

Audit of Accounts Report – Citizen Voice Body for Health and Social Care, Wales (Llais)

Audit year: 2022-23

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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 2022-23 Annual Report and Accounts in this report.
- 2 We have already discussed these issues with the Chief Executive Officer.
- 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 £2,200 for this year's audit.
- 5 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:
 - Remuneration report – remuneration £5,000 banding, pension disclosures £1,000
 - Related party disclosures – personal interests £1,000
- 6 We have now substantially completed this year's audit, but the following audit evidence is outstanding at the time of drafting this report (verbal update to be given at Audit and Risk Assurance Committee):
 - Natwest Bank confirmation letter;
 - Revised 2022-23 funding letter from Welsh Government; and
 - Pensions information from the NHS Business Services Authority for the CEO.
- 7 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 revised ISA315 on the audit

- 8 Our audit of your accounts for the year ended 31 March 2023 has been carried out under a revised auditing standard (ISA 315 (UK) Identifying and Assessing the Risks of Material Misstatement (Revised July 2020)). The revised standard has had a significant impact this year on how auditors undertake audit risk assessments and our overall audit approach.
- 9 In planning our audit, we are now required to undertake more detailed and extensive risk assessment procedures to identify risks of material misstatement. The subsequent design and performance of our audit approach has been responsive to each assessed risk.
- 10 The introduction of the revised Standard has required additional time to implement.

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; however, since this is not the case, we anticipate issuing 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

- 15 Llais submitted a draft Annual Report and Accounts to Welsh Government and Audit Wales on 29 August 2023. The CEO noted in an accompanying letter that the accounts were incomplete, given the absence of a formal Accounts Direction and Accounting Officer letter, which caused difficulties in drafting the accounts, especially the narrative within the Annual Report. Hence the final draft account presented for approval is significantly different to that discussed at the Audit and Risk Assurance Committee on 23 August 2023.

Uncorrected misstatements

- 16 There are no non-trivial misstatements identified in the accounts, which remain uncorrected.

Corrected misstatements

- 17 The accounts now include the estimated audit fee, and contains a correction to staff costs, an explanation for which is set out within **Appendix 3**. We consider that these corrections should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.
- 18 We also recommended additions, amendments and deletions to disclosures within the accounts to ensure completeness, clarity, accuracy and consistency throughout, and to comply with best practice as set out in the FReM. We have not identified all these the separately, as not regarded as material to the financial statements, but have included the more significant amendments in **Appendix 3**.

Other significant issues arising from the audit

- 19 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 two issues arising in these areas this year as shown in **Exhibit 1**:

Exhibit 1: significant issues arising from the audit

<p>Availability of corroborating audit evidence</p>	<p>We accept that arrangements for 2022-23 during the establishment phase of Llais resulted in functions being undertaken by NHS Shared Services and Welsh Government on behalf of Llais so proportionality was required in terms of controls and oversight of the budget/expenditure.</p> <p>However, our audit identified that corroborating evidence to support narrative and financial information within the Annual Report and Accounts was not always readily available, and indeed, our enquiries into corroborating evidence for payroll costs identified an underpayment of salary.</p> <p>Further, appointment letters and contracts were not at hand, neither was information on what pay scales had been used for Board members and senior staff.</p> <p>It is the responsibility of Llais to satisfy themselves that the information within their accounts, which may be prepared/held by a third party, is accurate and complete. This ultimately resulted in audit inefficiencies for 2022-23. Some requests made in May 2023 were not actioned until September, if actioned earlier some of the account's delays could have been avoided. Appendix 4 includes a recommendation to improve procedures for the collation of information in support of the Annual Report and Accounts, and audit thereof.</p>
<p>Accounting for Welsh Government funding</p>	<p>Clarification was provided to officers regarding the Welsh Government Funding accounting and disclosures within the Annual Report and Accounts.</p> <p>Llais requested an increase to their funding allocation for 2022-23 from £111,000 to £132,000 to accrue for the external audit fee and the salary amendment backpay.</p> <p>The difference between the final funding allocation and the cash received in year of £21,000 is not included as a receivable, as government accounting does not permit this. Hence, the Statement of Financial Position shows a negative general reserve of £(21,000).</p>

An additional disclosure is now included within Note 1.2 to clarify this for the reader of the account as follows:
‘Welsh Government confirmed funding allocation for 2022-23 was £132,000, with £111,000 cash drawn down in 2022-23’.

Recommendations

- 20 The recommendations arising from our audit are set out in **Appendix 4**. 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.

