

Meeting of:	Shared Regulatory Services Joint Committee
Date of Meeting:	Wednesday, 18 December 2024
Relevant Scrutiny Committee:	No Relevant Scrutiny Committee
Report Title:	Shared Regulatory Services Audit Wales 2024 Audit Plan
Purpose of Report:	To present to Members the Draft Audit Wales Plan 2024
Report Owner:	Report of the Head of Finance
Responsible Officer:	Matt Bowmer, Head of Finance/Section 151 Officer
Elected Member and Officer Consultation:	No specific ward member consultation has been undertaken.
Policy Framework:	This report is in accordance with the policy framework and budget.
<p>Executive Summary:</p> <ul style="list-style-type: none"> • Appendix A outlines the Draft Audit Wales Audit Plan. • The report provides details regarding how Audit Wales will complete the work in January 2025. The Committee are requested to consider and agree the proposed Audit Plan. 	

Recommendation

1. That Members review and note the content of this report and appendix.

Reason for Recommendation

1. To facilitate monitoring of the external audit function.

1. Background

- 1.1 As the external auditor, the objective of Audit Wales is to carry out an audit which discharges the statutory duties of Auditor General, which include:
 - Audit of Financial Statements
 - Value for Money
 - Continuous Improvement
 - Sustainable Development principle.

2. Key Issues for Consideration

- 2.1 The report at Appendix A provides members with the draft Detailed Audit Plan for 2024. The detailed plan sets out the Auditor General's statutory responsibilities and the work planned by the Audit Wales team to address audit risks and other key areas of focus during 2024. The Plan sets out the estimated audit fee, details of the audit team and key dates for delivering different aspects of the work.
- 2.2 The draft Audit Plan set out the following:
 - The Auditor General's audit responsibilities
 - Details of the audit of the financial statements identifying key risks and other areas of focus
 - Audit Timetable
 - Details of the fee and audit team
- 2.3 In relation of financial audit work, the draft Shared Regulatory Services 2023/24 Statement of Accounts were provided to the Auditor General on 29th June 2024. Initial work has now commenced on the external audit of these accounts and is expected to conclude in January 2025.

3. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?

- 3.1 Performance Management is an intrinsic part of corporate governance and integrated business planning which underpins the delivery of the Shared Regulatory the Annual Plan and its Well -being Outcomes.
- 3.2 External Regulation is an important vehicle for driving continuous improvement across our services. Progressing the improvement areas identified by our

regulators not only enables us to demonstrate our commitment to continuous service improvement, but also contributes to further strengthening our impact on the national well-being goals through the achievement of our well-being objectives.

4. Climate Change and Nature Implications

- 4.1** There are no implications directly arising from this report, although failure to respond to our regulatory recommendations could have a negative impact on any future external regulatory assessments and could result in a special inspection by the Auditor General for Wales if deemed that the Council is not meeting the performance requirements.

5. Resources and Legal Considerations

Financial

- 5.1** There is an annual fee aligned with the Shared Regulatory Services Annual Audit Work Programme, the estimated fee for the Audit work in 2024 is £18,038 (£16,953 in 2023) which represents a 6.4% increase. Any proposed changes to this will be discussed with the Section 151 Officer prior to implementation. The details of these fees are shown at Appendix A.

Employment

- 5.2** There are no direct workforce related implications associated with this report.

Legal (Including Equalities)

- 5.3** The statutory duties of the Auditor General are contained within the Local Government (Wales) Act 2021, Well-being of Future Generations (Wales) Act 2015, the Public Audit (Wales) Act 2004 Local Government Act 1999 and the Code of Audit Practice.

6. Background Papers

None.

Shared Regulatory Services Joint Committee – Audit Plan 2024

Audit year: 2023-24

Date issued: October 2024

Document reference: 4512A2024



This document has been prepared as part of work performed in accordance with statutory functions. Further information can be found in our [Statement of Responsibilities](#).

Audit Wales is the non-statutory collective name for the Auditor General for Wales and the Wales Audit Office, which are separate legal entities each with their own legal functions as described above. Audit Wales is not a legal entity and itself does not have any functions.

