



WALES **AUDIT** OFFICE  
SWYDDFA **ARCHWILIO** CYMRU

# Audit of Financial Statements Report

## **Special Educational Needs Joint Committee**

**Audit year:** 2012-13

**Issued:** September 2013

**Document reference:** 493A2013

# Status of report

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The Appointed Auditor intends to issue an unqualified audit report on your financial statements. There are some issues to report to you prior to their approval.

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# Summary report

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## Introduction

1. The Appointed Auditor is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of Special Educational Needs Joint Committee at 31 March 2013 and its income and expenditure for the year then ended.
2. We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.
3. The quantitative levels at which we judge such misstatements to be material for the Special Educational Needs Joint Committee is £11,000. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.
4. International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
5. This report sets out for consideration the matters arising from the audit of the financial statements of the Special Educational Needs Joint Committee, for 2012-13, that require reporting under ISA 260.

## Status of the audit

6. We received the draft financial statements for the year ended 31 March 2013 on 28 June 2013, ahead of the 30 June 2013 statutory deadline and have now substantially completed the audit work.
7. We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with the responsible finance officer for the Joint Committee (Dafydd Edwards).

## Proposed audit report

8. It is the Appointed Auditor's intention to issue an unqualified audit report on the financial statements once you have provided us with a Letter of Representation based on that set out in [Appendix 1](#).
9. The proposed audit report is set out in [Appendix 2](#). The audit report has been modified to include an 'Other Matter' which draws the reader's attention to the Joint Committee's failure to prepare financial statements since its establishment, prior to 2012-13. This is set out in more detail in paragraphs 14 to 18.

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## Significant issues arising from the audit

### Uncorrected misstatements

10. There are no misstatements identified in the financial statements, which remain uncorrected.

### Corrected misstatements

11. There are misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process. They are set out with explanations in [Appendix 3](#).

### Other significant issues arising from the audit

12. In the course of the audit, we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. There was one issue arising in these areas this year, as follows:

### We have one concern about the qualitative aspects of your accounting practices and financial reporting

13. We have the following concern about the qualitative aspects of your accounting practices and financial reporting :

Prior to 2012-13, the Joint Committee did not comply with the requirements to produce its financial statements.

14. Section 12 of the Public Audit (Wales) Act 2004 states that 'a joint committee of two or more (local) authorities' is a local government body. Section 13 of the act requires local government bodies in Wales to maintain accounts that are subject to annual audit.
15. Local government bodies must prepare financial statements by 30 June following the year end, which must then be audited and approved by 30 September.
16. Where either income or expenditure exceeds £1 million, there is a requirement to prepare financial statements that are compliant with the Code of Practice on Local Government Accounting. This is the case for the Special Educational Needs Joint Committee.
17. The Joint Committee was established in April 1996 and until 2012-13 did not produce its financial statements.

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- 18.** In addition, and as a result of this, the constituent authorities were not provided with the necessary information to ensure that they accounted for their respective shares of the Joint Committee correctly. However, this is unlikely to have been material to their accounts. This issue does not relate to the payment of the respective contributions of the constituent authorities for the Joint Committee but is an accounting issue.

### There are no other matters that we need to report to you

- 19.** There are no other matters to report to you. In particular:
- we did not encounter any significant difficulties during the audit;
  - there were no significant matters discussed and corresponded upon with management which we need to report to you;
  - there are no other matters significant to the oversight of the financial reporting process that we need to report to you;
  - we did not identify any material weaknesses in your internal controls; and
  - there are not any other matters specifically required by auditing standards to be communicated to those charged with governance.

### Independence and objectivity

- 20.** As part of the finalisation process, we are required to provide you with representations concerning our independence.
- 21.** We have complied with ethical standards and in our professional judgment, we are independent and our objectivity is not compromised. There are no relationships between the Wales Audit Office and the Special Educational Needs Joint Committee that we consider to bear on our objectivity and independence.

# Appendix 1

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## Final Letter of Representation

Appointed Auditor  
Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

[Date]

## Representations regarding the 2012-13 financial statements

This letter is provided in connection with your audit of the financial statements of Special Educational Needs Joint Committee for the year ended 31 March 2013 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 Local Government Code of Practice; in particular the financial statements give a true and fair view in accordance therewith.

We acknowledge our responsibility for 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.

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- 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 Special Educational Needs 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; and
  - 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.

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.