Appendix 1

Final Letter of Representation

[Audited body's letterhead]

Auditor General for Wales
Audit Wales
1 Capital Quarter
Tyndall Street
Cardiff
CF10 4BZ

[Date]

Representations regarding the 2022-23 financial statements

This letter is provided in connection with your audit of the financial statements (including that part of the Remuneration Report that is subject to audit) of the Citizen Voice Body for Health and Social Care, Wales (known as Llais) for the year ended 31 March 2023 for the purpose of expressing an opinion on their truth and fairness, their proper preparation and the regularity of income and expenditure.

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

As Chief Executive and Accounting Officer I have fulfilled my responsibility for:

- preparing the financial statements in accordance with legislative requirements and the Treasury's Financial Reporting Manual. In preparing the financial statements, I am required to:
 - observe the accounts directions issued by Welsh Ministers, including the relevant accounting and disclosure requirements and apply appropriate accounting policies on a consistent basis;
 - make judgements and estimates on a reasonable basis;
 - state whether applicable accounting standards have been followed and disclosed and explain any material departures from them; and
 - prepare them on a going concern basis on the presumption that the services of Llais will continue in operation;
- ensuring the regularity of any expenditure and other transactions incurred; and

- the design, implementation and maintenance of internal control to prevent and detect 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 Llais 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; and
- our knowledge of all possible and actual instances of irregular transactions.

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. There are no uncorrected misstatements.

Representations by the Board

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 Board on 22 November 2023.

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:

Alyson Thomas
Chief Executive

Date:

Signed by:

Medwin Hughes
Chair of Llais Board

Date:

Appendix 2

Proposed Audit Report

The Certificate and report of the Auditor General for Wales to the Senedd

Opinion on financial statements

I certify that I have audited the financial statements of the Citizen Voice Body for Health and Social Care, Wales (known as Llais) for the year ended 31 March 2023 under the Health and Social Care (Quality and Engagement) (Wales) Act 2020.

The financial statements comprise the Statement of Comprehensive Net Expenditure, Statement of Financial Position, Statement of Cash Flows and Statement of Changes in Taxpayer's and related notes, including the 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 HM Treasury's Financial Reporting Manual.

In my opinion, in all material respects, the financial statements:

- give a true and fair view of the state of Llais' affairs as at 31 March 2023 and of its net expenditure, for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards as interpreted and adapted by HM Treasury's Financial Reporting Manual.
- have been properly prepared in accordance with Welsh Ministers' directions issued under the Health and Social Care (Quality and Engagement) (Wales) Act 2020.

Opinion on regularity

In my opinion, in all material respects, the income and expenditure recorded in the financial statements have been applied to the purposes intended by the Senedd and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

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 certificate.

My staff and I are independent of the body 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 opinions.

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 body'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 Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for Llais is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

Other information

The other information comprises the information included in the annual report other than the financial statements and parts of the remuneration report that are audited and my auditor's report thereon. The Accounting Officer is responsible for the other information in 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.

Opinion on other matters

In my opinion, the part of the Remuneration Report to be audited has been properly prepared in accordance with Welsh Ministers' directions made under the Health and Social Care (Quality and Engagement) (Wales) Act 2020.

In my opinion, based on the work undertaken in the course of my audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with Welsh Ministers' directions made under the Health and Social Care (Quality and Engagement) (Wales) Act 2020; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the body and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance Report and Accountability Report.

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

- I have not received all of the information and explanations I require for my audit.

- proper 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 and the audited part of the Remuneration Report are not in agreement with the accounting records and returns;
- information specified by Welsh Ministers regarding remuneration and other transactions is not disclosed;
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual are not made or parts of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for:

- maintaining proper accounting records;
- the preparation of the financial statements and Annual Report in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- ensuring that the Annual Report and financial statements as a whole are fair, balanced and understandable;
- ensuring the regularity of financial transactions;
- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- assessing Llais' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by Llais will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Health and Social Care (Quality and Engagement) (Wales) Act 2020.

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 and those charged with governance, including obtaining and reviewing supporting documentation relating to Llais' 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: posting of unusual journals and management override of controls;
- obtaining an understanding of Llais' framework of authority as well as other legal and regulatory frameworks that the Llais 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 Llais; and
- obtaining an understanding of related party relationships.

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, the Audit and Risk Assurance Committee 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 Llais' 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.

Other auditor's responsibilities

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Senedd and the financial transactions recorded in the financial statements conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report

I have no observations to make on these financial statements.

