and regulatory requirements to ensure compliance?</p>	<p>Accounts and Audits regulations are reviewed to ensure compliance.</p>
<p>3. What policies and procedures are in place for identifying, evaluating and accounting for litigation claims and assessments?</p>	<p>Robust financial management is in place with all budget holders expected to identify financial risks of litigation with their accountant as part of routine budget monitoring. Any potential litigations and/or claims are accounted for in accordance with the Code of Practice and where appropriate, disclosed in the letter of representation.</p>
<p>4. Have there been any changes to laws and regulations that directly impact the entity this year?</p>	<p>No.</p>
<p>5. Are you aware of any instances of non-compliance with laws or regulations? Is the Body on notice of any such possible instances of non-compliance?</p>	<p>No.</p>
<p>6. Have there been any examinations or inquiries performed by licensing, tax or other authorities/regulators?</p>	<p>No.</p>
<p>7. Has there been any significant communications with regulators?</p>	<p>On 12th July, the Minister for Education and Welsh Language, Jeremy Miles, announced a review in a Written Statement. The purpose of which is to review the future direction</p>

	of roles and responsibilities of education partners in Wales and delivery of school improvement arrangements. The outcomes of the independently led review are expected to be reported to the Minister in March 2024.
8. For the Body's service organisations (if applicable), have you reported any non-compliance with laws and regulations?	No.

Enquiries of management- in relation to related parties

Question	2022-23 response
1. Have there been any changes to related parties from the prior year? If so, what is the identity of the related parties and the nature of those relationships?	Please refer to Note 8 for details of transactions with related parties.
2. What transactions have been entered into with related parties during the period? What is the purpose of these transactions?	Please refer to Note 8 for details of transactions with related parties.
3. What controls are in place to identify, account for and disclose related parties?	<p>Governance arrangements are in place to ensure that a Register of Members Interests is in place and also that Declarations of Interest at each joint committee are asked for as a standard agenda item.</p> <p>Within the Annual Statement of Accounts of the joint committee, there is a requirement for the disclosure of "Related Party Transactions". This relates to payments made to, or income received from, any organisation in which a Member or Chief Officer (i.e. who is a member of the Senior Leadership Team</p>

	<p>of a Constituent local authority and has a designated role as part of the Consortium's arrangements), has an interest, financial or otherwise.</p> <p>Independent checks are also undertaken by finance officers against publicly available national databases to minimise the risk of non-disclosure.</p> <p>Additional controls are in place to ensure records of related parties are captured prior to a Member leaving the local authority.</p> <p>Further additional Controls in place include:</p> <ul style="list-style-type: none"> • Gifts & Hospitality Policy • Contract Procedure Rules • The Anti-Fraud, Bribery & Corruption Strategy
<p>4. What controls are in place to authorise and approve significant transactions and arrangements:</p> <ul style="list-style-type: none"> - with related parties, and - outside the normal course of business? 	<p>As above.</p> <p>Any Senior Leadership Team officer or Elected Member declaring an interest in any agenda item would be excluded from decision making.</p>

Appendix 2- Enquiries of those charged with governance

Enquiries to those charged with governance	
Question	2022-23 response
<p>1. Do you have any knowledge of actual, suspected or alleged fraud affecting the Body?</p>	<p>No.</p>
<p>2. What is your assessment of the risk of fraud within the entity, including those risks that are specific to the Body's business sector?</p>	<p>The assessment of risk of fraud within Central South Consortium Joint Education Service Joint Committee is low (see also 'Question 1 – Enquiries of Management – in relation to fraud' for further information).</p>

3. How do you exercise oversight of:
- management's processes for identifying and responding to the risk of fraud in the Body, and
 - the controls that management has established to mitigate these risks?

As host authority, Rhondda Cynon Taf CBC has a number of governance arrangements in place that help in the prevention and detection of fraudulent and/or improper activities. These include:

- Financial & Contract Procedure Rules
- Systems of Internal Control
- Recruitment Policies
- Whistleblowing Policy
- Local procedures within departments, for example, authorisation arrangements and quality assurance processes (a number of which continue to be undertaken remotely due to revised working arrangements)
- An independent Internal Audit Service (the 'scopes' for audit assignments included in the 2022/23 Audit Plan took into account on-going remote working arrangements / potential risks as a result of the changes following the pandemic).

The Anti-Fraud, Bribery & Corruption Strategy provides a clear path for raising concerns and facilitating 'tip-offs', and the fraud response arrangements outlined enables such information or allegations to be properly dealt with and reported.

The Council's Whistleblowing Policy also gives advice on how to raise a concern, as well as providing information on the safeguards and support that are available to those who raise concerns.

The governance arrangements detailed above are strategies and policies approved by Elected Members, who, through reports to Governance and Audit committee of the host authority obtain assurance on the effectiveness of the control environment, receive recommendations on required improvements and updates on actions taken to address required improvements. Updates on such reports are also provided to the Joint Committee.