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## Representations by Special Educational Needs 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 Special Educational Needs Joint Committee on 20 September 2013.

Signed by:

DAFYDD L EDWARDS  
HEAD OF FINANCE  
GWYNEDD COUNCIL

Date: 20 September 2013

Signed by:

COUNCILLOR GWILYM O JONES  
CHAIRMAN – SPECIAL EDUCATIONAL  
NEEDS JOINT COMMITTEE

Date: 20 September 2013

# Appendix 2

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## Independent auditor's report to the Members of the Special Educational Needs Joint Committee

I have audited the accounting statements and related notes of the Special Educational Needs Joint Committee for the year ended 31 March 2013 under the Public Audit (Wales) Act 2004.

The Special Educational Needs Joint Committee's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, and the Cash Flow Statement.

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 2012-13 based on International Financial Reporting Standards (IFRSs).

### **Respective responsibilities of the responsible financial officer and the independent auditor**

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 gives a true and fair view.

My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the accounting statements**

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Special Educational Needs Joint Committee's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer and the overall presentation of the accounting statements and related notes.

In addition, I read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited accounting statements and related notes. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

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## **Opinion on the accounting statements of Special Educational Needs Joint Committee**

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Special Educational Needs Joint Committee as at 31 March 2013 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012-13.

### **Other Matter**

Section 12 of the Public Audit (Wales) Act 2004 states that 'a joint committee of two or more (local) authorities' is a local government body. Section 13 of the act requires local government bodies in Wales to maintain accounts that are subject to annual audit. Prior to the 2012-13 financial year, the Special Educational Needs Joint Committee has not complied with this requirement and failed to produce financial statements in accordance with statutory requirements.

### **Opinion on other matters**

In my opinion, the information contained in the Explanatory Foreword for the financial year for which the accounting statements and related notes are prepared is consistent with the accounting statements and related notes.

### **Matters on which I report by exception**

I have nothing to report in respect of the Annual Governance Statement on which I report to you if, in my opinion, it does not reflect compliance with 'Delivering Good Governance in Local Government: Framework' published by CIPFA/SOLACE in June 2007, or if the statement is misleading or inconsistent with other information I am aware of from my audit.

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

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

**Anthony Barrett**

**Appointed Auditor**

24 Cathedral Road

Cardiff

CF11 9LJ

27 September 2013

## Appendix 3

### Summary of corrections made to the draft financial statements which should be drawn to the attention of the Members of the Special Educational Needs Joint Committee

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

Value of correction	Nature of correction	Reason for correction
<b>2012-13</b>		
Narrative Amendment	Explanatory Foreword - Additional narrative disclosure added detailing service expenditure compared to budget.	To comply with the CIPFA Code of Practice guidance and inform the reader.
Narrative Amendment	Accounting policies – Additional disclosures were added in relation to: Note 1 No accounting policy in relation to Grants & Contributions (GC SoAs Note 1.12). This is relevant as both authorities pay a contribution to the JC. Note added in relation to Change in Accounting Policies.	To comply with the CIPFA Code of Practice guidance and inform the reader.
£1,289	Comprehensive Income and Expenditure Statement – A National Non-Domestic Rates refund had been incorrectly credited to Gwynedd Council rather than the Committee	To recognise the refund in the financial statements
£3,025	Comprehensive Income and Expenditure Statement - Expenditure had been miscoded to an income code in the financial ledger, therefore both income and supplies and services expenditure had been understated by £3,025.	Misstatement of income received and Supplies and Services expenditure.
£189,000	Note 4 Amount incorrectly misclassified as short term debtor rather than cash. Cashflow statement – amendments	To correct the misclassification of cash balances and to comply with the Code of Practice.

	were made to the cashflow to reflect the changes to the cash position.	
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Value of correction	Nature of correction	Reason for correction
<b>2011-12</b>		
£3,146	CIES - Expenditure had been miscoded to an income code in the financial ledger, therefore both income and supplies and services expenditure had been understated by £3,146.	Misstatement of income received and Supplies and Services expenditure.
£94,000	Note 4 Amount incorrectly misclassified as short term debtor rather than cash. Cashflow statement – amendments were made to the cashflow to reflect the changes to the cash position.	To correct the misclassification of cash balances and to comply with the Code of Practice.
<b>Balance Sheet as at 1 April 2011</b>		
£97,000	Amount incorrectly misclassified as short term debtor rather than cash.	To correct the misclassification of cash balances.



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