

# Audit of Accounts Report – GwE Joint Committee

Audit year: 2019/20

Date issued: 8 September 2020

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Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

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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 2019-20 accounts in this report.
- 2 We have already discussed these issues with the Group Accountant – Education; Economy and Community & the Senior Accountant.
- 3 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.
- 4 We set this level at £307,500 for this year’s audit.
- 5 We have now almost completed this year’s audit but the following work is outstanding:
  - a. Clearance of remaining audit review notes;
  - b. Receipt of satisfactory responses to CIPFA checklist exceptions;
  - c. Completion of creditors and grant income testing;
  - d. Receipt of satisfactory evidence to support one debtor;
  - e. Receipt of IAS 19 letter from Pension Fund Auditors;
  - f. Review, call and cast of final version of the accounts;
  - g. Clearance from quality reviewer; and
  - h. Receipt of letter of representation.
- 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.
- 7 Included in our 2020 Audit Plan was a significant risk relating to grant income and the assessment of whether GwE is acting as a principal or agent. Following further planning procedures, we have determined that this is not a significant risk due to new grants which have been recognised in year being immaterial, the assessment of principal or agent for existing grants being unlikely to change and no incentive for management to over/understate grant income being identified. However, we have undertaken work in relation to a different significant risk which was not included within our Audit Plan. The details of this have been included below:

Audit risk	Audit response
<p>Management override of controls</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 240.31-33].</p>	<p>My audit team have:</p> <ul style="list-style-type: none"><li>• tested the appropriateness of journal entries and other adjustments made in preparing the financial statements using enhanced data analytics to analyse the whole journal population for characteristics of interest;</li><li>• performed the design and implementation testing of controls over journal entries;</li></ul>

Audit risk	Audit response
	<ul style="list-style-type: none"> <li>• reviewed accounting estimates for biases; and</li> <li>• evaluated the rationale for any significant transactions outside the normal course of business (where identified).</li> </ul> <p><b>No issues were identified as a result of our testing.</b></p>

## Impact of Covid-19 on this Year's Audit

- 8 The Covid-19 pandemic has had a significant impact on all aspects of our society and continues to do so. You are required by law to prepare accounts and it is of considerable testament to the commitment of your accounts team that you have succeeded in doing so this year in the face of the challenges posed by this pandemic. We are extremely grateful to the professionalism of the team in supporting us to complete our audit in such difficult circumstances.
- 9 The pandemic has unsurprisingly affected our audit and 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

<b>Timetable</b>	<ul style="list-style-type: none"> <li>• The deadline for completing your accounts was changed by Welsh Government from 15 June 2020 to 30 August 2020, and the deadline to publish audited accounts was changed from 15 September 2020 to 30 November 2020.</li> <li>• We received the final draft accounts on 3 June 2020.</li> <li>• Our agreed deadline for completing our audit was not changed from 31 July 2020, however, Covid-19 has presented challenges which has meant that whilst a significant amount of the audit was completed by this date, there were also areas of work ongoing which also meant we were then also impacted by annual leave during August.</li> <li>• We expect your audit report to be signed on 15 September 2020.</li> </ul>
<b>Electronic signatures</b>	We plan to use electronic signatures for the signing of the accounts.
<b>Audit evidence</b>	No major impacts identified.

- 10 We will be reviewing what we have learned for our audit process from the Covid-19 pandemic and whether there are innovative practices that we might adopt in the future to enhance that process.

## Proposed Audit Opinion

- 11 **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**.
- 12 We issue a 'qualified' audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.
- 13 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.
- 14 Our proposed audit report is set out in **Appendix 2**.

## Significant Issues arising from the Audit

### Uncorrected misstatements

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

### Corrected misstatements

- 16 There was no need to correct any misstatements as a result of our audit work. Amendments to the accounts as a result of our audit work related to minor disclosure issues only.

### Other Significant Issues arising from the Audit

- 17 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 were no issues arising in these areas this year.

## Recommendations

- 18 The recommendations arising from our audit are set out in **Appendix 3**. Management has responded to them and we will follow up progress against them 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. In 2018/19 we raised a recommendation relating to the GwE Management Board explicitly agreeing the annual EIG distribution. On inspection of minutes, we have identified that Management Board confirmed and agreed the annual EIG distribution for 2019/20 on 11 October 2019.

# Appendix 1

## Final Letter of Representation

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

15 September 2020

## Representations regarding the 2019-20 financial statements

This letter is provided in connection with your audit of the financial statements of GwE Joint Committee for the year ended 31 March 2020 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

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 CIPFA Code of Practice on Local Authority Accounting; 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 GwE 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.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

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.

An appropriate assessment of whether GwE is acting as the agent or principal in relation to all grant income received has been undertaken and grant income has only been recognised in the financial statements where GwE is acting as the principal.

The basis for distributing Education Improvement Grant between GwE's constituent local authorities is appropriate.

The financial statements are free of material misstatements, including omissions.



# Representations by those charged with governance

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 GwE Joint Committee on 15 September 2020.

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:

Dafydd L Edwards

Head of Finance

Gwynedd Council

Date: 15 September 2020

Signed by:

Councillor Phil Wynn

Chairman

GwE Joint Committee

Date: 15 September 2020

# Appendix 2

## Proposed Audit Report

### **The independent auditor's report of the Auditor General for Wales to the members of GwE Joint Committee**

#### **Report on the audit of the financial statements**

##### **Opinion**

I have audited the financial statements of GwE Joint Committee for the year ended 31 March 2020 under the Public Audit (Wales) Act 2004.

GwE Joint Committee's financial statements comprise the 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 the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of GwE Joint Committee as at 31 March 2020 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20.

##### **Basis for opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). 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**

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about Joint Committee's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

##### **Other information**

The responsible financial officer is responsible for the other information in the annual report and accounts. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and,

except to the extent otherwise explicitly stated later in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

## **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 2019-20;
- 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 the 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:

- proper accounting records have not been kept;
- 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.

### **Certificate of completion of audit**

I certify that I have completed the audit of the accounts of GwE Joint Committee in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

## **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 set out on page 6, 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 Joint Committee'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.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

Anthony J Barrett  
For and on behalf of the Auditor General for Wales  
15 September 2020

24 Cathedral Road  
Cardiff  
CF11 9LJ

# Appendix 3

## Recommendations

We set out all the recommendations arising from our audit with management's response to them. We will follow up these next year and include any outstanding issues in next year's audit report:

### Exhibit 2: matter arising 1

<b>Matter arising 1 – IT Findings</b>	
<b>Findings</b>	As part of our financial audit we engaged IT specialists to assist the audit team with testing the appropriateness of the Council's IT systems which have a direct impact on the production of the financial statements. The IT specialists identified a number of recommendations which have been communicated to management.
<b>Priority</b>	It is recommended that management work with the IT Manager to ensure these recommendations are implemented in a timely manner.
<b>Recommendation</b>	Low
<b>Benefits of implementing the recommendation</b>	To improve the quality and robustness of the IT systems.
<b>Accepted in full by management</b>	Yes
<b>Management response</b>	A number of the recommendations have already been implemented or in the process of being implemented
<b>Implementation date</b>	During 2020/21



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Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.