

Meeting of:	Shared Regulatory Services Joint Committee
Date of Meeting:	Wednesday, 24 September 2025
Relevant Scrutiny Committee:	No Relevant Scrutiny Committee
Report Title:	Shared Regulatory Services Audit Wales 2025 Audit Plan
Purpose of Report:	To present to Members the Draft Audit Wales Plan 2025
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 2025. The Committee are requested to consider and agree the proposed audit plan for 2025. 	

Recommendations

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

Reasons for Recommendations

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 2025. 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 2025. 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 2024/25 Statement of Accounts were provided to the Auditor General on the 29th June 2025. Initial work has now commenced on the external audit of these accounts and is expected to conclude in November 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 2025 is £18,345 (£32,038 in 2024 this includes the additional cost of £14k due to delays with the 23/24 audit) this represents a 1.7% increase on the base figure. 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 1.

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 – 2025 Audit Plan

Audit year: 2024-25

Issued: September 2025

Document reference: 5023A2025



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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.

Introduction



Adrian Crompton

Auditor General
for Wales

I am pleased to share my 2025 Audit Plan. The Plan sets out how I will undertake your audit.

My audit team has developed the Plan following a structured and risk-based planning process, which will remain ongoing throughout the audit. My [Code of Audit Practice](#) provides further detail on how my audit and certain other functions are to be carried out by my auditors.

At the core of all our work is our commitment to maintaining the highest standards of professional integrity, objectivity, independence and audit quality. Our three lines of assurance model (page 17) sets out how we will ensure those standards of quality are met. Our latest annual quality report, [Audit Quality Report 2024](#), provides more information about our audit quality arrangements.

My audit team will work constructively with your staff to understand the issues you are facing, ensure the audit process operates as smoothly as possible, and provide valuable insights about any areas for improvement.

Should you have any questions about your audit, my audit team will be happy to discuss them with you. They will also keep you regularly updated as work progresses.

Our aims and ambitions

Our purpose

-  Assure people that public money is being managed well
-  Explain how that money is being spent
-  Inspire the public sector to improve

Our vision

-  Fully exploiting our unique perspective, expertise and depth of insight
-  Strengthening our position as an authoritative, trusted and independent voice
-  Increasing our visibility, influence, and relevance
-  Being a model organisation for the public sector in Wales and beyond

Our areas of focus

-  A strategic, dynamic, and high-quality audit programme
-  A targeted and impactful approach to communications and influencing
-  A culture and operating model that enables us to thrive

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

Financial audit work

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 their proper preparation in accordance with accounting and legal requirements.

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

In addition to my responsibilities for auditing the Shared Regulatory Service Joint Committee (the Committee) financial statements, I also have responsibility for responding to questions and objections about the accounts from local electors, for which additional fees will be charged for this work if necessary.