Adrian Crompton
Auditor General for Wales
[Date]

1 Capital Quarter
Tyndall Street
Cardiff
CF10 4BZ

Appendix 3

Summary of Corrections Made

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

Exhibit 2: details of correction made

Value of correction	Nature of correction	Reason for correction
£1,000	Increase in staff costs (Note 2) with a corresponding increase to pay accruals (Note 6).	Audit procedures identified that the CEO's pay had been calculated at the incorrect rate. The resulting back pay has been accrued in 2022-23, to be paid in 2023-24.

During our audit, we recommended additions, amendments and deletions to disclosures within the accounts to ensure completeness, clarity, accuracy and consistency throughout, and to comply with best practice as set out in the FReM. We have not identified all of these the separately, as not regarded as material to the financial statements, but have included the more significant amendments.

Exhibit 3: summary of disclosure amendments made

Disclosure Note	Nature of amendment
<p>Performance and Accountability Reports</p>	<p>Various narrative and clarification points made, including:</p> <ul style="list-style-type: none"> - making clear that Llais has reduced disclosure requirements during 2022-23 given It was not operational; - introductory paragraphs to introduce Board membership and declarations of interest; - gender balance of the Board; and - positive statement within the governance statements that the systems were in place for the year and period up until accounts approval.
<p>Remuneration report</p>	<p>Various narrative and clarification points made, including:</p> <ul style="list-style-type: none"> - making it clear what sections of the remuneration report are subject to audit; - insertion of full year equivalent salaries for the CEO and Board; - insertion of dates of appointment; and - clarification of which disclosures are/are not available for the CEO.
<p>Note 1</p>	<p>Insertion of an accounting policy for Cash – Note 1.6.</p>
<p>Various disclosure notes</p>	<p>A number of narrative and disclosure amendments, not identified separately in this table, as not regarded as material to the financial statements.</p>

Appendix 4

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 4: matter arising 1

Matter arising 1 – Improvements are required to corroborate the information contained within the Annual Report and Accounts	
Findings	<p>Our audit identified that corroborating evidence to support narrative and financial information within the Annual Report and Accounts was not readily available.</p> <p>We accept that arrangements for 2022-23 during the establishment phase of Llais resulted in functions being undertaken by NHS Shared Services and Welsh Government on behalf of Llais.</p>
Priority	High
Recommendation	<p>We will prepare a list of working papers to be provided for each audit phase in 2023-24 and Llais officers will need to ensure appropriate working papers and corroborating evidence is provided in support before we commence our audit work.</p> <p>We propose the use of a working paper portal – Inflo Collaborate – to organise and share documents. It can also be used to coordinate audit queries and responses.</p> <p>We propose that the Annual Report and Accounts are quality reviewed by a senior officer prior to submission for audit, and iterations of the accounts are kept to a minimum (for example: draft, revised and final).</p>
Benefits of implementing the recommendation	<p>Implementation will:</p> <ul style="list-style-type: none">- improve accountability and traceability of costs included within the accounts; and

	<ul style="list-style-type: none"> - improve the quality of the evidence provided for audit purposes which will in turn increase the efficiency of audit procedures and lessen the audit burden on officers.
Accepted in full by management	Yes
Management response	<p>As noted 2022-23 was unique and involved significant retrospective gathering of information from third parties. For 2023-24, and future years, we will plan, engage and work with Audit Wales to develop timely working papers for the year end and Annual Accounts process.</p> <p>Llais have been developing its finance team structures, including a new post, to meet the additional requirements for a statutory body. This will also allow for the separation of responsibilities so that senior officers can undertake a quality review.</p>
Implementation date	December 2023 to March 2024

Exhibit 5: matter arising 2

Matter arising 2 – Procedures for the declaration of interests of members and senior employees require strengthening	
Findings	<p>Our audit identified that declaration of interest forms do not currently consider those relationships that may arise from interests of members'/senior employees' spouse/family members.</p> <p>Also, it is good practice to received positive affirmation from member/senior employees of their interests as at 31 March.</p>
Priority	Medium
Recommendation	<p>We recommend that the declaration of interest forms are updated to include consideration/disclosure of positions held by spouse/family members that may have an influence on the operations of Llais.</p> <p>We recommend that the exercise to collate declarations of interest is undertaken annually around year end, or at the very least positive, written affirmation is received from each member/senior employee that the register of interests is correct as at 31 March.</p>
Benefits of implementing the recommendation	Improved procedures will reduce the risk of an unidentified/undisclosed conflict of interest.
Accepted in full by management	Yes
Management response	In addition to the existing arrangements, where at each Board meeting members confirm their declaration of interests, the Governance and Board Manager will enhance the declaration form to cover related/family interests as well as setting up a formal year end process/procedure.

Implementation date

January 2024 to March 2024



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