

Audit of Accounts Report – Shared Regulatory Services

Audit year: 2021-22

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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.

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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 2021-22 accounts in this report.
- 2 We have already discussed these issues with management. 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.
- 3 We set this level at £261,000 for this year's audit.
- 4 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 - £5,000; and
 - Senior officer remuneration - £1,000
- 5 We have completed our audit.
- 6 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

- 7 The COVID-19 pandemic has had a continuing impact on how our audit has been conducted. 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

Timetable	<ul style="list-style-type: none">• The deadline for preparing your draft accounts was revised by the Welsh Government from 31 May 2022 to 31 August 2022.• We received the draft accounts on 28 June 2022.• Our deadline for completing our audit was extended by the Welsh Government from 31 July to 30 November 2022.• We expect your audit report to be signed by the Auditor General following approval by the Joint Committee on 27 September.
Audit evidence	<p>The entirety of our financial audit was undertaken remotely. Despite the challenging circumstances, officers effectively supported us in this by providing us with appropriate and timely information to inform our audit. Specifically, officers:</p> <ul style="list-style-type: none">• provided electronic working papers;• provided audit evidence to the audit team via e-mail or a shared folder accessible to both officers and Audit Wales staff; and• were available by video conferencing for discussions, and for the sharing of on-screen information/evidence.

Proposed audit opinion

- 8 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**
- 9 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.
- 10 Our proposed audit report is set out in **Appendix 2**.

Significant issues arising from the audit

Uncorrected misstatements

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

Corrected misstatements

- 12 As a result of our audit there have been a small number of adjustments to the accounts and they are summarised, for information, in Appendix 3.

Other Significant Issues

- 13 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 are no such issues arising from our audit.

Recommendations

- 14 There is one recommendation arising from our audit and this is 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
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

Date

Representations regarding the 2021-22 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 2022 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 CIPFA Code of Practice on Local Authority Accounting in the United Kingdom UK 2021-22; 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 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. 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 the Shared Regulatory Service 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 27 September 2022.

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:

Officer who signs on behalf of management

Signed by:

Member who signs on behalf of those charged with governance

Date: 27 September 2022

Date: 27 September 2022

Appendix 2

Proposed Audit Report

The independent auditor's report of the Auditor General for Wales to the members the members of the Shared Regulatory Service Joint Committee

Opinion on financial statements

I have audited the financial statements of the Shared Regulatory Services Joint Committee for the year ended 31 March 2022 under the Public Audit (Wales) Act 2004.

The Shared Regulatory Services Joint Committee's financial statements 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 2022.

In my opinion the financial statements:

- give a true and fair view of the financial position of the Shared Regulatory Services Joint Committee as at 31 March 2022 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 2022

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. 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.

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 Service 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 Narrative Report and Annual Governance Statement 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.

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 2022;
- 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 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 Governance Statement.

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

- adequate accounting records have not been kept, or returns adequate for my audit have not been received from branches not visited by my team;

- 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.

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 name of local government body'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.

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 Service Joint Committee head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to Shared Regulatory Service Joint Committee's 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: revenue recognition and posting of unusual journals; and
- Obtaining an understanding of Shared Regulatory Service Joint Committee's framework of authority 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 Shared Regulatory Service Joint Committee.

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; and
- 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 Service 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. This description forms part of my auditor's report.

Certificate of completion of audit

I certify that I have completed the audit of the accounts of Shared Regulatory 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.

Adrian Crompton
Auditor General for Wales
[Date]

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Appendix 3

Summary of Corrections Made

As a result of our audit, we identified the following misstatements that have been corrected by management.

Exhibit 2: summary of corrections made

Value of correction	Nature of correction
Narrative	Note 25 - Senior Officer Remuneration The disclosure note has been amended to separately disclose the remuneration paid to the new Head of Service for their two roles held during the financial year.
Narrative	Note 9, Adjustments between Accounting Basis and Funding Basis The line showing the Reversal of items for Pension benefits included the amount in respect of Employers contributions and vice versa. The Note has been amended as follows: Reversal of items: £3.48m; and Employers' contributions: £1.29m.

Appendix 4

Recommendation

We set out below one recommendation arising from our audit with management's response. We will follow up this up during next year's audit and include any outstanding issues in next year's audit report.

Exhibit 3: recommendation

Matter arising – related party transaction disclosures	
Findings	<p>During our audit we identified some issues regarding the process used to compile and evidence the related party disclosure note. For example:</p> <ul style="list-style-type: none">• Declarations of interest forms submitted by members did not include interests of close family members as required by the CIPFA Code; and• the declaration forms were not always clearly referenced as being applicable to the 2021-22 financial year. <p>Whilst additional information was provided to us during the audit to enable us to obtain the necessary assurance upon the disclosure note, scope exists to improve the process, and the evidence compiled, to support the disclosure for future years of account.</p>
Priority	High
Recommendation	The SRS should review its processes so that each year a complete list of interests for all members of the Joint Committee and their close family members is obtained.
Benefits of implementing the recommendation	To ensure that the CIPFA Code requirements are complied with.
Accepted in full by management	Yes

Management response	SRS will work with Audit Wales and the three partner Councils to ensure that the declaration of interest arrangements in place for Joint Committee Members in the three authorities are aligned, and effective in meeting the needs of the Local Authority Accounting Code.
Implementation date	31 March 2023



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