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

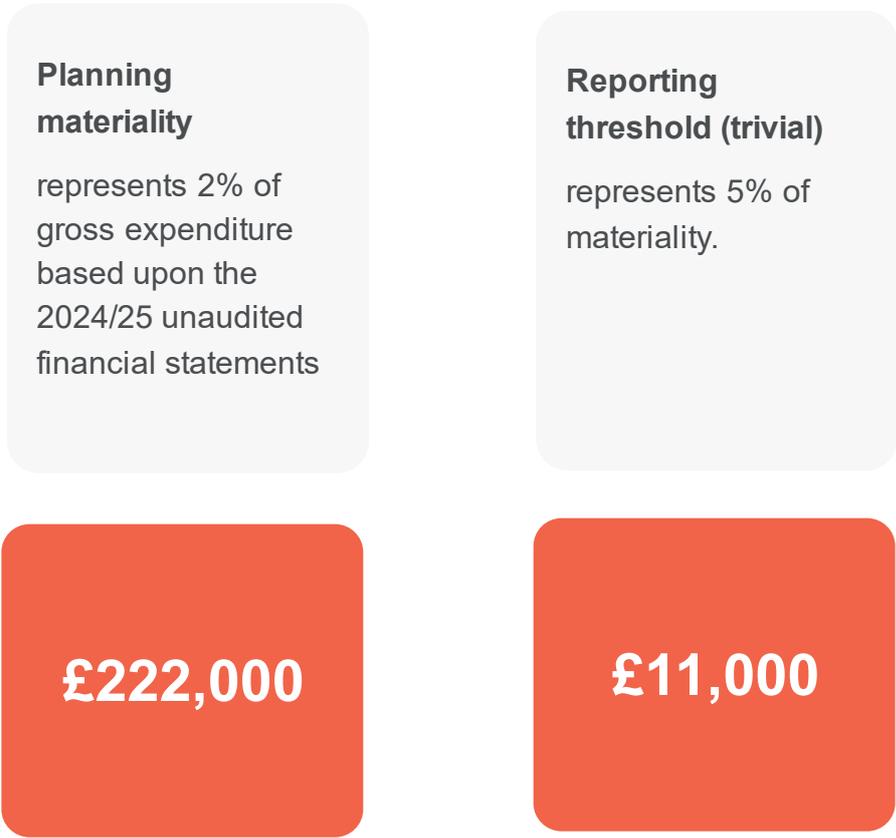
Financial statements materiality

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 and correct misstatements, that is, those that might result in a reader of the accounts being misled. Materiality applies not only to financial misstatements, but also to disclosure requirements and adherence to the applicable accounting framework and law.

I set planning and performance materiality to:

- determine the level of misstatement that could cause the user of the accounts to be misled;
- assist in the scoping of our audit approach and resultant audit tests;
- determine sample sizes;
- assess the effect of known and likely misstatements in the financial statements; and
- report to those charged with governance any unadjusted misstatements above a trivial level, our reporting threshold.

The levels at which I judge such misstatements to be material is set out below.



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:



My audit team will assess materiality levels throughout the audit.

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 International Standard on Auditing (ISAs). The ISAs require us to focus more attention on these significant risks.

I have not commenced my planning work. The risks set out below are drawn from my past audit work, including my audit of the 2023-24 financial statements. Once I have completed my audit planning, I will provide you with a written update on any additional 'significant financial statements risks' and/or 'Other areas of focus' that my audit team identify.

Risk of management override

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.

Our planned response

My audit team will:

- 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.

Further to these audit procedures, I may add additional procedures to address any specific risks of management override that are not addressed by the work set out above.

Related party disclosures

The financial statements must disclose any related party relationships along with the transactions and balances between the Committee and the relevant parties.

Where related party relationships arise via individual senior officer and/or member relationships¹, there may be less transparency regarding these relationships. These transactions are of high interest and are considered to be material by their nature.

There is a risk of material misstatement due to incomplete or inaccurate disclosures, even where they are of relatively low value.

Last year we formally reported that the Committee should ensure that:

- declarations of interests (DOIs) are received annually, prior to the production of the draft accounts, from senior management and members;
- these arrangements should also include disclosure of entities that are controlled by close family members; and
- an audit trail exists so that the basis for disclosure and non-disclosure in the accounts of relationships is recorded.

Our planned response

My audit team will:

- review the Committee's process for identifying related party relationships and the associated transactions and balances;
- undertake procedures to confirm the completeness and accuracy of related party relationships, including our review and testing of DOIs; and
- ensure disclosures are complete, accurate, consistent with evidence and are in accordance with the Local Government Code.

¹ Including an officer or member's close family.

Senior officer remuneration

The remuneration paid to senior officers continues to be of high interest and is material by nature. Therefore, even low value errors in the disclosures could result in material misstatement.

There have been some changes to the senior management team during 2024-25. There is a risk that these are not appropriately disclosed in the financial statements.

Our planned response

My audit team will:

- understand the movements in the senior management team during 2024-25;
- ensure that remuneration disclosed is consistent with supporting evidence;
- ensure that amounts paid are consistent with those approved by the Committee; and
- ensure that disclosures are complete based on the team's knowledge and are prepared in accordance with requirements.

Other areas of focus

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

Valuation of the pension fund's net liability/asset position

The Local Government Pension scheme (LGPS) pension fund liability as reflected in the financial statements, is a material estimate.

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.

The impact of economic conditions, particularly interest rate levels, had an impact on the liability at 31 March 2025, with the year-end liability decreasing by £80 million from the position at 31 March 2024.

There are also several legal cases potentially impacting on the valuation of pension funds.

Therefore, there is a risk that the pension estimates are materially misstated.

Our planned response

My audit team will:

- 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 Committee to the actuary to estimate the liability;
- test the accuracy of the pension fund net surplus/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 fund, and if so, confirm that this has been appropriately recognised and disclosed within the financial statements.

Implementation of International Accounting Standard (IFRS) 16 - Leases

Local Government bodies (including joint committees) are required to adopt IFRS16 Leases from 1 April 2024.

This significantly changes the accounting treatment and disclosures required for leased assets and means that most leases will result in an asset and liability on balance sheets.

There is a risk that the requirements of the IFRS are not appropriately adopted and as a result the financial statements are materially misstated.