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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.

About Audit Wales

Our aims and ambitions

Assure



the people of
Wales that public
money is well
managed

Explain



how public
money is being
used to meet
people's needs

Inspire



and empower
the Welsh
public sector to
improve



Fully exploit
our unique
perspective,
expertise and
depth of insight



Strengthen our
position as an
authoritative,
trusted and
independent
voice



Increase our
visibility,
influence and
relevance



Be a model
organisation for
the public sector
in Wales and
beyond

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Introduction

I have now largely completed my planning work.

This Audit Plan specifies my statutory responsibilities as your external auditor and to fulfil my obligations under the Code of Audit Practice.

It sets out the work my team intends undertaking to address the audit risks identified and other key areas of focus during 2024.

It also sets out my estimated audit fee, details of my audit team and key dates for delivering my audit team's activities and planned outputs.



Adrian Crompton

Auditor General for
Wales

Audit of financial statements

I am required to issue a report on your financial statements which includes an opinion on their 'truth and fairness' and the proper preparation in accordance with accounting requirements.

I will also report by exception on a number of matters which are set out in more detail in our Statement of Responsibilities.

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 is set out later in this plan.

There have been no limitations imposed on me in planning the scope of this audit.

Your audit at a glance



My financial statements audit will concentrate on your risks and other areas of focus

My audit planning has identified the following risks:

Significant financial statement risk:

- Management override

Other areas of audit focus:

- Valuation of pension fund liability; and
- Senior officer remuneration and related party transaction disclosures



Materiality

Materiality	£219,000
Reporting threshold	£11,000



Materiality £219,000

My aim is to identify and correct material misstatements, that is, those that might otherwise mislead the user of the accounts.

Materiality is calculated using:

- 2023-24 gross expenditure of £10.932 million
- Materiality percentage of 2%

I report to those charged with governance any misstatements above a trivial level (set at 5% of materiality).



Areas of specific interest

There are some areas of the accounts that may be of more importance to the user of the accounts, and we have set a lower materiality level for these:

- Remuneration disclosures - £1,000
- Related party disclosures - £10,000 for individuals' interests

Significant financial statements’ risks

Significant risks are identified risks of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum of inherent risk or those which are to be treated as a significant risk in accordance with the requirements of other ISAs. The ISAs require us to focus more attention on these significant risks.

Exhibit 1: significant financial statement risks

Significant risk	Our planned response
<p>Management override</p> <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 240.32-33].</p>	<p>The audit team will:</p> <ul style="list-style-type: none">• test the appropriateness of journal entries and other adjustments made in preparing the financial statements;• review accounting estimates for bias; and• evaluate the rationale for any significant transactions outside the normal course of business.

Other areas of focus

I set out other identified risks of material misstatement which, whilst not determined to be significant risks as above, I would like to bring to your attention.

Exhibit 2: other areas of focus

Audit risk	Our planned response
<p>Valuation of pension fund net liability</p> <p>The Local Government Pension scheme (LGPS) pension fund liability as reflected in the Joint Committee's financial statements is a material estimate.</p> <p>The nature of this estimate means that it is subject to a high degree of estimation uncertainty as it is sensitive to small adjustments in the assumptions used in its calculation.</p> <p>The impact of economic conditions, particularly interest rate levels also has a significant impact on the liability.</p> <p>There are also several legal cases potentially impacting on the valuation of the net liability.</p>	<p>The audit team will:</p> <ul style="list-style-type: none">• evaluate the instructions issued by management to their management experts (actuary) for this estimate and the scope of the actuary's work;• assess the competence, capabilities and objectivity of the actuary who carried out the valuations;• assess the accuracy and completeness of the information provided by the Joint Committee to the actuary to estimate the liability;• test the accuracy of the pension fund net liability and disclosures in the financial statements with the actuarial report from the actuary;• assess the reasonableness of the assumptions made by the actuary by reviewing the report of the consulting actuary (auditor's expert) and undertaking any additional procedures required; and• assess whether any legal cases could have a material impact on the net liability, and if so, confirm that this has been appropriately recognised and disclosed within the financial statements.