<p>4. Are you aware of any non-compliance with laws and regulations that may be expected to have a fundamental effect on the operations of the Body?</p>	<p>There are no instances of non-compliance with relevant laws and regulations. Joint Committee receives assurance on this from the appointed External Auditor.</p>
<p>5. How does the Body, in its role as those charged with governance, obtain assurance that all relevant laws and regulations have been complied with?</p>	<p>Accounts and Audits regulations are reviewed to ensure compliance and updates reported to the Joint Committee, as required.</p>
<p>6. How does the Board, in its role as those charged with governance, exercise oversight of management's processes to identify, authorise, approve, account for and disclose related party transactions and relationships?</p>	<p>Governance arrangements are in place to ensure that a Register of Members Interests is in place and also that Declarations of Interest at each joint committee are asked for as a standard agenda item.</p> <p>Within the Annual Statement of Accounts of the joint committee, there is a requirement for the disclosure of "Related Party Transactions". This relates to payments made to, or income received from, any organisation in which a Member or Chief Officer (i.e. who is a member of the Senior Leadership Team of a Constituent local authority and has a designated role as part of the Consortium's arrangements), has an interest, financial or otherwise.</p> <p>Independent checks are also undertaken by finance officers against publicly available national databases to minimise the risk of non-disclosure.</p> <p>Additional controls are in place to ensure records of related parties are captured prior to a Member leaving the local authority.</p> <p>Further additional Controls in place include:</p> <ul style="list-style-type: none"> • Gifts & Hospitality Policy • Contract Procedure Rules • The Anti-Fraud, Bribery & Corruption Strategy

<p>7. Are there any matters which those charged with governance consider require particular attention during the audit?</p>	<p>No.</p>
<p>8. What is the allocation of responsibilities between those charged with governance and management?</p>	<p>On the 20th April 2015 all parties entered into and signed a revised legal agreement which superseded all previous legal agreements between the Partners. This agreement consolidated the legal arrangements relevant to the Central South Consortium into one Agreement. The Legal Agreement for the Joint Education Service provides the governance framework within which the Service operates and allocates responsibility and accountability. A revised structure has been agreed with each group having its own Terms of Reference. The groups are:</p> <ul style="list-style-type: none"> • Joint Committee • CSC Management Board • Regional Stakeholder Group • Senior Leadership Team • Governor Stakeholder • Partnership Group
<p>9. Are there any other matters which those charged with governance consider may influence the audit of the financial statements?</p>	<p>No.</p>

Appendix 3- Background information

Matters in relation to fraud

International Standard for Auditing (UK) 240 covers auditors' responsibilities relating to fraud in an audit of financial statements. This standard has been revised for 2022-23 audits.

The primary responsibility to prevent and detect fraud rests with both management and 'those charged with governance', which for Central South Consortium is the Joint Committee. Management, with the oversight of those charged with governance, should ensure there is a strong emphasis on fraud prevention and deterrence and create a culture of honest and ethical behaviour, reinforced by active oversight by those charged with governance.

As external auditors, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

What are we required to do?

As part of our risk assessment procedures we are required to consider the risks of material misstatement due to fraud. This includes understanding the arrangements management has put in place in respect of fraud risks. The ISA views fraud as either:

- The intentional misappropriation of assets (cash, property, etc); or
- The intentional manipulation or misstatement of the financial statements.

We also need to understand how those charged with governance exercises oversight of management's processes. We are also required to make enquiries of both management and those charged with governance as to their knowledge of any actual, suspected or alleged fraud, management's process for identifying and responding to the risks and the internal controls established to mitigate them.

Matters in relation to laws and regulations

International Standard for Auditing (UK and Ireland) 250 covers auditors' responsibilities to consider the impact of laws and regulations in an audit of financial statements.

Management, with the oversight of those charged with governance, is responsible for ensuring that the Joint Committee's operations are conducted in accordance with laws and regulations, including compliance with those that determine the reported amounts and disclosures in the financial statements.

As external auditors, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. The ISA distinguishes two different categories of laws and regulations:

- laws and regulations that have a direct effect on determining material amounts and disclosures in the financial statements;
- other laws and regulations where compliance may be fundamental to the continuance of operations, or to avoid material penalties.

What are we required to do?

As part of our risk assessment procedures we are required to make enquiries of management and those charged with governance as to whether the Joint Committee is in compliance with relevant laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Matters in relation to related parties

International Standard for Auditing (UK) 550 covers auditors' responsibilities relating to related party relationships and transactions.

The nature of related party relationships and transactions may, in some circumstances, give rise to higher risks of material misstatement of the financial statements than transactions with unrelated parties.

Because related parties are not independent of each other, many financial reporting frameworks establish specific accounting and disclosure requirements for related party relationships, transactions and balances to enable users of the financial statements to understand their nature and actual or potential effects on the financial statements. An understanding of the entity's related party relationships and transactions is relevant to the auditor's evaluation of whether one or more fraud risk factors are present as required by ISA (UK and Ireland) 240, because fraud may be more easily committed through related parties.

What are we required to do?

As part of our risk assessment procedures, we are required to perform audit procedures to identify, assess and respond to the risks of material misstatement arising from the entity's failure to appropriately account for or disclose related party relationships, transactions or balances in accordance with the requirements of the framework.