Our planned response

My audit team will:

- review the Committee’s working papers to ensure that all leases falling within the scope of the Standard have been included in calculations;
- test a sample of asset and liability calculations to ensure that the assumptions are reasonable, and the calculations have been correctly prepared; and
- confirm that asset and liability values have been correctly accounted for and disclosed in the financial statements.

Provisions and contingent liabilities

The financial statements can include disclosures for provisions and/or contingent liabilities regarding legal obligations. Such disclosures can be inherent areas of estimate and are open to judgement and interpretation.

These weaknesses can affect key areas of the accounts, where we gain knowledge and assurance from legal records and discussions with, and assurances from, the Council’s Monitoring Officer. Typically, these elements of our audit inform our audit of known or potential contingent liability costs and estimated provisions.

Our planned response

My audit team will:

- review the Committee’s meeting minutes and legal risk register to ensure all potential liabilities are considered;
- review media outputs for reference to any potential litigation claims; and
- liaise with the temporarily contracted legal adviser, and new Monitoring Officer if appointed, as part of our evaluation of any litigation or potential litigation that the Committee is handling.

Financial statements audit timetable

Below is a timetable showing the key stages of the audit and our key audit deliverables that we will provide to you.

Exhibit 1: Financial statements audit timetable

Planning and Interim	<ul style="list-style-type: none"> Planning meeting High level risk assessment procedures Fraud risk assessment Accounting estimates planning IT environment risk assessment Information flows Detailed risk assessment procedures Audit Plan
September/October 2025	
Fieldwork	<ul style="list-style-type: none"> Update risk assessment IT controls review Complete audit testing Evaluate audit findings
October/November 2025	
Reporting	<ul style="list-style-type: none"> Complete audit testing Evaluate audit findings Audit closure meeting Audit of Accounts Report Recommendations for improvement Present findings to those charged with governance Auditor General certification
December 2025	

Audit fee

In January 2025 we published our [2025-26 Fee Scheme](#) following approval by the Senedd Finance Committee which details the average increase to fee rates of 1.7%.

My fee estimate for 2025 is £18,345, being £307 (1.7%) higher than the 2024 fee estimate of £18,038.

For 2024 an additional cost of £14,000 was incurred and billed for my financial audit work, as set out in Exhibit 2. The additional cost arose due to the 2023-24 matters, that included significant delays with the information required for my audit, which my audit team reported to officers and members earlier this year.

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 my auditors first discussing them with the relevant senior officers. **Exhibit 2** sets out a further breakdown of your estimated audit fee.

I base my audit fee on the following assumptions:

- The requested working papers, as set out in our Inflo software, are received on time and accurately and meaningfully support the accounts.
- Requests for information throughout the audit are handled by the requested turnaround times, as set out in Inflo.
- No matters of significance, other than as summarised in this plan, are identified during the audit.
- The relevant officers, particularly within the finance team, are present and available (albeit we appreciate that some leave will be taken).

Exhibit 2: Breakdown of my estimated audit fee for 2025 (and 2024 for comparison)

Estimated fee for 2025 (£)²

2025 fee estimate	2024 actual fee
£18,345	32,038

² The fees shown in this document are exclusive of VAT.

³ This fee relates to the fee estimate of £18,038 and additional invoiced cost of £14,000.

Audit team

My audit team will continue to work and engage remotely using technology, but some on-site audit work will [resume/continue] where it is appropriate to do so.

[Indeed, my audit team who were onsite during the audit of accounts work last year found the close proximity to officers a more efficient way of working, and officers have fed back positively on their experiences.]

Audited bodies have a responsibility to ensure the safety and wellbeing of Audit Wales staff when they are on your premises.

The main members of my team, together with their contact details, are summarised in **Exhibit 3**.

Exhibit 3: My local audit team

Audit Director	Gareth Lucey gareth.lucey@audit.wales
Audit Manager	Mark Jones mark.jones@audit.wales
Audit lead	Helen Parkhouse helen.parkhouse@audit.wales

I can confirm that my team members are all independent of the 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 the Institute of Chartered Accountants in England and Wales and our Chair of the Board, acts as a link to our Board on audit quality. For more information see our [Audit Quality Report 2024](#).



Our People

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



Arrangements for achieving audit quality

Selection of right team

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



Independent assurance

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

Supporting you

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

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Information on our upcoming work and forward work programme for [performance audit](#).



[Data tools](#) to help you better understand public spending trends



Details of our [Good Practice](#) work and events including the sharing of emerging practice and insights from our audit work.



Our [newsletter](#) which provides you with regular updates on our public service audit work, good practice, and events.



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We welcome correspondence and telephone calls in Welsh and English.

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