Audit risk	Our planned response
<p>Related Parties and Senior Officer Remuneration disclosures</p> <p>I judge some of the disclosures in the financial statements, such as related parties and the remuneration of senior officers, to be material by nature, with a far lower level of materiality. These disclosures are therefore inherently prone to material misstatement.</p>	<p>The audit team will ensure that disclosures are consistent with supporting evidence.</p>

Financial statements’ audit timetable

I set out below key dates for delivery of my accounts audit work and planned outputs.

Exhibit 3: key dates for delivery of planned outputs

Planned output	Work undertaken	Report finalised
2024 Audit Plan	July – September 2024	October 2024
Audit of financial statements work: <ul style="list-style-type: none">• Audit of Financial Statements Report• Opinion on the Financial Statements	October – December 2024	December 2024

Fee and Audit Team

In January 2024, we published our [Fee Scheme](#) for the 2024-25 year as approved by the Senedd Finance Committee. My fee rates for 2024-25 have increased by 6.4%, as a result of unavoidable inflationary pressures and the ongoing need to invest in audit quality.

I estimate your total audit fee will be **£18,038** (£16,953 for 2022-23).

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 the Joint Committee.

Our financial audit fee is based on the following assumptions:

- The agreed audit deliverables set out the expected working paper requirements to support the financial statements and include timescales and responsibilities.
- No matters of significance, other than as summarised in this plan, are identified during the audit.

The main members of my team, together with their contact details, are summarised in **Exhibit 4**.

Exhibit 4: my local audit team

Name	Role	Contact details
Gareth Lucey	Engagement Director	Gareth.lucey@ audit.wales
Steve Wyndham	Audit Manager	Steve.wyndham@ audit.wales
Helen Parkhouse	Audit Lead	Helen.Parkhouse@ audit.wales

I can confirm that my team members are all independent of the Vale of Glamorgan Council, the Joint Committee and your officers.

Audit quality

Our commitment to audit quality in Audit Wales is absolute. We believe that audit quality is about getting things right first time.

We use a three lines of assurance model to demonstrate how we achieve this. We have established an Audit Quality Committee to co-ordinate and oversee those arrangements. We subject our work to independent scrutiny by QAD* and our Chair, acts as a link to our Board on audit quality. For more information see our [Audit Quality Report 2023](#).

Our People



The first line of assurance is formed by our staff and management who are individually and collectively responsible for achieving the standards of audit quality to which we aspire.

- Selection of right team
- Use of specialists
- Supervisions and review

Arrangements for achieving audit quality



The second line of assurance is formed by the policies, tools, learning & development, guidance, and leadership we provide to our staff to support them in achieving those standards of audit quality.

- Audit platform
- Ethics
- Guidance
- Culture
- Learning and development
- Leadership
- Technical support

Independent assurance



The third line of assurance is formed by those activities that provide independent assurance over the effectiveness of the first two lines of assurance.






- EQCRs
- Themed reviews
- Cold reviews
- Root cause analysis
- Peer review
- Audit Quality Committee
- External monitoring

* QAD is the quality monitoring arm of ICAEW.

Supporting you

Audit Wales has developed a range of resources to support the scrutiny of Welsh public bodies, and to support those bodies in continuing to improve the services they provide to the people of Wales.

Visit our website to find:

	our Good Practice work where we share emerging practice and insights from our audit work in support of our objectives to assure, to explain and to inspire.
	our newsletter which provides you with regular updates on our public service audit work, good practice, and events.
	our publications which cover our audit work completed at public bodies.
	information on our forward performance audit work programme 2023-2026 which is shaped by stakeholder engagement activity and our picture of public services analysis.
	various data tools and infographics to help you better understand public spending trends including a range of other insights into the scrutiny of public service delivery.

You can find out more about Audit Wales in our [Annual Plan 2024-25](#) and [Our Strategy 2022-27](#).



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We welcome correspondence and telephone calls in Welsh and English.
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.